

NEW ISSUE /  
BOOK ENTRY ONLY

RATINGS (see **RATINGS**): Moody's: Baa1  
S & P: A-  
Insured (Assured Guaranty Municipal Corp.):  
Moody's: Aa3 (negative outlook)  
S & P: AAA (negative outlook)

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, interest on the Series 2010 Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. In addition, in the opinion of Bond Counsel, under existing statutes, the Series 2010 Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee. See **TAX MATTERS**.*

**\$66,300,000**  
**Metropolitan Nashville Airport Authority**  
**(Tennessee)**  
**Special Facility Revenue Bonds**  
**(MPC CONRAC LLC Project), Series 2010**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside front cover**

The Metropolitan Nashville Airport Authority (the "Authority") is issuing the Series 2010 Bonds, together with other available funds, to finance the development and construction of a new consolidated rental car facility and related improvements, including quick turnaround facilities (as further described herein, the "CONRAC Facility" or the "Project") at the Nashville International Airport (the "Airport"), fund certain deposits to the Debt Service Reserve Fund and Coverage Fund, and pay certain costs of issuance of the Series 2010 Bonds. The Authority is issuing the Series 2010 Bonds pursuant to a resolution of the Authority adopted on November 18, 2009, and an Indenture dated as of February 1, 2010 (the "Indenture") between the Authority and U.S. Bank National Association, Nashville, Tennessee, as Trustee (the "Trustee").

The Authority is (i) leasing the CONRAC Facility to MPC CONRAC LLC ("CONRAC LLC"), a special purpose entity created by the Authority, under a Special Facility Lease Agreement dated as of February 1, 2010, and (ii) leasing back the CONRAC Facility from CONRAC LLC under a Special Facility Sublease Agreement dated as of February 1, 2010. The Authority has entered into a Consolidated Rental Car Lease Agreement (collectively, the "CRC Lease Agreements") with the rental car companies that will use the CONRAC Facility, which agreements provide for the collection and remittance of a customer facility charge collected from on-Airport rental car customers and certain other rentals payable by the rental car companies. The Series 2010 Bonds are payable (except to the extent payable from certain other moneys pledged therefor) from and secured by a pledge of certain rental payments derived from customer facility charges under the foregoing leases. **The Series 2010 Bonds are limited obligations of the Authority and will not constitute or be a charge on any moneys or other property of the Authority not specifically pledged thereto by the Indenture or constitute or be an obligation of The Metropolitan Government of Nashville and Davidson County, Tennessee, or of any other governmental entity of the State of Tennessee other than the Authority. See SECURITY FOR THE SERIES 2010 BONDS.**

The Series 2010 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). The ultimate purchasers of the Series 2010 Bonds will own them through the book-entry only system maintained by DTC. The Series 2010 Bonds will be issued in denominations of \$5,000 and integral multiples thereof. So long as Cede & Co. is the registered owner of the Series 2010 Bonds, principal of, premium, if any, and interest on the Series 2010 Bonds will be payable by the Trustee to DTC. DTC in turn will remit such payments to its participants for subsequent disbursement to beneficial owners of the Series 2010 Bonds, as more fully described herein. Interest on the Series 2010 Bonds will be payable on each January 1 and July 1, commencing July 1, 2010. See **THE SERIES 2010 BONDS**.

**AN INVESTMENT IN THE SERIES 2010 BONDS INVOLVES CERTAIN RISKS.** For more complete information with respect to the security and sources of payment for the Series 2010 Bonds and certain risks with respect thereto, see **SECURITY FOR THE SERIES 2010 BONDS** and **CERTAIN INVESTMENT CONSIDERATIONS**.

The Series 2010 Bonds are subject to redemption prior to maturity as more fully described in **THE SERIES 2010 BONDS - Redemption**.

The scheduled payment of principal of and interest on the Series 2010 Bonds when due will be guaranteed under a financial guaranty policy to be issued concurrently with the delivery of the Series 2010 Bonds by **ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.)**.



This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Series 2010 Bonds. Investors are advised to read the Official Statement in its entirety before making an investment decision.

*The Series 2010 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality by Bond Counsel. Certain legal matters will be passed upon for the Authority by its general counsel Adams and Reese LLP, Nashville, Tennessee, and by its special counsel Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C., Nashville, Tennessee, and for the Underwriters by Christian & Barton, L.L.P., Richmond, Virginia and Gonzalez Saggio & Harlan LLP, Nashville, Tennessee. It is expected that delivery of the Series 2010 Bonds in definitive form will take place through the facilities of DTC on or about February 11, 2010.*

**Morgan Keegan & Company, Inc.**

**J.P. Morgan**

**Loop Capital Markets, LLC**

Dated: January 28, 2010

**\$66,300,000**

**Metropolitan Nashville Airport Authority  
(Tennessee)**

**Special Facility Revenue Bonds  
(MPC CONRAC LLC Project), Series 2010**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIP NUMBERS**

<b><u>Maturity (July 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Price</u></b>	<b><u>CUSIP No</u></b> <sup>(1)</sup>
2012	\$ 1,580,000	2.247%	100%	592195 AH4
2013	1,745,000	3.170	100	592195 AJ0
2014	1,905,000	3.728	100	592195 AK7
2015	2,090,000	4.128	100	592195 AL5
2016	2,285,000	4.466	100	592195 AM3
2017	2,480,000	4.816	100	592195 AN1
2018	2,695,000	5.137	100	592195 AP6
2019	2,840,000	5.387	100	592195 AQ4
2020	3,000,000	5.537	100	592195 AR2
2021	3,175,000	5.787	100	592195 AS0
2022	3,365,000	5.937	100	592195 AT8
2023	3,575,000	6.087	100	592195 AU5
2024	3,800,000	6.187	100	592195 AV3

**\$31,765,000 6.793% Series 2010 Term Bonds due July 1, 2029,  
priced at 100%, CUSIP No. 592195 AW1 <sup>(1)</sup>**

- (1) CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2010 Bonds or as indicated above.

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***Redemption.*** The Series 2010 Bonds maturing on or before July 1, 2020, are not subject to redemption prior to maturity. The Series 2010 Bonds maturing on or after July 1, 2021, are subject to redemption prior to maturity at the option of the Authority, on or after July 1, 2020, in whole or in part (in \$5,000 integrals) at any time, upon payment of 100% of the principal amount of the Series 2010 Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption. See **THE SERIES 2010 BONDS – Redemption** for a description of the redemption features of the Series 2010 Bonds.

# **METROPOLITAN NASHVILLE AIRPORT AUTHORITY**

## **BOARD OF COMMISSIONERS**

James H. Cheek, III  
*Chairman*

Jack O. Bovender, Jr.  
Mayor Karl F. Dean  
Rod Essig  
Frank M. Garrison  
Robert J. Joslin

William A. Martin  
Juli H. Mosley, P.E.  
A. Dexter Samuels  
Robert J. Walker

## **EXECUTIVE STAFF AND OFFICERS**

Raul L. Regalado	President – Chief Executive Officer
Montford (Monty) O. Burgess	Senior Vice President – Chief Operating Officer
Stan R. Van Ostran	Vice President – Chief Financial Officer
Robert C. Watson	Senior Vice President – Chief Legal Officer
Kinney Baxter	Senior Vice President – Chief Engineer
Vanessa J. Hickman	Chief Information Officer
Walt Matwijec	Assistant Vice President – Continuous Improvement
John Howard, Jr.	Assistant Vice President – Properties and Business Development
Amelia (Amy) W. Armstrong	Vice President – Chief People Officer

## **REGARDING THIS OFFICIAL STATEMENT**

This Official Statement is being used in connection with the initial offering and sale of the Series 2010 Bonds and may not be reproduced or be used, whether in whole or in part, for any other purpose. No guarantee is made, however, as to the accuracy or completeness of information obtained from other sources by the Authority or the underwriters of the Series 2010 Bonds as shown on the cover page of this Official Statement (the “Underwriters”).

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY EITHER THE AUTHORITY OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SERIES 2010 BONDS OR THE MATTERS DESCRIBED HEREIN, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER THE AUTHORITY OR THE UNDERWRITERS. THIS OFFICIAL STATEMENT AND THE APPENDICES HERETO DO NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2010 BONDS, BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION, OR SALE. THE INFORMATION DESCRIBED HEREIN HAS BEEN OBTAINED FROM SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION SET FORTH HEREIN CONCERNING THE DEPOSITORY TRUST COMPANY (“DTC”), THE FEASIBILITY REPORT PRODUCED BY RICONDO & ASSOCIATES, INC. (THE “AIRPORT CONSULTANT” OR “RICONDO”), AND ASSURED GUARANTY MUNICIPAL CORP. (“ASSURED GUARANTY MUNICIPAL” OR THE “BOND INSURER”), FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC., HAVE BEEN FURNISHED BY DTC, THE AIRPORT CONSULTANT AND THE BOND INSURER, RESPECTIVELY, AND NO REPRESENTATION IS MADE BY EITHER THE AUTHORITY OR THE UNDERWRITERS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THIS OFFICIAL STATEMENT IS SUBMITTED IN CONNECTION WITH THE SALE OF THE SERIES 2010 BONDS REFERRED TO HEREIN AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE.

Upon issuance, the Series 2010 Bonds will not be registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, any state securities commission, or any other federal, state, municipal or other governmental entity or agency, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such act.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2010 BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE SERIES 2010 BONDS ARE RELEASED FOR SALE, AND THE SERIES 2010 BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE SERIES 2010 BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is marked with a dated date and speaks only as of that dated date. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters or affairs of any of the parties described herein since the date hereof. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the Official Statement that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the Official Statement. Any information contained in the portion of the Official Statement indicated to concern recent events speaks only as of its date.

This Official Statement contains certain projections or estimates, as well as assumptions made by and information currently available to the Authority. When information presented herein is not a recitation of historical fact, it constitutes “forward looking statements.” When used in this Official Statement, the words, “anticipate,” “estimate,” “expect” and similar expressions are intended to identify projections and estimates. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. The assumptions and expectations concerning the receipt in future years of CFCs (as defined herein) that secure the Series 2010 Bonds are subject to various uncertainties that may adversely affect the amount of CFCs the Authority collects. Hence, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc., and referred to as “Assured Guaranty Municipal” or the “Bond Insurer”) makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, Assured Guaranty Municipal has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Municipal supplied by Assured Guaranty Municipal and contained under **MUNICIPAL BOND INSURANCE** and in **Appendix G – Specimen Municipal Bond Insurance Policy**.

The Authority expressly disclaims any duty to provide an update of any information contained in this Official Statement, except as agreed upon by the Authority pursuant to the provisions of its Continuing Disclosure Certificate. See **CONTINUING DISCLOSURE** and **Appendix F – Form of Continuing Disclosure Certificate**.

This Official Statement does not constitute a contract between any of the parties described herein and any one or more of the purchasers or registered owners of the Series 2010 Bonds.

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**\$66,300,000**

**METROPOLITAN NASHVILLE AIRPORT AUTHORITY  
(Tennessee)**

**SPECIAL FACILITY REVENUE BONDS  
(MPC CONRAC LLC PROJECT), SERIES 2010**

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**INTRODUCTORY STATEMENT**

This Official Statement is provided to furnish information in connection with the sale by The Metropolitan Nashville Airport Authority (the “*Authority*”) of its Special Facility Revenue Bonds (MPC CONRAC LLC Project), Series 2010, in the aggregate principal amount of \$66,300,000 (the “*Series 2010 Bonds*”). The Series 2010 Bonds are issued pursuant to the Metropolitan Airport Authority Act, Tenn. Code Anno. §42-4-101 *et seq.* (the “*Act*”), a resolution of the Authority adopted on November 18, 2009, and an Indenture, dated as of February 1, 2010, as the same may be amended and supplemented from time to time (the “*Indenture*”), between the Authority and U.S. Bank National Association, Nashville, Tennessee, as trustee (the “*Trustee*”).

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact. No representation or warranty is made as to the correctness of such estimates and matters of opinion, or that they will be realized. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Such information is not intended to indicate future or continuing trends in the financial or economic position of the Authority, the Airport (as defined below) or the CONRAC Facility (as defined below). Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Airport or the CONRAC Facility since the date hereof.

**Certain capitalized terms used in this Official Statement are defined in Appendix B – Summary of Certain Provisions of the Indenture, Lease Agreement and Sublease Agreement and Appendix C – Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements.**

*Purpose of Financing -- The CONRAC Facility.* The Authority is issuing the Series 2010 Bonds, the proceeds of which will be used, together with CFCs (as defined below) on hand and to be collected during the construction period, to finance the development and construction of a new consolidated rental car facility and related improvements, including quick turnaround facilities (as further described below, the “*CONRAC Facility*” or the “*Project*”) at Nashville International Airport (the “*Airport*”), fund certain deposits to the Debt Service Reserve Fund and Coverage Fund, and pay certain costs of issuance of the Series 2010 Bonds. See **THE PROJECT** and **SOURCES AND USES OF BOND PROCEEDS**.

*The Authority.* The Authority is a metropolitan airport authority created on February 9, 1970, pursuant to the Act, as a public and governmental body acting as an agency and instrumentality of The Metropolitan Government of Nashville and Davidson County, Tennessee (the “*Metropolitan Government*”). The principal purpose of the Authority is the management and operation of the Airport

and other airports and auxiliary fields, either acquired or placed under its control. See **THE AUTHORITY** and **THE AIRPORT**.

*The Series 2010 Bonds.* The Series 2010 Bonds are dated the date of their delivery, with principal payments due annually on July 1 from 2012 through 2029. Interest on the Series 2010 Bonds will be payable semi-annually on January 1 and July 1 commencing July 1, 2010, until the earlier of maturity or redemption. See **THE SERIES 2010 BONDS**.

As long as the Series 2010 Bonds are held by The Depository Trust Company, New York, New York (“DTC”), or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. The Series 2010 Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be held by DTC or by its nominee as securities depository with respect to the Series 2010 Bonds.

*Redemption.* The Series 2010 Bonds maturing on or before July 1, 2020 are not subject to redemption prior to maturity. The Series 2010 Bonds maturing on and after July 1, 2021 are subject to redemption prior to maturity, at the option of the Authority, in whole or in part (in \$5,000 integrals) as set forth herein. The Series 2010 Bonds maturing on July 1, 2029, are required to be redeemed prior to maturity in part in sinking fund installments upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date. A more complete description of the redemption features is provided in **THE SERIES 2010 BONDS - Redemption**.

*Limited Obligations; Customer Facility Charges.* The Series 2010 Bonds are limited obligations, payable solely from and secured by a pledge of the “*Net Rent Payments*” (as defined herein) derived from “*Customer Facility Charges*” or “*CFCs*” (as defined below) and other funds as described herein. The Customer Facility Charges were authorized by resolution of the Authority adopted on November 26, 2007, as amended and restated during 2008 and amended and restated again on November 18, 2009 (together, the “*CFC Enabling Resolution*”). The pledge and lien of the Series 2010 Bonds is on a parity as to payment with any Additional Bonds and Refunding Bonds hereafter issued under the Indenture. See **SECURITY FOR THE SERIES 2010 BONDS – Additional Bonds**. The Series 2010 Bonds, any Additional Bonds and any Refunding Bonds hereafter issued under the Indenture are collectively referred to as the “*CFC Bonds*.”

**The Series 2010 Bonds are limited obligations of the Authority and will not in any manner or to any extent constitute or be a charge on any moneys or other property of the Authority not specifically pledged thereto by the Indenture or constitute or be an obligation of the Metropolitan Government or of any other governmental entity of the State of Tennessee other than the Authority. The Authority has no taxing power.**

*Customer Facility Charge.* The Authority has imposed a customer facility charge (“CFC”) paid by customers of the rental car companies at the Airport, as such CFC may be changed from time to time by resolution of the Authority, in order to finance the CONRAC Facility, among other purposes. Effective January 1, 2010, the Authority increased the CFC from \$4.00, its initial level, to \$4.50 per transaction day. The customers renting motor vehicles at the Airport pay the CFC to the current on-airport rental car companies (each, an “*On-Airport Rental Car Company*” and together, the “*On-Airport Rental Car Companies*”) located on Airport premises. **The Series 2010 Bonds are not an indebtedness or other liability of the On-Airport Rental Car Companies, and the On-Airport Rental Car Companies are not liable for any payments relating to the Series 2010 Bonds, other than timely remitting the CFC proceeds collected by such operators from their on-Airport customers to the Authority and, under certain circumstances, the payment of Contingent Rent.** See **SECURITY FOR THE SERIES 2010 BONDS**.



*Special Facility Bonds.* The Authority has issued various series of its “*Airport Improvement Revenue Bonds*”, pursuant to an Airport Improvement Revenue Bond Resolution adopted by the Board of Commissioners of the Authority on August 15, 1991 (as amended and supplemented from time to time, the “*General Bond Resolution*”). As of June 30, 2009, \$235,780,000 aggregate principal amount of Airport Improvement Revenue Bonds were outstanding. The Authority is presently contemplating an issue of Airport Improvement Revenue Refunding Bonds, in the amount of \$25,770,000, to refund the Authority’s Airport Improvement Bonds, Series 2008B. The issuance of such refunding bonds is anticipated concurrently with the Series 2010 Bonds. All of such Airport Improvement Revenue Bonds are secured by a pledge of, and lien on “Net Revenues” derived by the Authority from the operation of the Airport. The CFCs are not in and of themselves a part of Airport Revenues or Net Revenues as defined in the General Bond Resolution. *No Airport properties, including the CONRAC Facility, are mortgaged as part of the security for the Series 2010 Bonds. Further, the Airport Revenues derived by the Authority from the operation of the Airport are not pledged for the payment of and do not constitute security for the Series 2010 Bonds.*

*The Leases.* The Authority will enter into a Special Facility Lease Agreement (the “*Lease Agreement*”), dated as of February 1, 2010, with MPC CONRAC LLC (“*CONRAC LLC*”), pursuant to which it will lease the site of the CONRAC Facility and the CONRAC Facility to CONRAC LLC. In turn, CONRAC LLC, as sublessor, will sublease the site of the CONRAC Facility (and the CONRAC Facility) to the Authority, as sublessee, pursuant to a Special Facility Sublease Agreement (the “*Sublease Agreement*”), dated as of February 1, 2010.

The Authority will provide for the construction of the CONRAC Facility. See **THE PROJECT – Construction Contract**.

*The Rental Car Company Agreements.* Each On-Airport Rental Car Company has submitted to the Authority an executed Consolidated Rental Car Facility Lease Agreement dated as of January 4, 2010 (collectively, the “*CRC Lease Agreements*”). The Authority is expected to approve and execute each of these agreements prior to the issuance of the Series 2010 Bonds. The CRC Lease Agreements provide for the leasing to the On-Airport Rental Car Companies of certain interests in the CONRAC Facility, and the lease payments to the Authority for such lease interests. Under the CRC Lease Agreements, the On-Airport Rental Car Companies remit CFCs to the Authority which has pledged them, net of certain amounts including Ground Rent due the Authority and certain administrative or other expenses of the Airport properly attributable to the CONRAC Facility and the compensation of or any payments required to be made to the Trustee, to the Trustee to secure the payment of the CFC Bonds. See **SECURITY FOR THE SERIES 2010 BONDS**. The CRC Lease Agreements have an initial fifteen-year term, with one five-year renewal term at the option of the respective On-Airport Rental Car Company. See **Appendix C – Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements**.

Upon opening of the CONRAC Facility, each On-Airport Rental Car Company will operate at the Airport under a Car Rental Concession Agreement with the Authority dated as of January 4, 2010 (collectively, the “*Concession Agreements*”). Under its Concession Agreement, an On-Airport Rental Car Company will pay certain fees and charges to the Authority. Such fees and charges are “Airport Revenues” under the General Bond Resolution and are not pledged as security for the Series 2010 Bonds. The Concession Agreements each have a fifteen year term.

The following On-Airport Rental Car Companies have executed a CRC Lease Agreement and Concession Agreement: Avis Budget Group, Inc. (operating the Avis and Budget brands), Burgner Enterprises, Inc. (d/b/a Thrifty Car Rental), DTG Operations, Inc. (d/b/a Dollar Rent A Car), Enterprise

Rent-A-Car Company of Tennessee, LLC (operating the Alamo, Enterprise and National brands) and The Hertz Corporation (operating the Hertz brand and potentially the Advantage brand at the Airport).

*Security for the Series 2010 Bonds -- Application of CFCs Under Leases.* The Series 2010 Bonds are limited obligations, payable solely from and secured by a pledge of the Net Rent Payments derived from CFCs and certain other funds as described herein.

The Authority is leasing the CONRAC Facility to CONRAC LLC under the Lease Agreement and leasing back the CONRAC Facility from CONRAC LLC under the Sublease Agreement. In turn, the Authority has leased the CONRAC Facility to the On-Airport Rental Car Companies under the CRC Lease Agreements. Under the CRC Lease Agreements, the On-Airport Rental Car Companies have agreed to implement the Authority's imposition of the CFC by collecting the CFC on all vehicle rental transactions as specifically set forth in the CFC Enabling Resolution. The On-Airport Rental Car Companies are to pay to the Authority all CFCs collected at the Airport, as well as Land Rent, Contingent Rent and certain other sums as provided in the CRC Lease Agreements. See **SECURITY FOR THE SERIES 2010 BONDS; THE RENTAL CAR COMPANIES – CRC Lease Agreements;** and **Appendix C - Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements.**

Net Rent Payments pledged as security for the Series 2010 Bonds consist of CFCs levied by the Authority and collected by the On-Airport Rental Car Companies, as described in **THE RENTAL CAR COMPANIES**, and paid under the CRC Lease Agreements to the Authority, which has pledged them to the Trustee to secure the payment of the CFC Bonds. Net Rent Payments do not include Ground Rent and certain administrative or other expenses of the Airport properly attributable to the CONRAC Facility and the compensation of or any payments required to be made to the Trustee.

The Series 2010 Bonds are additionally secured by a debt service reserve fund, coverage fund and certain other funds established and held under the Indenture as described in **SECURITY FOR THE SERIES 2010 BONDS.**

*Rate Covenant.* The Authority has covenanted in the Indenture that at all times CFCs, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility shall be imposed, prescribed and adjusted to provide Net Rent Payments in each Fiscal Year (together with investment earnings on the funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of such Fiscal Year) in an amount at least equal to one hundred twenty-five percent (125%) of Debt Service on all Bonds Outstanding in such Fiscal Year. See **SECURITY FOR THE SERIES 2010 BONDS – Rate Covenant.**

*Investment Considerations.* The purchase and ownership of the Series 2010 Bonds involves certain investment considerations. Prospective purchasers of the Series 2010 Bonds are urged to read this Official Statement in its entirety. For a discussion of certain investment considerations relating to the Series 2010 Bonds, see **CERTAIN INVESTMENT CONSIDERATIONS.**

*Bond Insurance.* Payment of the principal of and interest on (but not premium on) the Series 2010 Bonds when due will be secured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series 2010 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the “*Bond Insurer*”). See **MUNICIPAL BOND INSURANCE.**

*Bond Insurer Deemed Holder of Series 2010 Bonds.* So long as the Municipal Bond Insurance Policy shall remain in full force and effect, and so long as the Bond Insurer is not then in default

thereunder, the Bond Insurer shall be deemed to be the sole holder of the Series 2010 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2010 Bonds are entitled to take pursuant to the Indenture, the Lease or the Sublease pertaining to (i) defaults and remedies, (ii) the duties and obligations of the Trustee, or (iii) any amendment, supplement, modification to, or waiver of, the Indenture, the Lease or the Sublease that requires the consent of the holders of the Series 2010 Bonds.

*Feasibility Report.* The Authority retained Ricondo & Associates, Inc., (the “*Airport Consultant*”) to prepare the Feasibility Report dated January 15, 2009 (the “*CONRAC Feasibility Report*”), which is attached hereto as **Appendix A**. The CONRAC Feasibility Report concludes that, based on the assumptions set forth therein, during the Fiscal Years 2010 through 2019 the revenues derived from the CFCs will be sufficient to meet the rate covenant for the Series 2010 Bonds. **POTENTIAL PURCHASERS OF THE SERIES 2010 BONDS SHOULD READ THE CONRAC FEASIBILITY REPORT IN ITS ENTIRETY. AS STATED IN THE CONRAC FEASIBILITY REPORT, THERE WILL USUALLY BE DIFFERENCES BETWEEN THE FORECASTED DATA AND ACTUAL RESULTS BECAUSE EVENTS AND CIRCUMSTANCES FREQUENTLY DO NOT OCCUR AS EXPECTED, AND THOSE DIFFERENCES MAY BE MATERIAL.** See **Appendix A – Report of the Airport Consultant.**

*Delivery.* The Series 2010 Bonds are offered for delivery, when, as and if issued, subject to the approval of their validity by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the Authority by its general counsel, Adams and Reese LLP, Nashville, Tennessee, and by its special counsel, Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C., and for the Underwriters by their counsel, Christian & Barton, L.L.P., Richmond, Virginia and Gonzalez Saggio & Harlan LLP, Nashville, Tennessee. It is expected that the Series 2010 Bonds will be available for delivery, at the expense of the Authority, in New York, New York, through the facilities of DTC, on or about February 11, 2010.

*Ratings.* The Series 2010 Bonds have been rated as shown in **RATINGS** by Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041. For a more complete description of the ratings, see **RATINGS**.

*Financial Advisor.* Public Financial Management, Memphis, Tennessee, is engaged as Financial Advisor to the Authority in connection with the issuance of the Series 2010 Bonds.

*Continuing Disclosure.* The Authority has agreed to execute a Continuing Disclosure Certificate at closing to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the “*Rule*”), promulgated by the Securities and Exchange Commission (the “*SEC*”) and as in effect on the date hereof, pursuant to which the Authority will provide certain annual financial information and material event notices required by the Rule. See **CONTINUING DISCLOSURE**.

*Additional Information.* This Official Statement contains brief descriptions of the Authority and the Airport, the Series 2010 Bonds, the security and sources of payment for the Series 2010 Bonds, the CONRAC Feasibility Report, and summaries of the terms of the Series 2010 Bonds, and certain provisions of the CFC Enabling Resolution, the Indenture, the Lease Agreement, the Sublease Agreement, CRC Lease Agreements and Concession Agreements. All references herein to agreements or documents do not purport to be comprehensive and are qualified in their entirety by references to the definitive forms thereof, and all references to the Series 2010 Bonds are further qualified by reference to the information with respect thereto contained in the Indenture. Copies of such documents are available during the initial offering period from the Authority, located at Nashville International Airport, One

Terminal Drive, Suite 501, Nashville, Tennessee 37214, Attention: Stan Van Ostran, Vice-President-Chief Financial Officer, from the principal offices of Morgan Keegan & Company in Memphis, Tennessee and Richmond, Virginia and JP Morgan Securities Inc. in New York, New York, and after the initial delivery of the Series 2010 Bonds, at the corporate trust office of the Trustee in Nashville, Tennessee.

## THE SERIES 2010 BONDS

### General

The Series 2010 Bonds are dated the date of their delivery and will mature annually on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Series 2010 Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be held by The Depository Trust Company, New York, New York (“DTC”), or by its nominee as securities depository with respect to the Series 2010 Bonds. As long as the Series 2010 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. If such interest payment date is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on the interest payment date and no additional interest shall accrue. The registration books are kept by the Trustee.

As long as the Municipal Bond Insurance Policy is in effect and the Bond Insurer is not in default with respect thereto, the Bond Insurer is considered the sole owner of the Series 2010 Bonds with respect to certain actions taken under the Indenture. See **Appendix B – Summary of Certain Provisions of the Indenture, the Lease Agreement and the Sublease Agreement -- Bond Insurer Deemed Holder of Series 2010 Bonds for Certain Purposes.**

### Redemption

*Optional Redemption.* The Series 2010 Bonds maturing on or before July 1, 2020, are not subject to redemption prior to maturity.

The Series 2010 Bonds maturing on or after July 1, 2021, are subject to redemption prior to maturity at the option of the Authority, on or after July 1, 2020, in whole or in part (in \$5,000 integrals) at any time, upon payment of 100% of the principal amount of the Series 2010 Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

*Mandatory Redemption.* The Series 2010 Bonds maturing July 1, 2029 shall be redeemed by sinking fund installments which shall be accumulated in the CONRAC Term Bond Principal Account in the CONRAC Bond Fund in amounts sufficient to redeem on July 1 of each year the principal amount of such Series 2010 Bonds specified for the year set forth below, at a redemption price equal to the principal amount redeemed plus accrued interest:

Year	Amount
2025	\$ 4,055,000
2026	4,340,000
2027	4,645,000
2028	4,790,000
2029 *	13,755,000

\* Final maturity.

*Manner of Redemption.* In the event of the redemption of Series 2010 Bonds, if less than all of the Series 2010 Bonds are to be redeemed, the Series 2010 Bonds to be redeemed shall be selected *pro-rata* or in such manner as the Trustee in its discretion may determine. If less than all of the Series 2010 Bonds of a particular maturity are called for redemption, DTC or any successor securities depository will select the Series 2010 Bonds to be redeemed pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either case, each portion of the \$5,000 principal amount is counted as one Series 2010 Bond for such purpose.

*Notice of Redemption.* Notice of such redemption shall be mailed not more than sixty (60) nor less than thirty (30) days prior to the redemption date, by registered or certified mail, to each holder of Series 2010 Bonds designated for redemption at his address as shown on the books of registry and any two national information services. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice.

If at the time of the giving of any notice of optional or extraordinary redemption there shall not be on deposit with the Paying Agent moneys sufficient to redeem all the Series 2010 Bonds called for redemption, the notice of redemption shall state that the redemption of such Series 2010 Bonds is conditional and subject to deposit of moneys with the Paying Agent sufficient to redeem all such Series 2010 Bonds not later than the opening of business on the redemption date, and that such notice shall be of no effect with respect to any of such Series 2010 Bonds for which moneys are not on deposit. If the amount on deposit with the Paying Agent, or otherwise available, is insufficient to pay the redemption price and accrued interest on the Series 2010 Bonds called for redemption on such date, the Paying Agent shall redeem and pay on such date an amount of such Series 2010 Bonds for which such moneys or other available funds are sufficient, selecting the maturities of Series 2010 Bonds to be redeemed and Series 2010 Bonds within a maturity to be redeemed *pro rata*.

### **Book-Entry Only System**

DTC will act as security depository for the Series 2010 Bonds pursuant to a book-entry system. Information regarding DTC and its book-entry system, provided by DTC, appears as **Appendix E – Information Regarding the Depository Trust Company and its Book-Entry System**. Such information has been provided by DTC, and the Authority does not assume any responsibility for the accuracy or completeness of such information. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event Series 2010 Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Series 2010 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined in **Appendix E**) and Cede & Co. will be treated as the registered holder of the Series 2010 Bonds for all purposes under the Indenture.

Neither the Authority nor the Trustee has any responsibility or obligation to the Participants (as defined in **Appendix E**) or the Beneficial Owners with respect to (A) the accuracy of any records maintained by DTC or any Participant; (B) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2010 Bonds; (C) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Series 2010 Bondholders; or (D) any other action taken by DTC, or its nominee, Cede & Co., as the Series 2010 Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

## SECURITY FOR THE SERIES 2010 BONDS

Brief descriptions of the source of payment of the Series 2010 Bonds, the flow of funds under the Indenture, the Authority's rate covenant and certain other provisions of the Indenture are provided in this Official Statement. The descriptions provided herein are qualified in their entirety by the applicable provisions of the Indenture. See **Appendix B – Summary of the Indenture, Lease Agreement and Sublease Agreement**.

*The Series 2010 Bonds are limited obligations of the Authority and shall never constitute an indebtedness or a general obligation of the State of Tennessee or any political subdivision or body politic and corporate thereof, including the Metropolitan Government, other than the Authority, within the meaning of any provision of the Constitution and laws of the State of Tennessee. **The Authority has no taxing power.***

The Series 2010 Bonds are payable solely from amounts realized from CFCs, Contingent Rent and certain other funds as more particularly and specifically described in this Official Statement. **NEITHER THE CONRAC FACILITY NOR ANY OTHER FACILITIES OR PROPERTIES OF THE AUTHORITY OR OF THE ON-AIRPORT RENTAL CAR COMPANIES ARE PLEDGED AS SECURITY FOR THE SERIES 2010 BONDS, AND NO FACILITIES OF CONRAC LLC ARE PLEDGED AS SECURITY FOR THE SERIES 2010 BONDS. THE AUTHORITY'S AIRPORT REVENUES ARE NOT PLEDGED AND WILL NOT BE AVAILABLE TO REPAY THE SERIES 2010 BONDS.**

### General

Pursuant to the Indenture, the CFC Bonds, consisting of the Series 2010 Bonds and any Additional Bonds and Refunding Bonds, are limited obligations, solely payable from and secured by a lien and charge on the Net Rent Payments, which have been pledged and assigned to the Trustee as described below.

In addition to the Net Rent Payments, the Authority has also pledged and assigned to the Trustee under the Indenture: (i) the Construction Contract, (ii) the CRC Lease Agreements, (iii) the Lease Agreement, (iv) the Sublease Agreement, (v) the proceeds of the CFC Bonds; (vi) amounts on deposit in the Funds established thereunder, and (vii) all investment earnings on amounts held in the Funds established thereunder (the Net Rent Payments and the items listed in (i), (ii), (iii), (iv), (v), (vi) and (vii) above are collectively the "*Trust Estate*"). The pledge and lien of the Series 2010 Bonds upon the Trust Estate is on a parity as to payment with any Additional Bonds and Refunding Bonds hereafter issued under the Indenture.

### Customer Facility Charges

Under the CFC Enabling Resolution, the Authority has imposed the CFC on rental car customers, and the On-Airport Rental Car Companies are collecting the CFC under the terms of the CRC Lease Agreements and have agreed to remit the same to the Authority.

A CFC of \$4.50 per transaction day is currently charged to Airport rental car customers. Prior to January 1, 2010, the CFC was \$4.00 per transaction day. The number of rental car transaction days at the Airport is the basis for CFC collections at the Airport and is related to passenger levels and rental car demand at the Airport. See **THE RENTAL CAR COMPANIES – Customer Facility Charge**. The number of transaction days and the level of the CFC together form the basis for the payments paid by the

On-Airport Rental Car Companies to the Authority in respect to the CONRAC Facility, as described below and in **Appendix A – Report of the Airport Consultant**. The CRC Lease Agreements provide that the On-Airport Rental Car Companies are to make monthly payments of amounts due thereunder, as further described below.

The Authority has sole authority to require the collection of the CFC, to establish the amount of the CFC and to change the amount of the CFC from time to time.

### **Net Rent Payments**

The Authority is leasing the CONRAC Facility to CONRAC LLC under the Lease Agreement and leasing back the CONRAC Facility from CONRAC LLC under the Sublease Agreement. In turn, the Authority will lease the CONRAC Facility to the On-Airport Rental Car Companies under the CRC Lease Agreements. Under the CRC Lease Agreements, the On-Airport Rental Car Companies have agreed to collect the CFC on all vehicle rental transactions as specifically set forth in the CFC Enabling Resolution and the CRC Lease Agreements.

Net Rent Payments consist of Sublease Rental Payments less the Ground Rent, Costs of CFC Administration, any other administrative or other expenses of the Airport properly attributable to the CONRAC Facility and the compensation of or any payments required to be made to the Trustee. In turn, “Sublease Rental Payments” consist of (a) the revenues collected by the On-Airport Rental Car Companies and paid to the Authority as the result of the imposition of the CFC pursuant to the CFC Enabling Resolution, (b) Ground Rent Payments, (c) Contingent Rent Payments, (d) any property insurance proceeds paid to the Authority that are derived from insurance obtained by the Facility Manager pursuant to the Management Agreement that are not applied to repair the CONRAC Facility, and (e) any condemnation proceeds received by the Authority as a result of a total taking or any condemnation proceeds received as a result of a partial taking that are not applied to repair or restore the CONRAC Facility.

The practical effect of the foregoing is that Net Rent Payments consist of CFCs levied by the Authority and collected by the On-Airport Rental Car Companies, as described in **THE RENTAL CAR COMPANIES**, and paid under the CRC Lease Agreements to the Authority, which has pledged them to the Trustee to provide for the payment of the CFC Bonds.

### **Flow of Funds Under the Indenture**

All Sublease Rental Payments shall be collected by or for the account of the Authority and shall be deposited in the CONRAC Rental Payment Fund. The moneys in the CONRAC Rental Payment Fund, other than the CONRAC Ground Rental Payment Account, shall be applied as follows:

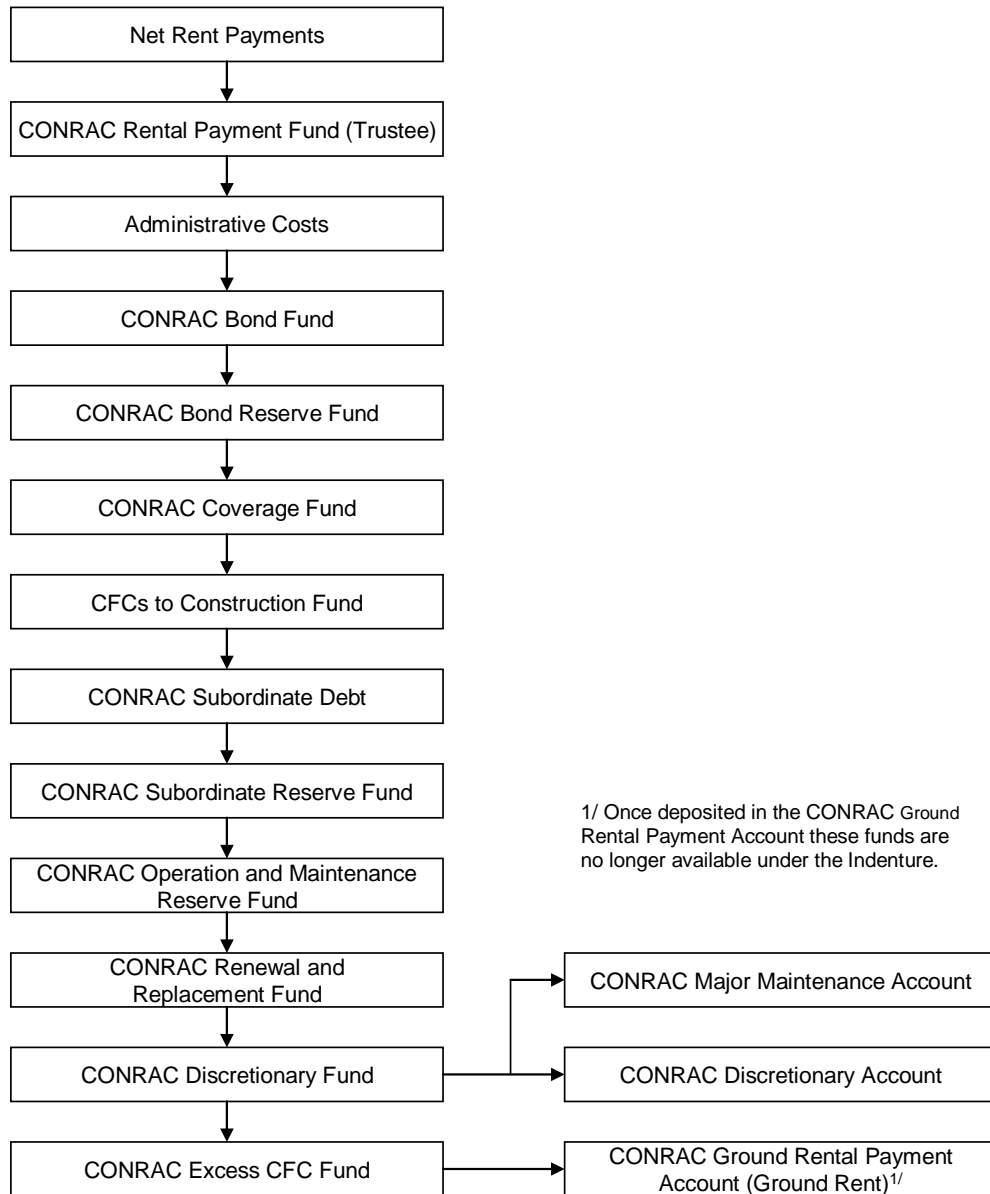
- (i) To the Authority an amount equal to the Costs of CFC Administration and administrative and other expenses of the Airport properly attributable to the CONRAC Facility and to the Trustee the compensation of or any payments required to be made to the Trustee;
- (ii) To the CONRAC Bond Fund and the accounts therein the amount required to make payments of principal of, premium, if any, and interest on the CFC Bonds;
- (iii) To the CONRAC Bond Reserve Fund, the amount, if any, required to be deposited in the CONRAC Bond Reserve Fund in order to maintain therein the amount of the CONRAC Bond Reserve Fund Requirement;

- (iv) To the CONRAC Coverage Fund, the amount required to maintain therein the amount of 25% of Debt Service on all CFC Bonds outstanding;
- (v) Prior to completion of construction of the CONRAC Facility, to the CONRAC Construction Fund certain amounts as and to the extent required under the Indenture to provide for the completion of construction of the CONRAC Facility;
- (vi) The amount required to pay debt service on any Subordinate Obligations;
- (vii) The amount, if any, required to be deposited in any reserve established for Subordinate Obligations;
- (viii) To the CONRAC Operation and Maintenance Reserve Fund, the amount required, if any, to be deposited therein to maintain the Operating Reserve Requirement;
- (ix) To the CONRAC Renewal and Replacement Fund, the amount required, if any, to be deposited therein to maintain the R & R Requirement;
- (x) To the CONRAC Discretionary Fund, the amount required, if any, to be deposited to the CONRAC Major Maintenance Account therein to maintain the Major Maintenance Requirement; and
- (xi) After making the deposits and credits as described above, any moneys remaining on deposit in the CONRAC Rental Payment Fund shall be deposited each month in the CONRAC Excess CFC Fund.

A schematic of the foregoing flow of funds is set forth on the following page.



## **Flow of Funds Under the Indenture**



*CONRAC Bond Reserve Fund.* The Indenture creates the CONRAC Bond Reserve Fund, to be held by the Trustee and maintained in an amount equal to the “CONRAC Bond Reserve Requirement.” The CONRAC Bond Reserve Requirement means, with respect to the Series 2010 Bonds, 10% of the par amount thereof, and with respect to any Additional Bonds, the CONRAC Bond Reserve Fund Requirement set forth in the Supplemental Indenture providing for the issuance thereof.

Amounts in the CONRAC Bond Reserve Fund shall be disbursed by the Trustee solely for the purpose of paying principal of and interest on CFC Bonds, for the payment of which there shall be insufficient money in the CONRAC Bond Fund.

*CONRAC Coverage Fund.* The Indenture creates the CONRAC Coverage Fund, to be held by the Trustee, and requires that the Authority satisfy the “Coverage Fund Requirement” at the time of the issuance of the Series 2010 Bonds. The Coverage Fund Requirement is an amount equal to 25% of maximum annual net Debt Service on all CFC Bonds Outstanding and will be funded upon issuance of the Series 2010 Bonds. If at any time the moneys on deposit in the CONRAC Coverage Fund are less than an amount equal to 25% of maximum annual net Debt Service on all CFC Bonds Outstanding, the deficiency shall be satisfied from Net Rent Payments, after making the deposits (i) through (iii) above, within 12 months of the date of such deficiency.

The moneys on deposit in the CONRAC Coverage Fund shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Operation and Maintenance Reserve Fund.* The Indenture creates the CONRAC Operation and Maintenance Reserve Fund, to be held by the Trustee, for the purpose of paying Reimbursable O&M Costs, which include certain required insurance costs, in the event moneys paid to the Facility Manager pursuant to the CRC Lease Agreements shall be insufficient to pay the same when due.

The CONRAC Operation and Maintenance Reserve Fund shall be maintained in an amount equal to the “Operating Reserve Requirement,” which is an amount estimated by the Consultant to be equal to three months of Reimbursable O&M Costs. The initial Operating Reserve Requirement is \$187,500, and the Indenture requires that this requirement be funded over a period not to exceed 12 months commencing upon the first business day of the month following the Deadline for Substantial Completion. If at any time during a Fiscal Year after the initial funding of the Operating Reserve Requirement, the CONRAC Operation and Maintenance Reserve Fund holds less than the Operating Reserve Requirement, the deficiency shall be satisfied from Net Rent Payments, after making the deposits (i) through (vii) above, within 12 months of the date of such deficiency.

The moneys on deposit in the CONRAC Operation and Maintenance Fund shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Renewal and Replacement Fund.* The Indenture creates the CONRAC Renewal and Replacement Fund, to be held by the Trustee, for the sole purpose of paying emergency non-recurring capital costs related to the CONRAC Facility as determined by the Authority.

The CONRAC Renewal and Replacement Fund shall be maintained in an amount equal to the “R & R Requirement,” which is the amount set forth in the report of the Consultant as necessary to provide for payment of emergency non-recurring capital costs related to the CONRAC Facility. The initial R & R

Requirement is \$3 million, and the Indenture requires that this requirement be funded over a period not to exceed 60 months, commencing upon the first business day of the month following the Deadline for Substantial Completion. If at any time during a Fiscal Year after the initial funding of the R & R Requirement, the CONRAC Renewal and Replacement Fund holds less than the R & R Requirement, the deficiency shall be satisfied from Net Rent Payments, after making the deposits (i) through (viii) above, within 12 months of the date of such deficiency.

The moneys on deposit in the CONRAC Renewal and Replacement Fund shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Discretionary Fund.* The Indenture creates the CONRAC Discretionary Fund, to be held by the Trustee, which contains a CONRAC Discretionary Account and a CONRAC Major Maintenance Account.

CONRAC Major Maintenance Account. The CONRAC Major Maintenance Account shall be held by the Trustee and used solely for Major Maintenance repairs or replacements and the costs of Additional Special Facilities. The CONRAC Major Maintenance Account shall be maintained in an amount equal to the “Major Maintenance Requirement,” which is the amount estimated by the Consultant to be necessary to make Major Maintenance repairs and replacements at the times estimated in the Consultant’s report.

The initial Major Maintenance Requirement is \$3 million, and the Indenture requires that this requirement be funded over a period not to exceed 60 months, commencing upon the first business day of the month following the Deadline for Substantial Completion. If at any time during a Fiscal Year after the initial funding of the Major Maintenance Requirement, the CONRAC Major Maintenance Account holds less than the Major Maintenance Requirement, the deficiency shall be satisfied from Net Rent Payments, after making the deposits (i) through (ix) above, within 12 months of the date of such deficiency, or such other period of time as determined by the Authority as the period necessary such that the Major Maintenance Requirement will be available in the amounts and at the times estimated by the Consultant in establishing the Major Maintenance Requirement.

The moneys on deposit in the CONRAC Major Maintenance Account shall be used solely for Major Maintenance repairs or replacements and the costs of Additional Special Facilities.

The moneys on deposit in the CONRAC Major Maintenance Account shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

CONRAC Discretionary Account. The Authority shall hold the CONRAC Discretionary Account, which shall be funded upon issuance of the Series 2010 Bonds, in an amount determined by the Authority, from available CFCs on hand. After such initial funding the Authority shall have no further obligation to make any additional deposits into the CONRAC Discretionary Account. The Authority may direct the Trustee to deposit additional monies from the CONRAC Discretionary Fund into the CONRAC Discretionary Account, if the Authority determines that the CONRAC Discretionary Account balance is not sufficient to meet its needs for any purpose in connection with the CONRAC Facility or related administrative costs for which funding is not otherwise provided. Amounts in the CONRAC Discretionary Account may be used by the Authority for any purpose in connection with the CONRAC Facility.

The moneys on deposit in the CONRAC Discretionary Fund shall be transferred to the CONRAC Rental Payment Fund only in the event necessary to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Excess CFC Fund.* The Indenture creates the CONRAC Excess CFC Fund to be held by the Authority. The Trustee shall deposit in the CONRAC Excess CFC Fund all remaining Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the deposits and transfers described in (i) through (x) above. The moneys on deposit in the CONRAC Excess CFC Fund shall be applied as follows:

- (i) to make up any deficiencies in any Fund or Account established under the Indenture, including the CONRAC Construction Fund, in the event such moneys are required to complete the CONRAC Facility;
- (ii) to transfer to Authority not later than thirty (30) days prior to the commencement of each Agreement Year an amount equal to the Ground Rent; and
- (iii) for any other lawful purpose as determined by the Authority.

Amounts remaining in the CONRAC Excess CFC Fund at such time as there are no longer any CFC Bonds Outstanding shall be paid to CONRAC LLC as an overpayment of rent under the Lease Agreement.

#### **Rate Covenant**

The Authority has covenanted in the Indenture that it will impose and prescribe, and will revise the same from time to time whenever necessary, in each Fiscal Year the CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility so that Sublease Rental Payments shall be sufficient:

- (i) to pay the principal of and interest and premium on the CFC Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise);
- (ii) to pay as and when the same become due all Ground Rent, Costs of CFC Administration and administrative and other expenses of the Airport properly attributable to the CONRAC Facility;
- (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Sublease Rental Payments; and
- (iv) to carry out all provisions and covenants of the Indenture.

Without limiting the foregoing, at all times and in any and all events such CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility shall be imposed, prescribed and adjusted to provide Net Rent Payments in each Fiscal Year (together with investment earnings on the Funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of such Fiscal Year) in an amount at least equal to one hundred twenty-five percent (125%) of Debt Service on all CFC Bonds Outstanding in such Fiscal Year.

The failure to comply with the foregoing rate covenant shall not constitute an Event of Default under the Indenture if the Authority shall promptly (i) cause the Consultant to make a study for the purpose of making recommendations with respect to the CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility in order to provide funds for all the payments and other requirements as specified in the foregoing rate covenant; (ii) consider the recommendations of the Consultant; and (iii) take such action as the Authority, in its discretion, may deem necessary to comply with the foregoing rate covenant.

In the event that the rates, fees and charges imposed by the Authority are insufficient to produce Net Rent Payments (together with amounts on deposit in the CONRAC Coverage Fund) in amounts referred to in clause (i) above, the Authority shall implement the recommendations of the Consultant; provided that, in preparing its study and making its recommendations, the Consultant shall not make any recommendations that would require the Authority to violate or otherwise be in contravention of any state or federal law, regulation or mandate or any other agreement to which the Authority is a party.

For forecasts of compliance with the rate covenant, see Section V in **Appendix A – Report of the Airport Consultant**.

### **Additional Bonds**

The Authority may, upon compliance with the applicable provisions of the CRC Lease Agreements and the Indenture, at any time and from time to time, issue one or more series of Additional Bonds for the purposes of paying costs (including capitalized interest for payment of interest on CFC Bonds, if any, and bond issuance and discount expenses) of alterations, additions, expansions, renovations, remodeling, reconstruction, re-equipping or changes to or completion of the CONRAC Facility including any Major Maintenance and any Additional Special Facilities.

To provide for the issuance of Additional Bonds, the Authority shall deliver to the Trustee:

- (i) a report of the Consultant to the effect that the projected CFC Revenues (together with investment earnings on the Funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of such Fiscal Year) for the three Fiscal Years following either the date of the issuance of such Additional Bonds or the date of final expenditure of any capitalized interest funded with the proceeds of such Additional Bonds, whichever is later, are expected, as of the end of each such Fiscal Year, to be at least equal to 1.25 times the annual Debt Service on all CFC Bonds (including such Additional Bonds) and any amounts required to be deposited (to the extent not funded with the proceeds of CFC Bonds) to the funds maintained under the Indenture, including the CONRAC Bond Reserve Fund, CONRAC Coverage Fund, CONRAC Operation and Maintenance Reserve Fund, CONRAC Renewal and Replacement Fund and the CONRAC Major Maintenance Account, or
- (ii) a certificate of the Authority to the effect that the CFC Revenues for the immediately preceding Fiscal Year (together with investment earnings on the Funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of such Fiscal Year) were at least equal to 1.25 times the maximum annual Debt Service on all CFC Bonds Outstanding (including such Additional Bonds) and any amounts required to be deposited (to the extent not funded with the proceeds of CFC Bonds) to the funds maintained under the Indenture, including the CONRAC Bond Reserve Fund, CONRAC Coverage Fund, CONRAC Operation and Maintenance

Reserve Fund, CONRAC Renewal and Replacement Fund and the CONRAC Major Maintenance Account.

The Authority may issue Additional Bonds without complying with the foregoing for the purpose of completing the CONRAC Facility, in an amount not to exceed 15% of the principal amount of the Series 2010 Bonds.

See **Appendix B – Summary of Certain Provisions of the Indenture, Lease Agreement and Sublease Agreement.**

### **Contingent Rent**

Under the CRC Lease Agreements, the On-Airport Rental Car Companies have agreed to pay “Contingent Rent” from their available funds to meet their respective payment obligations under the CRC Lease Agreements if CFCs are insufficient for such purpose. Such insufficiency or “Annual Shortfall” is generally defined under the CRC Lease Agreements as the amount by which “Total Annual Costs” exceed, or are estimated to exceed, the CFC proceeds received, or estimated to be received, in any year of the CRC Lease Agreements. Total Annual Costs include all payments necessary in any year of the CRC Lease Agreements to satisfy debt service and any required deposits under the Indenture, administrative costs related to the CFC, costs of any Additional Special Facilities to the extent they are not funded through reserves under the Indenture, and the costs of Major Maintenance to the extent they are not funded through the reserves under the Indenture. The Authority may only assess Contingent Rent after it has raised the CFC rate to a minimum of \$5.00 per transaction day. The Authority has agreed to subsequently reimburse the On-Airport Rental Car Companies, from the CONRAC Excess CFC Fund, for any Contingent Rent (and Land Rent) paid by them based on a determination by the Authority within five years after the date on which no Bond Obligations exist or remain outstanding and unsatisfied.

The Authority shall impose Contingent Rent by notice within thirty (30) days after the Authority determines that Contingent Rent shall be due, and the Authority shall provide, with such notice, information to support the calculation of the Contingent Rent. Contingent Rent charged under the CRC Lease Agreements for an Annual Shortfall shall be payable in twelve (12) equal, consecutive monthly installments, without any prior demand, and without any abatement, deduction or set-off whatsoever. See **Appendix C - Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements.**

Contingent Rent shall be used only for the specified purposes for which it is collected and shall not be used for general Airport purposes.

### **Other Covenants**

Under the Indenture, the Authority has agreed that it (i) will not build on or off the Airport, or allow to be built on the Airport, any facility that would compete with the CONRAC Facility, and (ii) will require each On-Airport Rental Car Company to enter into a CRC Lease Agreement and lease space in the CONRAC Facility to conduct all of its operations. The Authority will require any On-Airport Rental Car Company that locates any of its operations off-Airport, because there is insufficient space in the CONRAC Facility, to pick up and drop off its customers at the CONRAC Facility.

The Authority has also agreed that it will use reasonable commercial efforts to enter into the CRC Lease Agreements and enforce the terms and provisions of such CRC Lease Agreements including the provisions pertaining to Contingent Rent and insurance. The Authority will not consent to or grant any modification of or amendment to the CRC Lease Agreements that would materially and adversely affect

the security provided for the payment of the CFC Bonds, or that would have the effect of materially reducing, altering or modifying the obligations and commitments of the On-Airport Rental Car Companies, or would materially minimize, reduce or lessen the rights of the Authority in the event of a default in the payment of CFC Revenues or Contingent Rent by the On-Airport Rental Car Companies under the CRC Lease Agreements. Upon the occurrence of an event of default by any of the On-Airport Rental Car Companies (and whether or not it elects to terminate such On-Airport Car Rental Company's rights under its CRC Lease Agreement), the Authority shall, subject to the terms in CRC Lease Agreements, use reasonable commercial efforts to impose and collect from the On-Airport Rental Car Companies, Contingent Rent and other charges provided for in CRC Lease Agreements or by law in such amounts and under such terms and conditions as shall be sufficient, together with CFC Revenues and other available amounts, to pay and retire the CFC Bonds and all interest thereon when and as due. However, it shall not constitute an Event of Default under the Indenture if the Authority does not enter into or renew a CRC Lease Agreement with any On-Airport Rental Car Company, or enters into a CRC Lease Agreement with an On-Airport Rental Car Company having terms and provisions that differ from the initial CRC Lease Agreements, as the result of the failure or refusal of an On-Airport Rental Car Company to enter into a CRC Lease Agreement or enter into a CRC Lease Agreement having terms and provisions substantially similar to the initial CRC Lease Agreements.

See **Appendix B – Summary of Certain Provisions of the Indenture, Lease Agreement and Sublease Agreement.**

## **MUNICIPAL BOND INSURANCE**

*There follows certain information concerning Assured Guaranty Municipal and the terms of the Municipal Bond Insurance Policy to be issued by Assured Guaranty Municipal. Information with respect to Assured Guaranty Municipal has been provided Assured Guaranty Municipal and has not been independently confirmed or verified by the Authority. No representation is made by the Authority or the Underwriters as to the accuracy or adequacy of such information. The Municipal Bond Insurance Policy does not constitute a part of the contract between the Authority and the holders of the Series 2010 Bonds. Except for the payment of the premium on the Municipal Bond Insurance Policy, the Authority has no responsibility with respect to such insurance in any way, including maintenance, enforcement or collection thereof. See **Appendix G.***

The following information is not complete and reference is made to **Appendix G** for a specimen of the financial guaranty insurance policy (the “*Municipal Bond Insurance Policy*”) of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc, and referred to as “*Assured Guaranty Municipal*” or the “*Bond Insurer*”).

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2010 Bonds, Assured Guaranty Municipal (formerly known as Financial Security Assurance Inc.) will issue its Municipal Bond Insurance Policy for the Series 2010 Bonds. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2010 Bonds when due as set forth in the form of the Municipal Bond Insurance Policy included under **Appendix G** to this Official Statement.

The Municipal Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

**Assured Guaranty Municipal Corp.  
(formerly known as Financial Security Assurance Inc.)**

Assured Guaranty Municipal is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (“*Holdings*”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“*AGL*”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. No shareholder of AGL, Holdings or Assured Guaranty Municipal is liable for the obligations of Assured Guaranty Municipal.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia S.A. (“*Dexia*”). In connection with such acquisition, Holdings’ financial products operations were separated from its financial guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

Assured Guaranty Municipal’s financial strength is rated “AAA” (negative outlook) by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” (Negative Outlook) by Fitch, Inc. (“Fitch”). Each rating of Assured Guaranty Municipal should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty Municipal. Assured Guaranty Municipal does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

*Ratings.* On December 18, 2009, Moody’s issued a press release stating that it had affirmed the “Aa3” insurance financial strength rating of Assured Guaranty Municipal, with a negative outlook. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody’s comments.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Financial Security Assurance Inc. (“Financial Security”), now known as Assured Guaranty Municipal, to “AA” (Negative Outlook) from “AA+” (Ratings Watch Negative). Reference is made to the press release, a copy of which is available at [www.fitchratings.com](http://www.fitchratings.com), for the complete text of Fitch’s comments.

On July 1, 2009, S&P published a Research Update in which it affirmed its “AAA” counterparty credit and financial strength ratings on Financial Security, now known as Assured Guaranty Municipal. At the same time, S&P continued its negative outlook on Assured Guaranty Municipal. Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

There can be no assurance as to any further ratings action that Moody’s, Fitch or S&P may take with respect to Assured Guaranty Municipal.



For more information regarding Assured Guaranty Municipal's financial strength ratings and the risks relating thereto, see Holdings' Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by Holdings with the SEC on March 19, 2009, Holdings' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by Holdings with the SEC on May 20, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which was filed by AGL with the SEC on November 16, 2009. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the "*Exchange Act*").

*Capitalization of Assured Guaranty Municipal.* At September 30, 2009, Assured Guaranty Municipal's consolidated policyholders' surplus and contingency reserves were approximately \$2,365,609,560 and its total net unearned premium reserve was approximately \$2,380,470,385 in accordance with statutory accounting principles.

*Incorporation of Certain Documents by Reference.* Portions of the following documents filed by Holdings or AGL with the SEC that relate to Assured Guaranty Municipal are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) Annual Report of Holdings on Form 10-K for the fiscal year ended December 31, 2008 (which was filed by Holdings with the SEC on March 19, 2009);
- (ii) Quarterly Report of Holdings on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by Holdings with the SEC on May 20, 2009);
- (iii) the Current Reports on Form 8-K filed by Holdings with the SEC on May 21, 2009, June 10, 2009, and July 8, 2009;
- (iv) Quarterly Report of AGL on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009);
- (v) the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009; and
- (vi) Quarterly Report of AGL on Form 10-Q for the quarterly period ended September 30, 2009 (which was filed by AGL with the SEC on November 16, 2009).

All information relating to Assured Guaranty Municipal included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the Series 2010 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at Holdings' website at <http://www.fsa.com>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding Assured Guaranty Municipal included under this section **MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)** or included in a document incorporated by reference herein (collectively, the "*Assured Guaranty Municipal Information*") shall be modified or superseded to the extent that any subsequently included Assured Guaranty Municipal Information (either directly or through

incorporation by reference) modifies or supersedes such previously included Assured Guaranty Municipal Information. Any Assured Guaranty Municipal Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Assured Guaranty Municipal makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, Assured Guaranty Municipal has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Municipal supplied by Assured Guaranty Municipal and presented under **MUNICIPAL BOND INSURANCE**.

### **DEBT SERVICE SCHEDULE**

The following table sets forth the debt service for the Series 2010 Bonds for each bond year ending July 1.

<b>Bond Year Ending July 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service on Series 2010 Bonds</b>
2010	--	\$ 1,524,900	\$ 1,524,900
2011	--	3,921,171	3,921,171
2012	\$ 1,580,000	3,921,171	5,501,171
2013	1,745,000	3,885,668	5,630,668
2014	1,905,000	3,830,351	5,735,351
2015	2,090,000	3,759,333	5,849,333
2016	2,285,000	3,673,058	5,958,058
2017	2,480,000	3,571,010	6,051,010
2018	2,695,000	3,451,573	6,146,573
2019	2,840,000	3,313,131	6,153,131
2020	3,000,000	3,160,140	6,160,140
2021	3,175,000	2,994,030	6,169,030
2022	3,365,000	2,810,293	6,175,293
2023	3,575,000	2,610,513	6,185,513
2024	3,800,000	2,392,902	6,192,902
2025	4,055,000	2,157,796	6,212,796
2026	4,340,000	1,882,340	6,222,340
2027	4,645,000	1,587,524	6,232,524
2028	4,970,000	1,271,989	6,241,989
2029	13,755,000	934,377	14,689,377

### **THE AUTHORITY**

#### **General**

The Authority is a metropolitan airport authority created pursuant to the provisions of the Act. The Authority is acting as an agency and instrumentality of the Metropolitan Government. The principal purpose of the Authority is the management and operation of the Airport and other airports and auxiliary fields either acquired or placed under its control. The Authority is empowered under the Act to construct,

improve and operate airports and to establish and charge fees, rentals, rates and other charges. Further, the Authority is authorized to issue revenue bonds for the purposes authorized by the Act. The Authority also owns the John C. Tune Airport, a 399-acre general aviation reliever airport in West Nashville.

The Board, whose members serve without compensation, consists of ten members, nine of whom are appointed by the Metropolitan Government's Mayor (the "Mayor"), with the tenth being the Mayor (or his designee). All appointments are confirmed by the Metropolitan Council, except that of the Mayor. All appointments to the Board are for four-year terms. The terms of Board members are staggered to provide for continuity of Airport development and management. The Board appoints by contract the President, who is the chief executive and administrative officer responsible for day-to-day operations and planning for all Authority entities. The President heads a full-time staff of professional and technical personnel located at the Airport.

### **The Board of Commissioners of the Authority**

Following are brief biographies of the current members of the Board:

*Jack O. Bovender, Jr.* is the retired Chairman and Chief Executive Officer of Nashville-based HCA, the nation's leading provider of healthcare services. He is a 34-year veteran of the healthcare industry and worked at HCA for more than 20 years. Following HCA's merger with Columbia in 1994, Mr. Bovender left the company to serve on the boards of several public and private companies, including Quorum Health Group, Inc., American Retirement Corp. and Nashville Electric Service. He returned to HCA in 1997 as HCA's President and Chief Operating Officer. He was appointed to HCA's Board of Directors in 1999 and was named President and CEO in 2001. He became Chairman and CEO of HCA in January 2002. Mr. Bovender is a member of the Duke University Board of Trustees and the Board of Directors of the Duke University Health System. He received his bachelor's degree in psychology from Duke University and his master's degree in healthcare administration from Duke University. Mr. Bovender was appointed to the Board in 2003, and his current term expires in 2011.

*James H. Cheek, III* is a member of the law firm of Bass, Berry & Sims PLC in Nashville, Tennessee. He graduated from Duke University and Vanderbilt Law School and received an LL.M. degree from Harvard University. Mr. Cheek served as Chair of the American Bar Association Section of Business Law during 1998-1999 and served as Chair of the Legal Advisory Committee of the New York Stock Exchange from 1989 to 1992. He also served as chair of the Legal Advisory Board to the National Association of Securities Dealers from 1995 to 1997. Mr. Cheek was appointed in 2001, and his current term expires in 2013.

*Mayor Karl F. Dean* is the sixth mayor of the Metropolitan Government of Nashville and Davidson County, having been elected on September 11, 2007. His priorities as mayor are improving schools, making neighborhoods safer and bringing more and better jobs to Nashville. Mayor Dean first held public office when he was elected as Nashville's Public Defender in 1990, a post he was re-elected to in 1994 and 1998. Mayor Dean served as Metropolitan Government Law Director from 1999 to January 2007, when he resigned to run for the office of mayor. Mayor Dean completed the program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard in 1999. He has served as an Adjunct Professor of Law at Vanderbilt University. Mayor Dean was appointed in 2007 and his current term expires in 2011.

*Rod Essig* is with Creative Artists Agency, a full service talent agency representing professionals working in film, television, music, theatre, video games, and sports. His experience in the music industry began in 1973 as Vice President and co-owner of Minneapolis-based booking agency, Variety Artists International. In 1993 he relocated to Nashville and joined CAA, where he is presently the responsible

agent for country music stars such as Martina McBride, Reba McEntire, Tim McGraw, LeAnn Rimes and Phil Vassar. He has many affiliations on boards in the community and serves as Chairman of the Board of the Academy of Country Music. He also serves on the Board of Directors at Belmont University, and the Tennessee Film Commission. He has received numerous awards and honors, including Polistar's prestigious Bobby Brooks Agent of the Year Award in 1999 and Third Coast Agent of the Year Award in 1995, 1996 and 1998. He received the NATD Talent Director of the Year Award in 1997, 1998, 1999, and in 2000 was awarded the NATD Hubert Long Award. Mr. Essig is a donor and volunteer to many local charities, including Habitat for Humanity, PENCIL Foundation, Second Harvest Food Bank, and the Martell Foundation. Mr. Essig was appointed in 2008, and his current term expires in 2013.

*Frank M. Garrison* attended Vanderbilt University, where he graduated in three years while earning a double major in Business and Economics, and Vanderbilt School of Law. Mr. Garrison practiced commercial law with Farris, Warfield and Kanaday specializing in securities, creditor's rights and other commercial/corporate matters until 1982. From February 2006 through October 2007, he served as President of Courage Capital Management, LLC, a registered investment advisor. Prior to February, he held the title of Office of the Chairman of Insignia Financial Group, Inc., a New York City based and NYSE publicly traded real estate services and Investment Company and President of Insignia Financial Services, Insignia's investment banking and principal investment arm. In addition, Mr. Garrison was responsible for managing Insignia's principal real estate investment business which acquired over \$5 billion of assets and managed joint venture relationships with a variety of institutions. Mr. Garrison also co-founded Insignia's CMBS investment business and continues in that business in association with Island Capital Group, LLC, a New York based investment firm. Since July 2003, he has also served as President and a principal of Overton Capital, LLC, and a private investment firm which in addition to making private equity investments has been involved in the purchase of distressed public and private debt securities. Mr. Garrison also serves on the Board of Trustees of University School of Nashville, and as a Board member of the Frist Center for the Visual Arts, Vanderbilt University School of Law's Advisory Board and Belcourt Yes!, Inc. Mr. Garrison was appointed in 2004, and his current term expires in 2010.

*Robert J. Joslin* is the Owner of Joslin and Son Signs and serves on the State Leadership Council of the National Federation of Independent Business and on the board of the Nashville Business Coalition. Mr. Joslin is a member of the Aircraft Owners and Pilots Association, Nashville State Technical Community College Business Management Committee, Donelson-Hermitage Chamber of Commerce and Nashville Area Chamber of Commerce. He attended Middle Tennessee State University and George Peabody College. Mr. Joslin serves as one of the Board's business and finance representatives. He was appointed in 2009, and his current term expires in 2013.

*William A. Martin* is the Founder and Chief Executive Officer of Cushion Employer Services Corporation. He is a native of Nashville, Tennessee and a graduate of the University of Arkansas, where he received a Bachelor of Science degree in Business Management. Before establishing Cushion, Mr. Martin was employed with the Tennessee Department of Labor and Senior Vice President of Human Resources for Crook's Supermarkets, Incorporated, a regional independent supermarket chain. He is a member of Tennessee's Workforce Investment Board, Founder of the Metro Center Advisory Board, member of United Way of Nashville Human Resources Advisory Committee and a Member of 100 Black Men of Middle Tennessee. Mr. Martin is a 20 year veteran of the U.S. Air Force. Mr. Martin was appointed in 2008, and his current term expires in 2012.

*Juli H. Mosley* recently retired as an Environmental Engineer from Barge, Waggoner, Sumner and Cannon, Inc., an engineering and architectural firm. Ms. Mosley joined Barge, Waggoner as an Environmental Designer in 1994 and became an Environmental Engineer in 1999. Ms. Mosley received her B.A. degree in Mathematics from the University of North Carolina-Greensboro, her B.S. in Civil

Engineering from Tennessee Technological University and an M.E. in Environmental Engineering from Vanderbilt University. She has served on the Board of Nashville Thermal Transfer Corporation, the Davidson County Region Solid Waste Authority and Nashville Electric Service, and she has been President of the Board of the Cumberland Valley Girl Scouts. Ms. Mosley was appointed in 2002, and her current term expires in 2010.

*Dr. A. Dexter Samuels* currently serves as the Assistant Dean in the College of Public Services and Urban Affairs at Tennessee State University. He formerly served as the Director of the Title VI Program for the Tennessee Department of Transportation. Additionally, Dr. Samuels served as the Program Director of the Tennessee Department of Mental Health and Mental Retardation in the Division of Mental Health Services. His academic background includes a Bachelor of Science Degree in Psychology from Michigan State University, a Master of Science Degree in Healthcare Administration from Western Kentucky University, and a Doctorate of Philosophy Degree in Public Administration from Tennessee State University. He is a recipient of the 2007 Kettering Foundation Public Scholars Fellowship. Also, Dr. Samuels is a graduate of the Tennessee Government Executive Institute Class as well as Leadership Middle Tennessee Class. Dr. Samuels was appointed in 2007, and his current term expires in 2012.

*Robert J. Walker* practices trial law with Walker, Tipps & Malone, with an emphasis on commercial and business litigation, including securities and corporate governance lawsuits, shareholder and hostile takeover suits, anti-trust, consumer protection, business fraud suits, proxy challenges, and director and officer liability claims. Mr. Walker was born and raised in Monterey, Tennessee, graduated from Vanderbilt University in 1962, and graduated from Vanderbilt Law School in 1968, following service in the U.S. Navy as a naval officer on a destroyer. Mr. Walker served as President of the Nashville Bar Association in 1981 and in 1986 was elected a Fellow in the American College of Trial Lawyers. He is listed in "The Best Lawyers in America" in several categories. He has been a principal in and served as an officer and director of a variety of businesses. In 1986, Mr. Walker was elected a Fellow in the Society of International Business Fellows, an organization dedicated to development of international business in the southeastern United States, where he maintained fellowship for over ten years. He is also a licensed and active pilot. Mr. Walker was appointed in 2008, and his current term expires in 2012.

### **Authority Administration**

The administrative staff of the Authority includes the following management personnel:

*Raul L. Regalado* serves as President and Chief Executive Officer of the Authority. In this position, Mr. Regalado directs the planning, development and operation of Nashville International Airport and John C. Tune General Aviation Airport. Mr. Regalado received a Bachelor's Degree in aviation management from Embry-Riddle Aeronautical University and has completed graduate level work with the USDA and Vanderbilt University. Prior to joining the Authority, Mr. Regalado served as President of Raul Regalado & Associates, a private consultant to the aviation, airport and travel industry. From 1991 to 1995, Regalado was the Deputy Director of Aviation in Houston, Texas, with senior management responsibilities for George Bush Intercontinental-Houston Airport, William P. Hobby Airport, Ellington Field and the Houston Central Business District Heliport. Mr. Regalado was also Director of Aviation for the City of San Jose, California, overseeing the San Jose International Airport. Prior to that position, he served as Airport Manager for Orange County, California, with responsibility for John Wayne Orange County Airport, Airport Manager for the City of Fresno, California and Airport Manager for Klamath Falls, Oregon. Mr. Regalado has more than 29 years of experience in aviation and has held positions as a leading manager of hub airports. He is also a Certified Airport Executive (CAE) of the Southwest Chapter of the American Association of Airport Executives.

*Montford (Monty) O. Burgess*, Senior Vice President – Chief Operating Officer, has served in this capacity at the Authority since July 2004. In this position he supervises the overall daily operations of Nashville International Airport and John C. Tune General Aviation Airport. Burgess joined the Authority staff in 2002 from St. Petersburg, Florida, where he served as the Airport Director since 1998. Previously, Burgess worked as the Airport Executive Director for Montgomery Airport Authority from 1995 to 1997 and as the Director of Aviation at the Mobile Airport Authority from 1987 to 1995. Other previous employers include the Birmingham Municipal Airport, the Albuquerque International Airport, and the Dothan-Houston County Airport Authority. In addition to Mr. Burgess's aviation industry experience, he served six years in the United States Army. He has a Master of Business Administration degree from Troy State University and a Bachelor of Science degree from Auburn University. Mr. Burgess is also an Accredited Airport Executive (AAE) of the American Association of Airport Executives.

*Stan R. Van Ostran*, Vice President – Chief Financial Officer, joined the Authority in 2008, with responsibility for finance, properties, procurement, air service and business development. Mr. Van Ostran is an Attorney, Certified Public Accountant, Certified Internal Auditor, Certified Financial Services Auditor and Certified Fraud Examiner. He earned a Juris Doctorate from the University of Tulsa – School of Law and a Bachelor of Science in Business Administration from Missouri Southern University. He was previously employed with the State of Oklahoma serving in several roles, including Comptroller for the Oklahoma Lottery Commission, Chief Financial Officer and Administrator for the Oklahoma Department of Central Services and Oklahoma Capital Improvement Authority where he administered statewide programs for purchasing, property and risk management, fleet services; and revenue bond administration. Mr. Van Ostran previously practiced law, focusing on corporate transactions and securities law, and served as counsel for Oklahoma's largest commercial insurance carrier and as a senior auditor for an aerospace company, at the time the nation's largest defense contractor.

*Robert C. Watson*, Senior Vice President – Chief Legal Officer, provides in-house legal and government relations services while administering and coordinating the legal and business relationships between the Authority and its contract legal counsel and government relations consultants. Most recently Mr. Watson was employed with the Department of Justice where he held the positions of Civil Chief, First Assistant United States Attorney and Assistant United States Attorney in the Middle District of Tennessee. Mr. Watson received a Bachelor of Arts degree from Vanderbilt University, a Juris Doctorate from Vanderbilt University Law School, and a Master of Science in Criminal Justice from Auburn University.

*Kinney Baxter, P.E.*, is Senior Vice President and Chief Engineer for the Authority, a position he has held since 2007. He manages the Authority's planning, design and construction functions. Previously, he served as Senior Project Manager for PBS&J, an architectural/engineering/construction firm with 75 offices located nationally, and as Aviation Resource Manager with Tetra Tech WHS engineering consultants in Fort Lauderdale, FL, and held several positions with the Tulsa Airport Authority, including Deputy Airport Director – Engineering and Facilities. Mr. Baxter earned a Bachelor of Science degree in Civil Engineering from the University of Kansas and is a registered Civil Engineer in Oklahoma, Ohio, Indiana and Kentucky.

*Vanessa J. Hickman* joined the Authority in 2005 and as Vice President and Chief Information Officer is responsible for procuring, managing and supporting information technology and telecommunications systems for the Authority. She has more than 34 years of experience in the information technology industry, including previous positions with Gaylord Entertainment from 1994 to 2005 as Director of Application Development and Support and with IBM from 1975 to 1994 in a variety of positions. Ms. Hickman has earned a Bachelor's Degree in Business Management from East Tennessee State University.

*Walt Matwijec* is Assistant Vice President of Continuous Improvement for the Authority, a position he assumed in 2005 and which is designed to orchestrate and implement the streamlined, disciplined approach to the organization's processes, championing the Authority's recently embraced Six Sigma culture. Previously, Mr. Matwijec held positions in a variety of capacities with Gaylord Entertainment, Rogers Group, Inc., Magnetek and Westinghouse Electric Company in Pittsburg, Penn. He has received a Master's of Business Administration degree from Youngstown State University; a Bachelor's of Arts degree in Physics from SUNY Oneonta; a Bachelor's of Engineering degree from New York University; and a Six Sigma Black Belt certification from Villanova University.

*John Howard, Jr.*, Assistant Vice President of Properties and Business Development, is responsible for both the management of real estate and business development, acquisition, leasing and disposition in accordance with the strategic objectives of the Authority's long term strategic business plan. Mr. Howard assumed this position in June, 2007, prior to which he served as Senior Manager of Channel Partner Business Relations at CompuPay/PayMaxx Incorporated and as Chief Executive Officer at Affirmative Ventures, a development consulting and strategic planning firm. He holds both Bachelor's and Master's degrees in Business Administration from Tennessee State University and serves on the Board of Directors for the YMCA Middle Tennessee Urban Services and the Nashville Alumni Chapter of the Kappa Alpha Psi Fraternity, Inc.

*Amelia (Amy) N. Armstrong* is the Vice President and Chief People Officer, in connection with which she plans, organizes, administers and directs the Authority's human resources, health and welfare benefits, employee compensation, and administrative services. Prior to this position, she retired from the U.S. Army as a lieutenant colonel, serving more than 21 years as a military intelligence officer. Ms. Armstrong also worked for the F.B.I. in Washington, D.C. and a telecommunications consulting firm in Bethesda, Maryland. Ms. Armstrong founded the Airport Human Resources Consortium and currently serves as the Chairman. Ms. Armstrong has a Bachelor of Arts in Geopolitics from Austin Peay University in Clarksville, Tennessee and a Master's in Public Administration from the University of Oklahoma at Norman.

### **Employee Relations**

As of November 30, 2009, the Authority employed 278 persons, none of whom are presently represented by labor unions. The Authority's fiscal year 2010 budget provides for 278.5 full-time equivalent employees.

### **MPC CONRAC LLC**

The Authority has formed the MNAA Properties Corporation ("*MPC*"), a Tennessee nonprofit corporation, pursuant to an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The commissioners of the Authority constitute the board of directors of the MPC.

In connection with the financing of the CONRAC Facility, in late 2009, the Authority and MPC caused the creation of CONRAC LLC, as a Tennessee nonprofit limited liability company, in connection with the special facilities financing for the CONRAC Facility. MPC is the sole member of CONRAC LLC.

CONRAC LLC was formed to undertake the CONRAC Facility as a “Special Facility” as defined under the General Bond Resolution. It is not expected that CONRAC LLC will have any employees. It will provide by contract for its responsibilities under the financing documents in respect of the CONRAC Facility. See **THE PROJECT – Operation of the CONRAC Facility**.

## **THE AIRPORT**

### **General**

The Airport is classified as a medium hub by the Federal Aviation Administration (the “FAA”). During the year ended June 30, 2009, approximately 4.46 million total passengers were enplaned at the Airport, of which approximately 84% were origination and destination passengers. The Airport serves as the principal commercial airline passenger airport for the Middle Tennessee area and portions of Southern Kentucky and Northern Alabama.

Established in 1936 as Berry Field on a 340-acre tract, the Airport has been expanded and developed over the years to meet increased demand and accommodate the economic growth of the Middle Tennessee region. Today, the Airport covers more than 4,800 acres. It is located approximately six miles from downtown Nashville. The Airport operates with four runways of 8,000 feet, 7,700 feet, 8,000 feet and 11,000 feet in length utilized by all types of commercial and private aircraft.

The main passenger terminal complex at the Airport includes the passenger terminal building, aircraft parking apron, airline cargo (belly freight) facility, a consolidated services facility for the maintenance group, aircraft rescue and fire fighting facilities, U.S. Postal Service facility, fuel tanks, triturator, rental car ready/return areas and quick-turn-around facilities, entrance and circulation roadways, and automobile parking areas.

Access to the passenger terminal complex is primarily via Donelson Pike, a major north-south divided roadway that connects to a “loop” roadway in front of the passenger terminal building to Interstate 40 at its northern end.

Air carrier operations take place on the east side of the Airport from a terminal complex center. The main passenger terminal building was completed in September 1987 and has approximately 821,600 gross square feet of space on three public levels, with 46 air carrier gates, all of which are currently in use, and 15 aircraft parking positions. Car rental facilities and ground access are located on the ground level. Baggage claim is located on the second level. Ticketing, aircraft departure lounges and gates, security checkpoint, and food, beverage, and gift concessions are located on the third level. Improvements during the 1990s included a Federal Inspection Station, concourse connectors and additional ramp space for commuter aircraft parking and de-icing operations. The Airport is fully equipped with modern electronic equipment used for flying in inclement weather.

As newly renovated, the terminal’s concessions offer a new array of beverage and retail vendors that feature local flavor, brands and culture, as well as national brands and concepts. Stores offer music in many forms, from live performance and karaoke recording spaces, to on-screen videos, DVD listening stations and CDs that reflect not only country music, but every musical taste. Many of the stores have been custom designed with a decor that reflects the flavor, feel and culture of Nashville.

Four separate public automobile parking areas at the Airport, comprising approximately 13,000 spaces, provide short-term, long-term, economy, and valet parking. The existing rental car facilities are described in **THE RENTAL CAR COMPANIES**.



The Airport has four primary cargo facilities. Two are located on the east side of the terminal complex for airline air freight and belly cargo, and two are located on the west side to serve major domestic and international air cargo companies.

General aviation activities are located south of the main terminal complex area and consist of corporate hangar facilities, T-hangars, fixed base operator offices, aircraft maintenance base hangars, fuel farms and fueling facilities. The FBO and aviation support businesses in this area provide a wide range of general aviation services, including aircraft fueling, airframe and engine repair, ramp parking and tie downs, ground handling, hangar storage, pilots' lounge, and avionics repair.

Airport support facilities include the air traffic control tower and facilities for airport police, fuel storage, airport rescue and fire-fighting, and Authority administration, operations, and maintenance.

A variety of other important facilities and uses are located at the Airport. These facilities include the Tennessee Air National Guard, the Tennessee Department of Transportation and other commercial, aviation-related, and non-aviation uses. Aviation-related major institutions both on and off Airport property include the Aerostructures Corporation, Embraer (formerly Celsius Aerotech) and a Dell Computer Corporation campus.

Additional information about the Authority and the Airport is available at [www.flynashville.com](http://www.flynashville.com).

### **Air Traffic and Rental Car Activity**

Under the CFC Enabling Resolution, the Authority has imposed the CFC upon the lessees of rental cars rented at the Airport to be collected by the On-Airport Rental Car Companies and remitted to or at the direction of the Authority as set forth in the CFC Enabling Resolution and the CRC Lease Agreements. As discussed in the CFC Feasibility Report and based on the assumptions therein, the Airport Consultant has concluded that passenger activity, measured by number of enplanements at the Airport, is highly correlated to demand for rental cars and, therefore, to the number of transaction days. The Airport Consultant has also concluded, based on historical rental car data and based on the assumptions set forth in the CONRAC Feasibility Report, that the number of transaction days at the Airport is primarily a function of the number of "origin and destination passengers." "Origin and destination" passengers are passengers beginning or ending their trips at the Airport, in contrast to passengers connecting through the Airport to other cities. See Section IV of **Appendix A – Report of the Airport Consultant**.

The following section also provides historical information regarding airline service and origin and passenger enplanements at the Airport.

### **Airline Service at the Airport**

Geographically, Nashville is well situated as an aviation hub within the continental United States, offering efficient access to and from major markets in every region of the nation and abroad. Nashville is a vibrant and growing commercial and cultural center with a diversified economy that features high-tech components of healthcare and medical research, music and book publishing, government, automotive manufacturing, finance, entertainment and tourism.

The Nashville region has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, healthcare, music, tourism, manufacturing and

distribution are all mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center. See Section III of **Appendix A – Report of the Airport Consultant** for a description of the demographic and economic characteristics of the geographical area that the Airport serves.

*Origination and Destination Traffic Market Measurement.* As a strategic link in the national system of aviation, the Nashville region depends upon modern aviation facilities and services. The strength of air service market is measured in terms of origination and destination passengers in the area served by an airport. Nashville's total passenger count (both enplaning and deplaning passengers) was over seven million in the year ended June 30, 2009. See Section IV of **Appendix A – Report of the Airport Consultant**.

*Carriers.* As of November, 2009, commercial air carriers operating at the Airport provided over 186 daily departures, offering jet service to approximately 41 non-stop markets. Scheduled passenger service was provided by 22 U.S. certificated passenger airlines and one foreign flag carrier. Scheduled service is provided by 12 of the nation's 17 major passenger airlines, which represent the largest group of passenger airlines in terms of total annual revenues. See Part IV in **Appendix A – Report of the Airport Consultant** for a list of the signatory and non-signatory carriers at the Airport. These carriers offer different levels of services, prices, and incentives to business, personal, and tourist travelers.

### **Historical Enplanement Activity**

The following table sets forth annual enplanements at the Airport for each fiscal year designated.

**Annual Enplanement Activity**  
(Fiscal Year basis through June 30)

<b><u>Fiscal Year</u></b>	<b><u>Signatory Carriers</u></b>	<b><u>Non-Signatory Carriers</u></b>	<b><u>Total</u></b>
2009	3,820,079	640,883	4,460,962
2008	4,113,423	766,937	4,880,360
2007	4,246,599	691,592	4,938,191
2006	4,166,771	569,139	4,735,910
2005	3,736,437	701,955	4,438,392
2004	3,453,381	713,439	4,166,820
2003	3,359,525	638,455	3,997,980
2002	3,522,177	482,230	4,004,407
2001	4,077,123	397,040	4,474,163
2000	4,089,411	384,246	4,473,657
1999	3,753,119	360,927	4,114,046

As part of its Report, the Airport Consultant has made a projection of enplanements at the Airport in future years. See **FEASIBILITY REPORT** and **Appendix A – Report of the Airport Consultant**.

## **Rental Car Service at the Airport**

On-Airport rental car services are currently provided at the Airport by five companies that operate eight different brands, which rent parking garage and terminal building space from the Authority. See **THE RENTAL CAR COMPANIES** and **Appendix A – Report of the Airport Consultant**.

Currently, there are no off-Airport rental car companies serving the Airport, nor is any significant off-Airport service anticipated in future years.

## **THE PROJECT**

### **Existing Rental Car Facilities**

At present, approximately 700 rental car ready/return spaces are located in the terminal garage structure directly across from the passenger terminal building together with 300 close-in surface positions adjacent to the terminal building. Additionally, there are rental car ready/return parking spaces in the surface lots adjacent to Concourses A and D.

### **Consolidated Rental Car Facility**

The CONRAC Facility will consist of a three-story ready/return building and at-grade quick turnaround facilities (“*QTA*”), which include minor maintenance and storage areas, vehicle washing facilities, vehicle fueling positions and stacking area, and a common-use fuel system. A pedestrian path and moving walkways will connect the CONRAC Facility to the existing short-term garage. Roadway and utility modifications are included with the facility. Customer service counters will remain in their existing locations on the lower level of the passenger terminal.

The three-story, approximately 900,000 square foot concrete structure is designed to accommodate between eight and ten rental car companies or brands (*i.e.*, all of the current On-Airport Rental Car Companies) and includes approximately 2,400 ready/return stalls. A circulation core and covered moving walkways will be included on each of the three levels. Vehicle access to the structure will be provided via ramps at the northeast and southwest corners of the facility. The facility will include a canopy over the third floor of the ready/return area.

The On-Airport Rental Car Companies currently operating on-Airport premises are generally located in the existing short-term parking garage east of the terminal. With the construction of the CONRAC Facility, the Authority plans to convert the space currently occupied by the rental car companies into additional short-term parking space. In addition, since rental car operations will be concentrated in the CONRAC Facility, it is anticipated that vehicular congestion and traffic safety will greatly improve.

The CONRAC Facility will be constructed in a portion of the existing long-term parking lot immediately north of the existing short-term garage, and will accommodate all rental car companies operating on Airport premises. See Section I of **Appendix A – Report of the Airport Consultant**. Design of the CONRAC Facility began in 2007, and construction of the CONRAC Facility is anticipated to begin in February, 2010, with completion and opening of the CONRAC Facility anticipated to be in September, 2011.

The circulation core allows pedestrians to access the ready/return garage from the Airport terminal via walkways through the adjacent existing short-term garage. Each level of the core contains

escalators, elevators, restrooms, support spaces and covered walkways linking the circulation core with the ends of the ready/return garage.

The QTA will occupy a site approximately 5.5 acres immediately east of the ready/return facility. The QTA will include 10 car wash bays, 46 fueling stations, 290 stacking parking stalls, and service yard including six 8,000 gallon above ground fuel storage tanks and associated support facilities.

In order to provide access to the CONRAC Facility and the existing short- and long-term parking facilities, roadway modifications have been made to the primary Airport entrance road and to the circular, one-way roadway that encompasses the Airport parking facilities. Ancillary projects in support of the CONRAC Facility include utility infrastructure, modifications to existing long-term parking lot and existing short-term garage (including revenue control relocation), lighting, signage and landscaping.

## **Project Budget**

The Authority has entered into a construction manager at-risk contract with Austin Commercial L.P. (the “*General Contractor*”) for construction of the CONRAC Facility, as described below. After a value-engineering process, the Authority and the General Contractor have agreed to a guaranteed maximum construction price of \$58 million, which pricing the Authority’s Board is expected to approve at its January, 2010 Board meeting. The total cost of the CONRAC Facility, including funds spent to date, is estimated at \$69.43 million, as more particularly described below.

### **Estimated Costs of the CONRAC Facility**

	<u>Estimated Project Costs</u>
Design	\$ 4,100,000
Terminal area roadway improvements / CONRAC preparation	1,000,000
Testing / Permits / Miscellaneous	1,850,000
Construction – CM “at-risk” contract	58,000,000
Additional Soft Costs/Contingency	<u>4,480,000</u>
<b>Total Estimated Project Costs</b>	<b>\$69,430,000</b>

For a further description of the CONRAC Facility, see Section I of **Appendix A – Report of the Airport Consultant**. In addition to the net proceeds of the Series 2010 Bonds, the Authority will apply CFCs collected prior to issuance of the Series 2010 Bonds and during construction of the CONRAC Facility as described in **SOURCES AND USES** below.

## **Construction Contract**

The General Contractor, Austin Commercial L. P., is a subsidiary of Austin Industries, Dallas, Texas, one of the nation’s 50 largest construction companies. The General Contractor is an international business with an annual volume of over \$1.5 billion, has constructed over 60,000,000 SF of commercial projects in the last 10 years and ranks as one of the largest construction manager at risk contractors in the United States. The General Contractor serves customers in the advanced technology, aviation, corporate build-to-suit, industrial/manufacturing, health care, hospitality, office/high-rise, public institutional, sports, and university markets.

Austin Commercial L.P. is ranked by Engineering News Record in its Top 20 Aviation Builders in the United States. Current representative aviation construction programs include the Atlanta International Airport consolidated rental car facility valued at \$250 million, Los Angeles International Airport west gates/concourses valued at \$1.1 billion and the Sacramento International Airport new terminal valued at \$400 million. Other significant projects include: American Airlines Center, the 72-story Bank of America Plaza, DFW International Airport Terminal D, Federal Reserve Bank of Dallas, Four Season on Town Lake, Electronic Data Systems Headquarters, Exxon World Headquarters, IBM Headquarters, USAA Main Building Expansion, Motorola Parmer Lane, The Long Center for Performing Arts, and the National Wildflower Center.

The Authority entered into a construction management contract, dated August 20, 2008 with the General Contractor pursuant to which the General Contractor provided certain preconstruction services to the Authority for the design and development of the CONRAC Facility. The General Contractor has submitted a firm facility construction price of \$58,000,000, which cost has been incorporated into a guaranteed maximum price commitment for construction of the CONRAC Facility.

### **Operation of the CONRAC Facility**

Pursuant to the Special Facility Sublease, CONRAC LLC will retain a Facility Manager to perform routine maintenance of the CONRAC Facility. The operating and maintenance expenses of the CONRAC Facility will be the responsibility of the On-Airport Rental Car Companies and are not payable from CFCs. The CRC Lease Agreements provide that CONRAC LLC and the On-Airport Rental Car Companies will also retain a Fuel Facility Manager for the operation of the fuel facilities that are part of the CONRAC Facility. The operating and maintenance expenses of the fuel facilities are also the responsibility of the On-Airport Rental Car Companies and are not payable from CFCs. See **Appendix C - Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements**.

### **SOURCES AND USES**

The proceeds of the Series 2010 Bonds, together with CFCs collected to date, are expected to be used as set forth in the following table:

**Sources of Funds:**

Principal amount of Series 2010 Bonds	\$66,300,000
CFCs on hand and collected during construction <sup>(1)</sup>	<u>15,950,000</u>
<b>Total Sources of Funds</b>	<b><u>\$82,250,000</u></b>

**Uses of Funds:**

Deposit to Construction Fund	\$62,480,865
Deposit to Debt Service Reserve Account	6,630,000
Deposit to Coverage Fund	1,519,338
Deposit to CONRAC Discretionary Account <sup>(2)</sup>	3,950,000
Deposit to Construction Interest Account <sup>(3)</sup>	5,446,070
Cost of Issuance <sup>(4)</sup>	<u>2,223,727</u>
<b>Total Uses of Funds</b>	<b><u>\$82,250,000</u></b>

(1) Consists of approximately \$8,950,000 on hand as of the date of issuance of the Series 2010 Bonds and approximately \$7,000,000 that is projected to be collected during construction.

(2) This figure exceeds the preliminary estimated amount shown in **Appendix A – Report of the Airport Consultant** for the deposit to the CONRAC Discretionary Account.

(3) Represents funded interest on the Series 2010 Bonds through July 1, 2011.

(4) Includes all of costs of issuance, bond insurance premium and underwriters' discount paid from bond proceeds. Does not equal total costs of the Project as additional amounts derived from sources other than proceeds of the Series 2010 Bonds are to be utilized. See THE PROJECT – Project Budget.

**THE RENTAL CAR COMPANIES**

Five companies currently provide rental car services at the Airport through the operation of the following eight rental car brands: Alamo, National, Enterprise, Avis, Budget, Collar, Thrifty and Hertz. The following table sets forth the On-Airport Rental Car Companies, the rental car brand or brands that each operates, and its Fiscal Year 2009 market share, based on gross revenue at the Airport:

<u>On Airport Rental Car Company</u>	<u>Brands</u>	<u>Fiscal Year 2009 Gross Revenue</u>
Enterprise Rent-A-Car Company of Tennessee, LLC	Alamo, Enterprise and National	32.6%
Avis Budget Group, Inc.	Avis, Budget	30.8%
The Hertz Corporation	Hertz <sup>(1)</sup>	24%
DTG Operations, Inc. and Burgner Enterprises, Inc. <sup>(2)</sup>	Dollar, Thrifty	12.7%

<sup>(1)</sup> Hertz acquired Advantage Rent A Car in April, 2009, and has indicated plans to bring Advantage onto the Airport. Advantage had no operations at the Airport prior to its being acquired by Hertz.

<sup>(2)</sup> Burgner Enterprises, Inc. is a separate entity that operates the Thrifty brand under a franchise from the owner of the Dollar and Thrifty brands. While their gross revenues are aggregated for purposes of the table above, DTG Operations, Inc. and Burgner Enterprises, Inc., are separate companies and operate the Dollar and Thrifty brands, respectively.

In 2008, Hertz had a market share of 24% and was the largest brand by gross revenue followed by National and Alamo at 21%, and Avis at 19%. These three companies have been the largest three brands for the last four years.

For a further description of each of the On-Airport Rental Car Companies, as well as a discussion of the rental car industry and market, both nationally and at the Airport, see Section IV of **Appendix A – Report of the Airport Consultant.**

The Authority has agreed in the Indenture that any rental car company seeking to serve the Airport shall be required to lease space in the CONRAC Facility to the extent available.

### **CFC Enabling Resolution and Collections**

Pursuant to the CFC Enabling Resolution, the Authority imposed a CFC to be collected by all On-Airport Rental Car Companies on and after January 1, 2008. A primary purpose of the CFC is to finance the CONRAC Facility. On November 18, 2009, the CFC Enabling Resolution was amended to increase the CFC rate from \$4.00 to \$4.50 per transaction day effective January 1, 2010. See **Appendix C – Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements.**

Since the Authority commenced imposition of the CFC on January 1, 2008, it has collected \$4,259,428 in CFCs in fiscal year 2008 and \$7,648,876 in fiscal year 2009. The Authority has incurred approximately \$5,400,000 on CONRAC Facility project costs through December, 2009.

## **Concession Agreements**

The On-Airport Rental Car Companies currently operate at the Airport pursuant to concession agreements that reached the end of their original terms but have been extended on a month to month basis prior to the opening of the CONRAC Facility. Under the Concession Agreements, which become effective on the opening date of the CONRAC Facility, each On-Airport Rental Car Company is required to pay an annual concession fee equal to the greater of its minimum annual guarantee or the applicable percentage of its gross revenues (initially, 10%). The minimum annual guarantee for the first year is established in each respective Concession Agreement; the minimum annual guarantee for subsequent years is a rolling amount that equals 85% of the concession fee due for the preceding year. The applicable percentage of Gross Revenues increases from 10% to 11% in the 11<sup>th</sup> year of the term. The On-Airport Rental Car Companies also pay terminal rental for the premises occupied in the terminal.

The term of the Concession Agreements is co-terminus with the initial 15-year term of the CRC Lease Agreements.

No part of such concession fees or any other payments due from the On-Airport Rental Car Companies to the Authority under the Concession Agreements will be pledged as security for the Series 2010 Bonds or available for their payment. Such funds are included as “Airport Revenues” under the Authority’s General Bond Resolution.

See **Appendix C – Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements** for a description of certain provisions the Concession Agreements.

## **CRC Lease Agreements**

The CFC Enabling Resolution and the CRC Lease Agreements require the On-Airport Rental Car Companies to collect from customers renting a motor vehicle at the Airport the CFC for each transaction day for remittance to the Authority on or before the 20<sup>th</sup> day of each calendar month following the month of collection. Each On-Airport Rental Car Company is required under its CRC Lease Agreement to collect the CFC and to remit the full amount of the CFC to the Authority regardless of whether or not the full amount of such CFC is actually collected by the On-Airport Rental Car Company from the person who rented the motor vehicle. The On-Airport Rental Car Companies make payments of CFC Revenues, Land Rent and Contingent Rent under the CRC Lease Agreements to the Authority (or, in the case of Contingent Rent, to a trustee designated by the Authority to receive the Contingent Rent). Reimbursable O&M Costs are required to be paid by the On-Airport Rental Car Companies to the Facility Manager. See **SECURITY FOR THE SERIES 2010 BONDS – Flow of Funds Under the Indenture** above.

Any Land Rent paid by the On-Airport Rental Car Companies pursuant to the CRC Lease Agreements is considered part of “Airport Revenues” and is not pledged as part of Net Rent Payments to the payment of the Series 2009 Bonds.

The CRC Lease Agreements provide for the payment by the On-Airport Rental Car Companies of Reimbursable O&M Costs. Reimbursable O&M Costs include the actual costs incurred by the Facility Manager, the Authority, or CONRAC LLC in performing Routine Maintenance of the CONRAC Facility, the cost of property insurance purchased for the CONRAC Facility, and other operational, maintenance, and administrative costs as outlined in the CRC Lease Agreements.

The CRC Lease Agreements further provide for the assessment of Contingent Rent to the On-Airport Rental Car Companies in the event an “Annual Shortfall” existed, exists, or will exist in any year



of the CRC Lease Agreements. An Annual Shortfall generally is defined under the CRC Lease Agreements as the amount by which “Total Annual Costs” exceed, or are estimated to exceed, the CFC proceeds received, or estimated to be received, in any year of the CRC Lease Agreements. Total Annual Costs include all payments necessary in any year of the CRC Lease Agreements to satisfy debt service and any required deposits under the Indenture, administrative costs related to the CFC, costs of any Additional Special Facilities to the extent they are not funded through reserves under the Indenture, and the costs of Major Maintenance to the extent they are not funded through the reserves under the Indenture. Contingent Rent, if imposed, is required to be paid monthly in 12 equal installments. See **SECURITY FOR THE SERIES 2010 BONDS**. The Authority may only assess Contingent Rent after it has raised the CFC rate to a minimum of \$5.00 per transaction day. The Authority has agreed to subsequently reimburse the On-Airport Rental Car Companies, from the CONRAC Excess CFC Fund, for any Contingent Rent (and Land Rent) paid by them, based on a determination by the Authority within five years after the date on which no Bond Obligations exist or remain outstanding and unsatisfied.

The CRC Lease Agreements have an initial fifteen-year term, with one five-year renewal term at the option of the respective On-Airport Rental Car Company.

Exclusive leased areas in the CONRAC Facility initially have been allocated on the basis of the market shares at the Airport held by the lessee On-Airport Rental Car Companies (some of which operate more than one brand) for the twelve month period ended September 30, 2009. The CRC Lease Agreements allow the Authority to reallocate space within the CONRAC Facility at specified intervals in the manner specified in the CRC Lease Agreements. See **Appendix C – Summary of Certain Provisions of the CFC Enabling Resolution, CRC Lease Agreements and Concession Agreements** for a description of certain provisions of the CRC Lease Agreements.

The following On-Airport Rental Car Companies have executed a CRC Lease Agreement and Concession Agreement: Avis Budget Group, Inc. (operating the Avis and Budget brands), Burgner Enterprises, Inc. (d/b/a Thrifty Car Rental), DTG Operations, Inc. (d/b/a Dollar Rent A Car), Enterprise Rent-A-Car Company of Tennessee, LLC (operating the Alamo, Enterprise and National brands) and The Hertz Corporation (operating the Hertz brand and potentially the Advantage brand).

## **FEASIBILITY REPORT**

The Airport Consultant prepared the CONRAC Feasibility Report dated January 15, 2010 included in this Official Statement as **Appendix A**. The CONRAC Feasibility Report describes the CONRAC Facility, discusses the rental car market, describes the economic base supporting the rental car market at the Airport, uses an econometric model to set forth trends and forecasts in the rental car demand at the Airport, forecasts the level of enplanements at the Airport, describes various factors which could have an impact on the rental car demand at the Airport and discusses the financial framework for the Series 2010 Bonds, including preliminary projections of annual debt service requirements with respect to the Series 2010 Bonds, CFC calculations, projections of CFCs pursuant to the Indenture, cash flow projections and rate covenant calculations. The CONRAC Feasibility Report should be read in its entirety for a complete understanding of the assumptions and rationale underlying the financial forecasts contained therein.

The CONRAC Feasibility Report has been included in reliance upon the knowledge and experience of the Airport Consultant.

Section IV of the Feasibility Report forecasts enplanement activity at the Airport for fiscal years 2010 through 2015, as set forth below:

<u>Forecast Year</u>	<u>Forecast Enplanement Level</u>
2010	4,275,200
2011	4,275,400
2012	4,461,700
2013	4,649,400
2014	4,750,200
2015	4,833,300

The Report of the Airport Consultant describes key factors that will affect future airline traffic, and contains certain background assumptions and key rationales for the forecast analysis. As further described in **Appendix A**, the Airport Consultant is forecasting that enplanements at the Airport will decline approximately 4.2% in fiscal year 2010 from fiscal year 2009 and remain relatively stable in fiscal year 2011. The Report of the Airport Consultant indicates that the area served by the Airport could support a compounded annual growth rate of approximately 2.4% in long-term growth in passenger activity at the Airport.

As set forth in the CONRAC Feasibility Report and as summarized in the following table, revenues from CFCs are forecast to be sufficient to meet the rate covenant of the Indenture, as described above under **SECURITY FOR THE SERIES 2010 BONDS – Rate Covenant**. Because the forecasted CFC and forecasted debt service coverage set forth in the following table are based on actual annual debt service requirements for the Series 2010 Bonds, they differ from the forecasts thereof set forth in the CONRAC Feasibility Report, which were based on preliminary estimated annual debt service requirements. See Section V (Financial Analysis) and Table V-5 in the CONRAC Feasibility Report included as **Appendix A**.

#### **Forecasted CFC Revenues and Coverage**

	<u>2010</u>	<u>2011</u>	<u>Fiscal Year</u> <u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
CFC						
Revenues <sup>(1)</sup>	\$7.249 m.	\$7.675 m.	\$8.010 m.	\$8.347 m.	\$8.528 m.	\$8.677 m.
Debt Service						
Coverage	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	1.79	1.82	1.83	1.83

<sup>(1)</sup> Based on \$4.50 CFC, effective January 1, 2010.

<sup>(2)</sup> Through July 1, 2011, interest on the Series 2010 Bonds is payable from funded interest. See “**Sources and Uses of Funds**.”

**As noted in the CONRAC Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Specifically, to the extent the actual interest rates on the Series 2010 Bonds are different from those rates assumed in the CONRAC Feasibility Report, the amount of the actual CFCs established by the Authority is likely to vary from the CFC assumed in the CONRAC Feasibility Report. See CERTAIN INVESTMENT CONSIDERATIONS.**

### **Airport Consultant**

The Airport Consultant, Ricondo & Associates, Inc., is a full-service aviation consulting company headquartered in Chicago, Illinois, with offices in Cincinnati, Ohio, Denver, Colorado, Miami and Orlando, Florida, Phoenix, Arizona, San Antonio, Texas, Northern and Southern California and the Washington, D.C. area.

## **CERTAIN INVESTMENT CONSIDERATIONS**

### **General**

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain investment considerations associated with the Series 2010 Bonds. The Authority's ability to derive Net Rent Payments from CFCs and, when applicable, Contingent Rent, sufficient to pay debt service on the Series 2010 Bonds depends on various factors, most of which are not subject to the control of the Authority.

There follows a discussion in no particular order of importance or priority of some, but not necessarily all, of the possible investment considerations which should be carefully evaluated by prospective purchasers of the Series 2010 Bonds prior to purchasing any Series 2010 Bonds. The Series 2010 Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the investment considerations and merits of an investment in the Series 2010 Bonds, and confer with their own legal and financial advisors before considering a purchase of the Series 2010 Bonds.

### **Achievement of Projections**

The forecast of CFCs in this Official Statement are based upon numerous assumptions related to future passenger levels and rental car activity at the Airport. Factors affecting aviation activity and the rental of motor vehicles at the Airport include the airlines service and route networks; the financial health and viability of the airline and rental car industries; levels of disposable income; national and international economic and political conditions, including disruptions caused by airline incidents, acts of war and terrorism; the availability and price of aviation fuel and gasoline; levels of air fares and car rental rates at the Airport; levels of disposable income; the capacity of the national air traffic control system; and the capacity at the Airport and the CONRAC Facility. See Sections III and IV of **Appendix A – Report of the Airport Consultant**. Although in the event that the CFC Revenues are not sufficient to cover the costs of the CONRAC Facility, the On-Airport Rental Car Companies are required to pay Contingent Rent to the Authority pursuant to the CRC Lease Agreements, it is possible that some or all of such Contingent Rent will not be paid, due to bankruptcy of an On-Airport Rental Car Company or otherwise.

## **Airline Industry and Airport Factors**

The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. The financial strength and stability of airlines using the Airport are key determinants of future passenger traffic and the number of available rental car customers. Airline mix and strength affects both seat availability and ticket price competition, which in turn affects passenger traffic volume. No assurance can be given that all airlines will continue their operations at the Airport during the term of the Series 2010 Bonds. In the event any airline discontinues or reduces its operations at the Airport, its level of activity might not be replaced by other carriers. Accordingly, although rental car activity at the Airport is not strictly a function of any one airline's passenger activity, no assurance can be given as to the levels of passenger activity and the rental car activity as a result thereof. For a further description of other factors affecting air travel, including economic conditions and airline strikes, see Section III of **Appendix A – Report of the Airport Consultant**.

## **Rental Car Industry**

As described in the CONRAC Feasibility Report, the U.S. airport rental car market is primarily related to airline passenger activity, specifically destination passenger levels. However, it is also influenced by factors such as the economy, rental car rates, convenience and gas prices. See Section IV of **Appendix A – Report of the Airport Consultant**.

## **Construction of the CONRAC Facility**

The Authority's ability to complete the construction of the CONRAC Facility within budget and on schedule may be adversely affected by various factors, including design and engineering errors, unforeseen site conditions, labor cost increases or other difficulties, adverse weather conditions, unavailability or increased costs of building materials, contractor defaults and litigation. Although each On-Airport Rental Car Company is required to collect and remit CFCs each month pursuant to its CRC Lease Agreement, failure to complete the CONRAC Facility in a timely manner could adversely affect the ability of the On-Airport Rental Car Companies to supply a sufficient number of rental vehicles to accommodate the corresponding demand, thus reducing the projected amount of CFC Revenues. Furthermore, although in the event that the CFC Revenues are not sufficient to cover the costs of the CONRAC Facility, the On-Airport Car Rental Companies are required to pay Contingent Rent to the Authority pursuant to the CRC Lease Agreements, it is possible that some or all of such Contingent Rent will not be paid, due to bankruptcy of an On-Airport Rental Car Company or otherwise.

In addition, as described in **SOURCES AND USES OF FUNDS** and in **Appendix A – Report of the Airport Consultant**, a substantial portion of the construction budget for the CONRAC Facility is to be derived from CFCs collected during the construction period. As described elsewhere in this section, the Authority cannot guarantee that CFCs will be generated sufficient for such purpose.

## **Geopolitical Risks**

The wars in Iraq and Afghanistan and concern about potential disruption in oil shipments from the Persian Gulf, as well as the high demand for oil and other geopolitical factors, have caused oil prices to fluctuate unpredictably. These factors have had, and may continue to have, significant adverse effects on the cost of air travel, on airline industry profitability and service patterns, and on the cost of operating a rental car. The latter consideration may deter customers who choose instead to use shared or mass transit, or limit the duration of rental transactions. The full impact of these possibilities cannot be predicted.

## **Length of Term of CRC Lease Agreements and Concession Agreements**

The CRC Lease Agreements, which expire by their terms fifteen years after the public opening of the CONRAC Facility or after an additional five year term if the respective On-Airport Rental Car Company opts to renew, will expire prior to the maturity of the Series 2010 Bonds. In the event that one or more On-Airport Rental Car Companies no longer lease space in the CONRAC Facility and consequently no longer collect CFCs during the period the Series 2010 Bonds are outstanding, there may not be revenues sufficient to pay the principal and interest on the Series 2010 Bonds.

In addition, each Concession Agreement has a fifteen year term, and may expire prior to the extended term of the related CRC Lease Agreement. It is impossible to predict the process by which the Authority will undertake to grant its rental car concessions or whether the On-Airport Rental Car Companies will enter into new concession agreements upon expiration of the current Concession Agreements or whether replacement rental car companies will choose to commence operations in the CONRAC Facility and become subject to a Contingent Rent obligation. Although each On-Airport Rental Car Company is required by its CRC Lease Agreement to remit CFCs and to pay Contingent Rent even if its Concession Agreement has terminated, it is impossible to predict whether an On-Airport Rental Car Company that is no longer a party to a Concession Agreement will pay amounts due under its CRC Lease Agreement or, if such On-Airport Rental Car Company does not pay such amounts due, whether the remaining On-Airport Rental Car Companies will pay any Contingent Rent required in such circumstances.

## **Limitations of Remedies**

Under the terms of the Indenture, payments of debt service on Series 2010 Bonds are required to be made only as they become due and the occurrence of an event of default does not grant a right to accelerate payment of the Series 2010 Bonds. Remedies for Events of Default are limited to such actions which may be taken at law or in equity. See **Appendix B – Summary of Certain Provisions of the Indenture, Lease Agreement and Sublease Agreement**. No mortgage or security interest has been granted or lien created in the CONRAC Facility or any properties of the On-Airport Rental Car Companies or the Authority to secure the remittance of CFCs, Contingent Rent or payment of the Series 2010 Bonds. No revenues of the Authority other than the CFCs and Contingent Rent are pledged to the payment of the Series 2010 Bonds.

## **Secondary Market**

No assurance can be given concerning the existence of any secondary market in the Series 2010 Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2010 Bonds should be prepared, if necessary, to hold their Series 2010 Bonds until their respective maturity dates.

## **Damage and Destruction**

The Authority will maintain insurance in the amount and against such risks as are customarily insured against on Airport property. However, there can be no assurance that the CONRAC Facility will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the CONRAC Facility is not available for use will not exceed the coverage of such insurance policies.

## **Events of Force Majeure**

Construction and operation of the CONRAC Facility are at risk from events of *force majeure*, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or renewing required permits, revocation of such permits and approvals and litigation, among other things.

## **Series 2010 Bonds Are Limited Obligations**

The Series 2010 Bonds are limited obligations of the Authority payable solely from and secured by the Trust Estate, including the Net Rent Payments, and certain amounts deposited into the accounts held under the Indenture. The general Airport Revenues of the Authority derived from the Airport are not pledged as security for the Series 2010 Bonds. None of the properties of the Airport, including the CONRAC Facility, is subject to any mortgage or other lien for the benefit of the owners of the Series 2010 Bonds. In no event will the Series 2010 Bonds constitute a pledge of the general credit of the Authority within the meaning of any constitutional charter or statutory limitation of the State of Tennessee or the Metropolitan Government. Additionally, the Series 2010 Bonds are not a debt or obligation of the rental car companies or the air carriers servicing the Airport. See **SECURITY FOR THE SERIES 2010 BONDS**.

## **Statutory Authority to Collect the CFC**

The Authority is authorized pursuant to the Metropolitan Airport Authority Act, codified at Tenn. Code Ann. §§ 42-4-101 *et seq.*, as amended, to impose rates and charges pursuant to the CFC Enabling Resolution, after concluding that such imposition is required for the purpose of funding the costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the CONRAC Facility at the Airport. The statute does not expressly refer to a facility such as the CONRAC Facility or fees, rentals and other charges like the CFC. If the CONRAC Facility is not completed and it is not replaced with a similar facility, it is possible one might challenge the right of the Authority to continue to impose and collect the CFCs and impose Contingent Rent.

## **Ability to Meet Rate Covenant**

The Authority has covenanted pursuant to the Indenture to establish the CFC at rates which will meet the rate covenant after taking into account amounts in the Coverage Fund which do not exceed 25% of Debt Service. The CFC was originally imposed at the rate of \$4.00 per transaction day commencing January 1, 2008 and was increased to \$4.50 effective January 1, 2010. In the event that conditions require future increases in the CFC rate, there can be no assurance that such increases will not affect rental car demand, thereby resulting in less CFC Revenues.

## **Aviation and Rental Car Activity**

The financial results of the air transportation industry have been subject to substantial volatility since deregulation. The financial strength and stability of airlines serving the Airport are a key determinant of future airline traffic. Other key factors that will affect future airline traffic at the Airport include: (1) the growth in the population and economy of the area served by the Airport; (2) national and international economic conditions; (3) airline economics and air fares; (4) the availability and price of aviation fuel; (5) airline service and route networks; (6) the capacity of the air traffic control system; and (7) the growth or decline of the tourist industry in the area served by the Airport.

As described in the CONRAC Feasibility Report, rental car demand at the Airport and therefore the number of transaction days to which the CFC applies are highly correlated to passenger demand. The Airport Consultant also concludes, based on historical rental car data and based on the assumptions set forth in the CONRAC Feasibility Report, that the number of transaction days at the Airport is primarily a function of the number of origin and destination passengers. Other factors found by the Airport Consultant to affect rental car demand at the Airport include: the price of renting a car, as measured by the average daily rental rate; rental car customers' income; and certain extraordinary events, such as the terrorist attacks of September 11, 2001. See Section 4.6 of **Appendix A – Report of the Airport Consultant**.

Factors affecting Airport passenger activity, including origin and destination passenger activity, and correlated rental car activity at the Airport include: economic activity, population growth and levels of disposable income in the area served by the Airport; the service and route networks of airlines serving the Airport; the financial health and viability of the airline industry; national and international economic and political conditions, including disruptions caused by airline incidents, acts of war and terrorism, such as the September 11, 2001 attacks, the availability and price of aviation fuel, levels of air fares, and the capacity of the national air traffic control system; and the capacity at the Airport and the CONRAC Facility. See **Appendix A – Report of the Airport Consultant**.

Additionally, as described in the CONRAC Feasibility Report, the U.S. airport rental car market has generally followed airline passenger activity and, the Airport Consultant concludes this relationship should continue even with ongoing restructuring within the rental car industry. Although airport rental car activity is primarily related to origin and destination passenger traffic, it is also influenced by factors such as the economy, rental car rates, convenience and gas prices. See Sections II – IV of **Appendix A – Report of the Airport Consultant**.

### **Competition and Alternative Modes of Ground Transportation**

There are alternative forms of ground transportation available at and near the Airport, which could reduce the demand for renting motor vehicles at the CONRAC Facility. These alternate forms that compete with on-Airport rental cars include taxis, buses, shuttle services and limousines. For a further description of these alternate modes, competition and airports and their impact on rental car demand, see **Appendix A – Report of the Airport Consultant**. Although currently there are no off-Airport rental car providers serving the Airport, it is not possible to predict with certainty whether off-Airport rental car providers will begin servicing the Airport during the term of the Series 2010 Bonds.

The CFC is currently collected by On-Airport Rental Car Companies only. It is not anticipated that any off-Airport service that may be provided will be significant. In the Indenture the Authority covenants to require each rental car company serving the Airport to enter into a CRC Lease Agreement and lease space in the CONRAC Facility for the conduct of its business. In the event that a rental car concessionaire locates any of its operations off-Airport due to insufficient space in the CONRAC Facility, the Authority will require that such concessionaire pick up and drop off its customers at the CONRAC Facility and to pay a privilege, CFC or similar fee in connection therewith.

### **Factors and Events Affecting the Air Transportation System**

*Economic and Political Conditions.* Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger traffic during those years. Future increases in passenger traffic will depend largely on the ability of the

nation to sustain growth in economic output and income. See “**Factors and Events Affecting the Air Transportation System.**”

With the globalization of business and the increased importance of international trade, growth of the U.S. economy has become more closely tied to worldwide economic, political and social conditions. As a result, international economics, currency exchange rates, trade balances, political relationships, public health concerns and hostilities have become important influences on passenger traffic at many U.S. airports.

On a local level, the demographic and economic characteristics of the area served by the Airport comprise the underlying components of air transportation demand for passengers. This relationship is particularly true for the origination and destination passenger traffic, which is an important component of demand at the Airport. These demand components are further affected by individual airline decisions regarding air service and routes.

The Airport was adversely affected by the terrorist attacks on September 11, 2001, and the subsequent disruption of the air transportation system. It is not possible to predict the likelihood of future incidents similar to the September 11, 2001 events, the likelihood of future air transportation disruptions, or the impact on the Airport, the airlines, and the On-Airport Rental Car Companies from such incidents or disruptions.

#### **Bond Insurer**

The ability of the Bond Insurer to provide funds to make principal and interest payments on the Series 2010 Bonds in accordance with the Bond Insurance Policy is based solely upon the Bond Insurer’s general credit, and is not secured or otherwise guaranteed by any other entity or amounts. The Authority is under no obligation to supply, or cause to be supplied, an alternate insurance policy if the Bond Insurer fails to pay as required under the Bond Insurance Policy, or becomes insolvent or bankrupt, or if the ratings on the Series 2010 Bonds are reduced or withdrawn. Prospective purchasers of the Series 2010 Bonds should analyze the financial condition of the Bond Insurer carefully to determine whether it has the ability to make payments required under the Bond Insurance Policy. For a description of the Bond Insurer, see **MUNICIPAL BOND INSURANCE**.

#### **Effect of Bankruptcy**

In the event a bankruptcy case is filed with respect to an On-Airport Rental Car Company, a bankruptcy trustee or the On-Airport Rental Car Company as debtor-in-possession could reject its Concession Agreement or CRC Lease Agreement, in which event such agreement would be terminated and such On-Airport Rental Car Company would be required to vacate the CONRAC Facility. In such circumstances, while rental car demand would not be affected, CFC collections could be affected until other On-Airport Rental Car Companies are able to increase their capacity to accommodate additional customers. Additionally, CFCs collected by an On-Airport Rental Car Company but not yet remitted to the Authority prior to the filing of the bankruptcy petition may be included in the bankruptcy estate, resulting in the Authority having a general creditor claim for payment of such amounts or otherwise render them uncollectible by the Authority. Regardless of any specific adverse determinations in an On-Airport Car Rental Company bankruptcy proceeding, the fact of an On-Airport Car Rental Company bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2010 Bonds.

In the event of a default in the payment of principal of or interest on the Series 2010 Bonds, the remedies available to the owners of the Series 2010 Bonds upon a default are in many respects dependent upon judicial action, which are often subject to discretion and delay under existing constitutional law,



statutory law, and judicial decisions, including the federal Bankruptcy Code. The opinions of counsel rendered in connection with the Series 2010 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency and equity principles.

Similarly, if any airline that has executed a lease and use agreement with the Authority were to file for bankruptcy protection in the future, it (or a trustee on its behalf) would have the right to seek rejection of its lease and use agreement, which could have a negative impact on passenger activity at the Airport, the number of persons renting motor vehicles at the Airport and the collection of CFCs.

### **Limitation of Remedies**

Under the terms of the Indenture, payments of debt service on Series 2010 Bonds are required to be made only as they become due and the occurrence of an Event of Default does not grant a right to accelerate payment of the Series 2010 Bonds. In the event of multiple defaults in payment of principal or interest on the Series 2010 Bonds, the Series 2010 Bond owners could be required to bring a separate action for each such payment not made. Remedies for Events of Defaults are limited to such actions which may be taken at law or in equity. See **Appendix B – Summary of Certain Provisions of the Indenture, Lease Agreement and Sublease Agreement**. No mortgage or security interest has been granted or lien created on the CONRAC Facility or any properties of the On-Airport Rental Car Companies or any portion of the Airport to secure the remittance of CFCs or payment of the Series 2010 Bonds. No revenues of the Authority other than the CFCs or Contingent Rent, when applicable, and money in the pledged funds under the Trust Estate are pledged to the payment of the Series 2010 Bonds.

Various State laws, constitutional provisions, and federal laws and regulation apply to the obligations created by the issuance of the Series 2010 Bonds. There can be no assurance that there will not be any change in, interpretation of or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Authority or the On-Airport Rental Car Companies.

In the event of a default in the payment of principal of or interest on the Series 2010 Bonds, the remedies available to the owners of the Series 2010 Bonds upon a default are in many respects dependent upon judicial actions, which are often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion as to enforceability to be delivered simultaneously with the delivery of the Series 2010 Bonds will be qualified by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See **Appendix D – Form of Opinion of Bond Counsel**.

## **TAX MATTERS**

In the opinion of Bond Counsel, interest on the Series 2010 Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "*Code*"). In addition, in the opinion of Bond Counsel, under existing statutes, the Series 2010 Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Series 2010 Bonds by original purchasers of the Series 2010 Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the

Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 2010 Bonds will be held as “capital assets”; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2010 Bonds as a position in a “hedge” or “straddle”, or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, or holders who acquire Series 2010 Bonds in the secondary market.

Holders of Series 2010 Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2010 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

#### Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined *de minimis* amount, a holder of a Series 2010 Bond must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Series 2010 Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price.” For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the Series 2010 Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Series 2010 Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “*de minimis* amount” is an amount equal to 0.25 percent of the Series 2010 Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Series 2010 Bond using the constant-yield method, subject to certain modifications.

#### Original Issue Premium

In general, if a Series 2010 Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Series 2010 Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, the holder of a Taxable Premium Bond may either deduct the bond premium under Section 171(a)(1) or may elect under Section 171(c) of the Code to amortize that premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond). Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder’s original acquisition cost.

## **Disposition and Defeasance**

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2010 Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Series 2010 Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2010 Bonds to be deemed to be no longer Outstanding under the Indenture (a "defeasance"). (See **Appendix B – Summary of Certain Provisions of the Indenture, Lease Agreement and Sublease Agreement**). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2010 Bonds subsequent to any such defeasance could also be affected.

## **Backup Withholding and Information Reporting**

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of OID on a Series 2010 Bond and the proceeds of the sale of a Series 2010 Bond before maturity within the United States. Backup withholding may apply to holders of Series 2010 Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

## **U.S. Holders**

The term "U.S. Holder" means a beneficial owner of a Series 2010 Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

## **IRS Circular 230 Disclosure**

The advice under **TAX MATTERS**, concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2010 Bonds, was written to support the marketing of the Series 2010 Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs you that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the Authority is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, could affect the market price or marketability of the Series 2010 Bonds.

Prospective purchasers of the Series 2010 Bonds should consult their own tax advisors regarding the foregoing matters.

## LITIGATION

There is no litigation pending against the Authority or to the knowledge of its officers or counsel, threatened, questioning the transactions and proceedings relating to the authorization, issuance, sale or delivery of the Series 2010 Bonds, the existence of the Authority, or the rights of its officers to their offices, or the authority of the Authority to proceed with the execution and delivery of and performance of its respective obligations under the Indenture, the CRC Lease Agreements, Concession Agreements or the other documents or instruments pertaining to the issuance and delivery of the Series 2010 Bonds.

## RATINGS

Moody's Investor's Service ("*Moody's*") and Standard & Poor's Corporation ("*S&P*"), a division of The McGraw-Hill Companies, Inc. (the foregoing are each a "*Rating Agency*" and collectively the "*Rating Agencies*"), are expected to assign ratings on the Series 2010 Bonds of "Aa3 (negative outlook)" and "AAA (negative outlook)", respectively, based upon the issuance of the Bond Insurance Policy by the Bond Insurer. See **MUNICIPAL BOND INSURANCE**.

*The Authority has not undertaken to provide any information about the business and affairs of Assured Guaranty Municipal or its financial prospects or of any factors that may affect the ratings on bonds insured by Assured Guaranty Municipal.*

In addition, at the Authority's request, Moody's and S&P have independently rated the Series 2010 Bonds without regard to the Bond Insurance Policy and based upon the evaluation of the CFCs and the provisions of the Indenture. Moody's and S&P have assigned underlying municipal bond ratings of "Baa1" (stable outlook) and "A-" (stable outlook)", respectively, to the Series 2010 Bonds.

A rating reflects only the views of the Rating Agency assigning such rating, and an explanation of the significance of such rating may be obtained from the applicable Rating Agency. The Authority and the Underwriters have furnished to the Rating Agencies certain information and materials relating to the Series 2010 Bonds, the CONRAC Facility and the Airport, including certain information and materials which have not been included in this Official Statement. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by any Rating Agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2010 Bonds.

## UNDERWRITERS

Morgan Keegan & Company, Inc., J. P. Morgan Securities Inc. and Loop Capital Markets, LLC (collectively, the "*Underwriters*") have agreed to purchase the Series 2010 Bonds from the Authority at an aggregate purchase price of \$65,904,044.25. The Underwriters will be compensated for their services with respect to the Series 2010 Bonds through an underwriters' discount equal to \$395,955.75. The Bond Purchase Agreement dated January 28, 2010 among the Authority and the Underwriters provides that the obligation to purchase the Series 2010 Bonds is subject to certain terms and conditions, including the

approval of certain legal matters by counsel. The Underwriters will be obligated to purchase all Series 2010 Bonds if any Series 2010 Bonds are purchased.

The Series 2010 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2010 Bonds into investment trusts) at prices lower than the public offering price. The public offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2010 Bonds, has entered into an agreement (the “*Distribution Agreement*”) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2010 Bonds with UBS Financial Services Inc.

## **CONTINUING DISCLOSURE**

The Authority will enter into an undertaking (the “*Undertaking*”) for the benefit of the owners of the Series 2010 Bonds to provide, so long as the Series 2010 Bonds are outstanding, certain financial information and operating data to certain financial information repositories annually and to provide notice to the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board and a state information repository, if any, of certain events, pursuant to the requirement of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, 240.15c2-12) (the “*Rule*”). See **Appendix F – Form of Continuing Disclosure Certificate**.

A failure by the Authority to comply with the Undertaking will not constitute an Event of Default under the Indenture (although Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by a broker-dealer or municipal securities dealer before recommending the purchase or sale of the Series 2010 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2010 Bonds and their market price.

## **FINANCIAL ADVISOR**

Public Financial Management, Inc., Memphis, Tennessee (the “*Financial Advisor*”) serves as independent financial advisors to the Authority on matters relating to debt management. The Financial Advisor has provided advice as to the structuring of the Series 2010 Bonds and has reviewed and commented on certain legal documentation, including the Official Statement. The advice on the structuring of the Series 2010 Bonds was based on materials provided by the Authority and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the Authority or the information set forth in this Official Statement or any other information available to the Authority with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information contained in this Official Statement.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2010 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to

the Authority. The form of Bond Counsel's opinion for the Series 2010 Bonds is attached hereto as **Appendix D**. Certain legal matters will be passed upon for the Authority by Adams and Reese LLP, Nashville, Tennessee, general counsel to the Authority, and by Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C., special counsel to the Authority, and for the Underwriters by Christian & Barton, L.L.P., Richmond, Virginia, and Gonzalez Saggio & Harlan LLP, Nashville, Tennessee, co-counsel to the Underwriters.

## **RELATIONSHIP OF PARTIES**

The Chairman of the Authority is a member of Bass, Berry & Sims PLC, Nashville, Tennessee, which represents Morgan Keegan & Company, Inc. in matters unrelated to the Series 2010 Bonds.

## **MISCELLANEOUS**

Information provided under the caption **MUNICIPAL BOND INSURANCE** with respect to the Municipal Bond Insurance Policy has been supplied to the Authority by Assured Guaranty Municipal, is a brief summary of certain provisions of the Municipal Bond Insurance Policy, does not purport to be complete, and is qualified in its entirety by reference to the Municipal Bond Insurance Policy. No representation is made herein by the Authority or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The Municipal Bond Insurance Policy does not constitute a part of the contract of the Authority evidenced by the Indenture and the Series 2010 Bonds. Except for the payment of the premium on such Municipal Bond Insurance Policy, the Authority has no responsibility with respect to such insurance or surety in any way, including the maintenance, enforcement, or collection thereof.

The references, excerpts and summaries of all documents referenced herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2010 Bonds, the security for the payment of the Series 2010 Bonds and the rights and obligations of the holders thereof. Copies of the documents referred to herein are available for inspection at the office of the Authority. Any statements made in this Official Statement involving matters of opinion, forecasts, or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the opinions, forecasts or estimates will be realized.

This Official Statement has been duly authorized by the Authority and duly executed and delivered on its behalf by the official signing below.

THE METROPOLITAN NASHVILLE AIRPORT  
AUTHORITY

By: /s/ James H. Cheek, III  
Chairman

## **APPENDIX A**

### **REPORT OF THE AIRPORT CONSULTANT**

## APPENDIX A

Metropolitan Nashville Airport Authority  
Special Facility Revenue Bonds  
(MPC CONRAC LLC Project),  
Series 2010

### Report of the Airport Consultant

Ricondo & Associates, Inc.  
105 East Fourth Street, Suite 1700  
Cincinnati, OH 45202  
513.651.4700 telephone  
513.412.3570 facsimile



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January 15, 2010

Mr. Raul L. Regalado  
President and Chief Executive Officer  
Metropolitan Nashville Airport Authority  
One Terminal Drive  
Nashville, TN 37214

***Re: Metropolitan Nashville Airport Authority  
Special Facility Revenue Bonds  
(MPC CONRAC LLC Project),  
Series 2010  
Appendix A: Report of the Airport Consultant***

Dear Mr. Regalado:

This report sets forth findings, assumptions, and projections of air traffic activity and resulting car rental demand, as well as financial analyses, developed by Ricondo & Associates, Inc. in conjunction with the planned issuance by the Metropolitan Nashville Airport Authority (the Authority) of its Special Facility Revenue Bonds (MPC CONRAC LLC Project), Series 2010 (the Series 2010 Bonds) for the design and construction of the Consolidated Rental Car Facility (the CONRAC Facility) at the Nashville International Airport (the Airport). This report is intended for inclusion in the Official Statement for the Series 2010 Bonds as Appendix A: Report of the Airport Consultant.

The Authority has authorized the issuance of the Series 2010 Bonds, the proceeds of which, together with proceeds from Customer Facility Charges (CFCs) and investment income, will finance construction of the CONRAC Facility at the Airport. The Series 2010 Bonds are secured by a lien and charge on the Net Rent Payments. Net Rent Payments consist of the revenues collected by, or on behalf of, the Authority from the operation of the CONRAC Facility, including CFCs and Contingent Rent. The Series 2010 Bonds will not be payable from or secured by a lien on or pledge of any revenues generally available to the Authority other than Net Rent Payments and amounts in pledged funds as specifically described in the Indenture (the Indenture) to be dated as of the financial close of the transaction. For example, airline fees and charges, Airport terminal building concession revenues, rental car privilege fees, and any other Airport revenues will not secure the Series 2010 Bonds (or any subsequent obligations issued under the Indenture).

The CONRAC Facility will be located on the site of the existing long-term parking lot, immediately north of the short-term garage. A pedestrian path and moving walkways will connect the CONRAC Facility to the existing short-term garage. Design of the CONRAC Facility began in February 2008 and is complete, with construction of the facility anticipated to begin in February 2010. The facility is scheduled to be complete and opened in September 2011. At its November 2009 meeting, the Authority's Board of Commissioners approved, contingent on the receipt of funding, a guaranteed maximum price contract with Austin Commercial, L.P., for the construction of the CONRAC Facility.



***Mr. Raul L. Regalado***  
***President and Chief Executive Officer***  
***Metropolitan Nashville Airport Authority***  
***January 15, 2010***

The CONRAC Facility will consist of a three-story ready/return building and an at-grade Quick Turn Around facility which includes minor maintenance and storage areas, vehicle washing facilities, vehicle fueling positions and stacking area, and a common-use fuel system. Roadway and utility modifications are included with the construction of the CONRAC Facility. Car rental company customer service counters will remain in their existing locations in the lower level of the passenger terminal.

Based on the assumptions and analyses described in this report, we provide the following findings and opinions:

***Economic Base***

- For the purpose of this report, the Airport's Air Trade Area is defined as the Nashville-Davidson-Murfreesboro-Franklin Metropolitan Statistical Area (MSA). The MSA consists of the Tennessee counties of Cannon, Cheatham, Davidson (the county in which the Airport is located), Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson.
- Population growth in the Airport's Air Trade Area between 1990 and 2008 was higher than that for both Tennessee and the nation during this period. The Air Trade Area's population growth rate is projected to continue to exceed that of both the State and the nation through at least 2015. There is typically a positive correlation between population growth in the local area and inbound travel demand (by both business and leisure travelers).
- The Air Trade Area's per capita personal income has generally been higher than equivalent measures for Tennessee and the nation. Per capita personal income is a composite measurement of market potential and indicates the general level of affluence of local residents, as well as an area's attractiveness to business and leisure travelers.
- Average annual unemployment rates (non-seasonally adjusted) for the Air Trade Area were consistently below the unemployment rates for Tennessee and the nation each year between 1998 and 2008. According to Moody's Economy.com, the Air Trade Area's unemployment rate (seasonally adjusted) is projected to peak at slightly below 10 percent in the second half of 2010, a rate lower than the peak projected for the nation.
- Nonagricultural employment in the Air Trade Area increased from approximately 670,000 workers in 1998 to approximately 759,000 workers in 2008. This increase represents a compounded annual growth rate of 1.3 percent during this period, compared to 0.9 percent nationwide. The services industry has the highest percentage of employment in the Air Trade Area, followed by the trade sector.
- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities that attract visitors to the region.



**Mr. Raul L. Regalado**  
**President and Chief Executive Officer**  
**Metropolitan Nashville Airport Authority**  
**January 15, 2010**

- The economic base of the Air Trade Area is strong and diversified, and is capable of supporting increased demand for air travel and rental car activity at the Airport during the projection period.

### ***Air Traffic***

- Demand for rental cars is highly correlated to passenger activity, thus passenger activity will serve as the basis for projecting future rental car demand at the Airport.
- The Airport, classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements, ranked 40th nationwide in total passengers enplaned and deplaned in calendar year (CY) 2008 with 9.4 million enplaned and deplaned passengers.<sup>1</sup>
- As of November 2009, the Airport had scheduled passenger service provided by 22 U.S. certificated passenger airlines and one foreign flag carrier. The Airport benefits from a relatively large air carrier base, which helps promote competitive pricing and scheduling diversity in the Airport's major markets.
- Southwest, with the highest share of enplaned passengers at the Airport in FY 2009 (52.5 percent), initiated its low-fare service at the Airport in FY 1986 with nonstop service to Chicago and Houston, followed by nonstop service to Birmingham and Phoenix in FY 1987 with a total of 15 to 20 daily nonstop flights to these four markets. Since FY 1995, Southwest steadily increased its nonstop service from the Airport to a total of 28 cities with approximately 80 to 85 daily nonstop flights.<sup>2</sup> Seventeen of these 28 markets are included in the Airport's top 20 origin-destination (O&D) passenger markets for FY 2009.
- As of November 2009, daily nonstop service was provided to 41 cities with a total of 186 daily flights, with 18 daily nonstop flights to Chicago, the Airport's top O&D market. During the course of FY 2009, each of the Airport's top 20 O&D markets were provided nonstop service with a total of approximately 120 to 125 daily flights.<sup>3</sup>
- Enplaned passengers at the Airport increased from 4,114,046 in FY 1999 to 4,460,962 in FY 2009. This increase represents a compounded annual growth rate of 0.8 percent during this period, compared to 0.3 percent growth nationwide. The Airport's share of U.S. enplanements increased from 0.673 percent in FY 1999 to 0.712 percent in FY 2009, reflective of the higher compounded annual growth rate experienced at the Airport than that for the nation during this period.

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<sup>1</sup> Source: Airports Council International, *ACI Traffic Data 2008*.

<sup>2</sup> Southwest's nonstop service to Oakland and Seattle is seasonal (one daily flight to each market).

<sup>3</sup> Seattle, the Airport's 20<sup>th</sup>-ranked O&D market in FY 2009, is provided nonstop service from the Airport on a seasonal basis by Southwest.



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- Enplanements at the Airport decreased from 4,880,360 in FY 2008 to 4,460,962 in FY 2009, a decline of 8.6 percent during this period compared to the 7.8 percent decrease projected by the FAA for the nation. This decrease was primarily due to national economic conditions and systemwide reductions in capacity implemented by the airlines in late CY 2008 and CY 2009.
- With the continued weakened state of the national economy and the reduced capacity provided by the carriers serving the Airport in CY 2009, it is expected that enplaned passengers at the Airport will decrease from 4,460,962 in FY 2009 to approximately 4,275,200 in FY 2010 (a 4.2 percent decrease in FY 2010 from FY 2009 levels) and then remain relatively stable in FY 2011. However, socioeconomic regression models indicate that the Air Trade Area could support a compounded annual growth rate of approximately 2.5 percent in long-term growth in passenger activity at the Airport. Therefore, during the remainder of the projection period, activity at the Airport is projected to increase from 4,275,400 enplaned passengers in FY 2011 to 5,153,100 in FY 2019. This increase represents a compounded annual growth rate of 2.4 percent during this period, compared to the 3.0 percent growth projected for domestic enplaned passengers nationwide by the FAA.

### ***Rental Car Demand***

- The Airport is currently served by eight car rental companies that rent parking garage space or terminal building space (or both) from the Authority. As of the date of this report, the Authority has executed a lease agreement (the CRC Lease Agreement) with all of the companies currently serving Airport customers. Each of the companies with an executed CRC Lease Agreement will operate from the CONRAC Facility when it opens.
- The Authority has sole authority to set the CFC Rate, which is unlimited by statute. The Authority began charging a CFC of \$4.00 per day in January 2008. Based on monthly rental car gross sales data for January through June 2008, it does not appear that the implementation of the CFC had a negative effect on rental car demand at the Airport. As a result, the imposition of the CFC is not expected to have a material impact on rental car demand at the Airport. The Authority's Board of Commissioners passed Resolution number 2009-14 at its November 18, 2009 meeting which increases the CFC rate to \$4.50 effective January 1, 2010.
- Currently, there are no off-Airport rental car companies serving the Airport. It is not anticipated that any off-Airport service will be provided in the future; however, any future off-Airport service that may be provided is not likely to be significant. Furthermore, in the Indenture the Authority covenants to require each Concessionaire to enter into a CRC Lease Agreement and lease space in the CONRAC Facility for the conduct of its business. In the



**Mr. Raul L. Regalado**  
**President and Chief Executive Officer**  
**Metropolitan Nashville Airport Authority**  
**January 15, 2010**

event that a Concessionaire locates any of its operations off-Airport due to insufficient space in the CONRAC Facility, the Authority will require that Concessionaire to pick up and drop off its customers at the CONRAC Facility.

- Alternative travel modes at the Airport (taxi, bus, or limousine services) are not expected to have a material impact on rental car demand at the Airport nor the generation of CFC revenue.
- Gross rental car sales at the Airport declined slightly following FY 2001 (as a result of the national economic downturn and the September 11, 2001 terrorist attacks), then rebounded in FY 2003 through FY 2008 as passenger activity returned. In FY 2009 gross rental car sales decreased by 15.0 percent due to the downturn in the national economy. This pattern has generally been consistent with trends for the overall U.S. rental car industry.
- Rental car transactions at the Airport increased by 3.3 percent in FY 2006, 4.7 percent in FY 2007, and 0.2 percent in FY 2008. In FY 2009 rental car transactions decreased by 15.2 percent, reflecting the downturn in the national economy. Through the first four months of FY 2010, rental car transactions declined a further 13.0 percent.
- The average number of days per rental car transaction increased steadily between FY 2006 and FY 2009, rising from 3.03 in FY 2006 to 3.50 in FY 2009. In the long-term, it is assumed that the number of days per rental car transaction will average approximately 3.25 days.
- Rental car transaction days, which are the basis for CFC collections at the Airport, increased 7.7 percent in FY 2007, and grew a further 5.5 percent in FY 2008. The number of car rental transaction days declined by 9.4 percent in FY 2009, reflecting the downturn in the national economy. Through the first four months of FY 2010, rental car transaction days declined a further 13.0 percent.
- Rental car transaction days at the Airport are projected to decline by 11 percent, to 1.7 million, in FY 2010 reflecting both the decline in passenger activity and a reduced average number of days per rental car transaction. Rental car transaction days are expected to be flat in FY 2011, and then grow at a compounded annual growth rate of 2.4 percent from FY 2011 to FY 2019, to approximately 2.1 million in FY 2019.

### ***Financial Analysis***

- The total estimated cost of the CONRAC Facility is \$69.4 million. Of this amount, the Authority has already spent approximately \$6.0 million on design, permits, and other preparatory work. The Authority expects to apply approximately \$13.5 million in CFCs on a pay-go basis during the construction period for project costs, with the remaining project costs of approximately \$50.0 million funded from the proceeds of the Series 2010 Bonds.



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- The Indenture provides for significant reserves including a CONRAC Bond Reserve equal to Maximum Annual Debt Service and a CONRAC Coverage Fund equal to 0.25 percent of Maximum Annual Debt Service funded at the closing of the Series 2010 Bonds; a CONRAC Discretionary Account funded at the closing of the Series 2010 bonds; a CONRAC Operating and Maintenance Reserve, CONRAC Renewal and Replacement Reserve, and a CONRAC Major Maintenance Reserve which will be funded from CFC Revenue over time, all of which are available for the payment of debt service on the Series 2010 Bonds.
- CFC revenue is projected to decrease by 5.4 percent in FY 2010, to approximately \$7.2 million from approximately \$7.7 million in FY 2009, as the decline in passenger activity and related demand for rental cars partially offsets the \$0.50 increase in the CFC rate effective January 1, 2010. While passenger activity and rental car demand is expected to be stable, CFC revenues are projected to increase by 5.9 percent in FY 2011 reflecting the first full fiscal year of collections at the \$4.50 per transaction day CFC rate. CFC revenues are projected to grow to approximately \$9.2 million in FY 2019, which represents a 2.4 percent compounded annual growth rate between FY 2011 and FY 2019, in line with enplanement activity and rental car transaction days.
- During the projection period, debt service coverage on the Series 2010 Bonds is projected to range from a low of 1.66x in FY 2012 to a high of 1.69x in FY 2013 and 2014.

Except as defined otherwise, the capitalized terms used in this report are as defined in the Indenture. The techniques used in this report are consistent with industry practices for similar studies in connection with revenue bond sales. While we believe the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,

RICONDO & ASSOCIATES, INC.

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## **I. The Consolidated Rental Car Facility**

This chapter describes the planned Consolidated Rental Car Facility (CONRAC Facility) and presents cost and construction schedule information for the project. As described below, the CONRAC Facility will be built west of the existing short-term parking garage and accommodate all the car rental companies operating on airport premises.

### **1.1 Background**

The four car rental companies (offering a total of 8 brands) currently operating on airport premises are located in the existing short-term parking garage north of the terminal. With the construction of the new CONRAC Facility, the Airport Authority plans to convert the space currently occupied by the car rental companies into additional short-term parking space to accommodate current and future demand for public parking and thereby increase public parking revenue. In addition, vehicular congestion on airport roadways and air quality will be greatly improved because the car rental operations will be concentrated in the new facility. Rental cars will not have to leave the facility unless maintenance is required. Furthermore, the roadway improvements associated with the project eliminate some weave/merge situations that are dangerous to motorists traveling to the airport.

### **1.2 The CONRAC Facility**

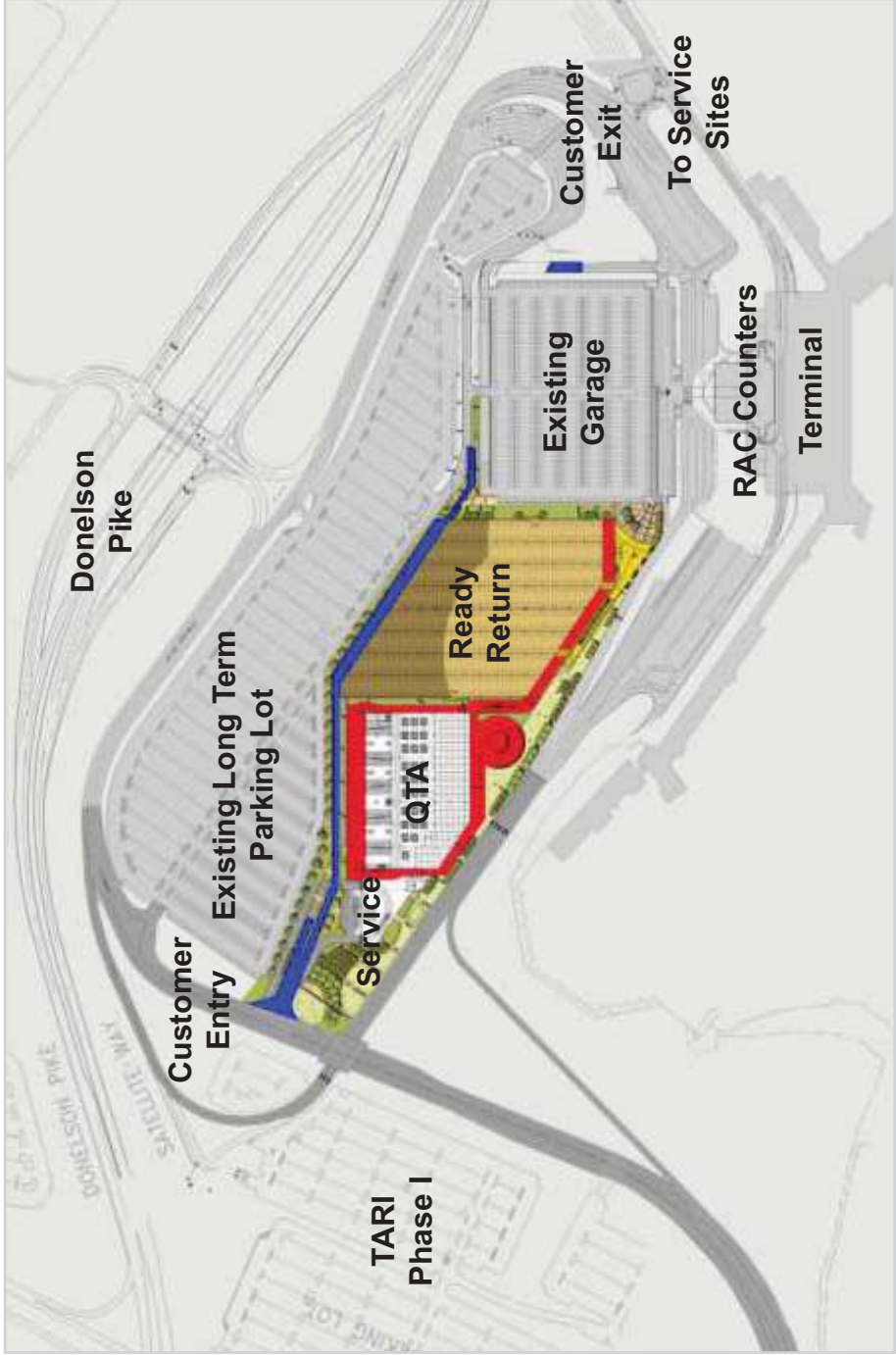
Design of the CONRAC Facility began in February 2008 and is complete. The construction of the facility will begin in February 2010 and is estimated to be complete in September 2011. The CONRAC Facility will consist of a three-story ready/return building and an at-grade Quick-Turn-Around (QTA) facility which includes areas for minor maintenance and storage, vehicle washing facilities, vehicle fueling positions and stacking area, and a common-use fuel storage and distribution system. The CONRAC Facility will be constructed on the site of the existing long-term parking lot, immediately west of the short-term garage. A pedestrian path and moving walkways will connect the CONRAC Facility to the existing short-term garage. Roadway and utility modifications are included with the construction of the facility. Car rental company customer service counters will remain in their existing locations on the lower level of the passenger terminal.

**Exhibit I-1** shows the CONRAC Facility and the existing long-term parking lot and short-term parking garage in relation to the terminal building. The proposed CONRAC Facility is described in more detail in the following four sections.

#### **1.2.1 Ready/Return Facility**

**Exhibit I-2** provides an artist's rendering of the of the CONRAC ready/return facility as seen from above. The three-story, approximately 900,000 square foot concrete structure is designed to accommodate between eight and 10 car rental companies and includes approximately 2,400 ready/return stalls. A circulation core and covered moving walkways will be included on each of the three levels. **Exhibit I-3** provides an artist's rendering of the exterior of the circulation core. Vehicle access to the structure will be provided via ramps at the northeast and southwest corners of the facility. The facility will include a canopy over the ready/return area.

The circulation core allows pedestrians to access the ready/return garage from the airport terminal via walkways through the adjacent existing short-term garage. The metal-roofed, three-level core will cover approximately 13,350 square feet of non-air conditioned space and be accessed from a



Source: Metropolitan Nashville Airport Authority (Airport data), October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit I-1

CONRAC Overall Plan Development  
Site Plan



Source: Metropolitan Nashville Airport Authority, October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

## Exhibit I-2

### Bird's Eye View





Source: Metropolitan Nashville Airport Authority, October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

### **Exhibit I-3**

## **Ground Level Core Area**

landscaped plaza at ground-level. Each level of the core is approximately 4,450 square feet with escalators and elevators, toilet rooms, and support spaces. In addition, on each level there will be 6,000 to 7,000 square feet of covered walkways linking the circulation core with the ends of the ready/return garage. There will also be 200 to 250 linear feet of moving walkways on each level

### **1.2.2 Quick-Turn-Around Facility**

The QTA will occupy a site approximately 5.5 acres immediately north of the ready/return facility. As shown in Exhibit I-2, the QTA includes the area extending west from ready/return garage to western edge of the service yard. The following facilities are included in the QTA:

- 10 car wash bays,
- 46 fueling stations,
- 290 stacking parking stalls, and
- A service yard including six 8,000 gallon above ground fuel storage tanks and associated support facilities.

The QTA will be covered by metal canopies and be accessed by ramps from each level of the ready/return facility.

### **1.2.3 Roadwork and Additional Supporting Projects**

In order to provide access to the CONRAC Facility and the existing short- and long-term parking facilities, roadway modifications will be made to the primary Airport entrance road, called Discrete Access, and to the circular, one-way roadway that encompasses the airport parking facilities, called Ring Road. Discrete Access will be extended to the east to provide direct access from I-40 eastbound to the CONRAC Facility and parking facilities and include a new ramp to the terminal. Ring Road will be extended to the north and include a bridge over the extended Discrete Access.

### **1.2.4 Additional Supporting Projects**

Additional projects needed to support the CONRAC Facility and maintain access to the existing parking facilities include the following:

- Utility infrastructure (storm drainage, electrical, sewer, etc.),
- Modifications to existing long-term parking lot for vehicular and bus flow,
- Modifications to existing short-term garage,
- Revenue control relocation for short and long-term parking lots,
- Lighting,
- Signage, and
- Landscaping.

## **1.3 Estimated CONRAC Facility Costs**

The Authority received bids for a guaranteed maximum price (GMP) contract for the construction of the CONRAC facility in August 2009. Austin Commercial, L.P., was determined as the lowest qualified bidder with a proposed contract amount of \$67 million. The Authority and Austin Commercial, L.P. then executed a value engineering exercise that reduced the GMP amount to \$58 million. The Authority's Board of Commissioners awarded the contract, contingent on the receipt of funding for the CONRAC Facility, at its November 2009 meeting. The total cost of the CONRAC Facility, including funds spent to date, is estimated at \$69.4 million. **Table I-1**, presents a summary



of funded and estimated costs for the CONRAC facility. Estimated sources of funding for the CONRAC Facility are described in Chapter 5 of this report. **Table I-2** presents the estimated timeline for construction of the CONRAC facility.

**Table I-1**

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Summary of Consolidated Rental Car Facility Estimated Costs

Consolidated Rental Car Facility	Estimated Project Costs
Design (complete, funds spent to date)	\$4,100,000
Terminal area roadway improvements / CONRAC Preparation (funds spent to date)	\$1,000,000
Testing / Permits / Miscellaneous (funds spent to date)	\$1,850,000
CONRAC Construction –guaranteed maximum price contract	\$58,000,000
Additional Soft Costs	\$4,480,000
Total Estimated Costs	\$69,430,000

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Source: Metropolitan Nashville Airport Authority, November 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

**Table I-2**

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Estimated Timeline for CONRAC Construction

Board Approval of GMP Contract	November 17, 2009
Construction Notice to Proceed	February 19, 2010
Closure of long-term parking lot, begin CONRAC Construction	February 1, 2010
Tenant build-out begins	December 31, 2010
Tenant build-out complete	July 30, 2011
CONRAC Complete	September 30, 2011

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Source: Metropolitan Nashville Airport Authority, November 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

## II. Rental Car Industry

This chapter focuses on rental car activity and demand at the Airport and its relationship to destination passenger levels. The chapter consists of an overview of the rental car industry, a description of recent trends and events occurring in the rental car industry nationwide, and a review of the Airport's rental car market including current rental car operators, historical rental car activity, and the nature of Airport rental car activity.

### 2.1 Industry Overview

The U.S. rental car market consists of two basic components: (1) the airport market and (2) the local/insurance replacement market. According to the most recent historical data from Auto Rental News, the airport rental car market at the top 100 airport markets accounted for roughly 51 percent of total U.S. rental car activity based on gross revenues<sup>1</sup>. As discussed later in this chapter, the U.S. airport rental car market, which declined significantly following the events of September 11, grew steadily between CY 2002 and CY 2008.

**Table II-1** presents the market share held by the five major rental car companies that dominate the U.S. airport rental car market: Avis Budget Group, Inc., Dollar Thrifty Automotive Group, Inc. Enterprise Rent-A-Car Company, Vanguard Car Rental USA (which operates the Alamo and National brands and is wholly owned by Enterprise Holdings), and the Hertz Corporation (Hertz). These five companies (including the brands they operate) are estimated to account for 96.9 percent of CY 2008 gross revenues (through August 2008) at the top 185 U.S. airport rental car markets.

Below are brief profiles of each major national brand, obtained from their respective websites, grouped by their parent organization:

#### **Avis Budget Group, Inc., owner of Avis Rent a Car and Budget Rent a Car:**

- **Avis Rent a Car** was founded in 1946, and was the first company to rent cars from airport locations. As of December 2008 the company had 105 U.S. airport locations and 189 U.S. off airport locations.<sup>2</sup> As presented in **Exhibit II-1** Avis had a CY 2008 estimated U.S. airport market share of 19.4 percent.
- **Budget Rent a Car** was founded in 1958 and the name was chosen to appeal to the “budget minded” or “value-conscious” renter. The company’s business mix is 28 percent corporate and 72 percent leisure and it has 267 U.S. airport locations and 626 U.S. off airport locations.<sup>3</sup> As presented in Exhibit II-1 Budget had a CY 2008 estimated U.S. airport market share of 10.6 percent.

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<sup>1</sup> Source: Auto Rental News, *Revenue and Market Share Data*, January / February 2005.

<sup>2</sup> Source: [www.Avis.com](http://www.Avis.com), *Corporate Facts*, last accessed October 2009.

<sup>3</sup> Source: [www.Budget.com](http://www.Budget.com), *Factsheet*, last accessed October 2009.

**Table II-1**

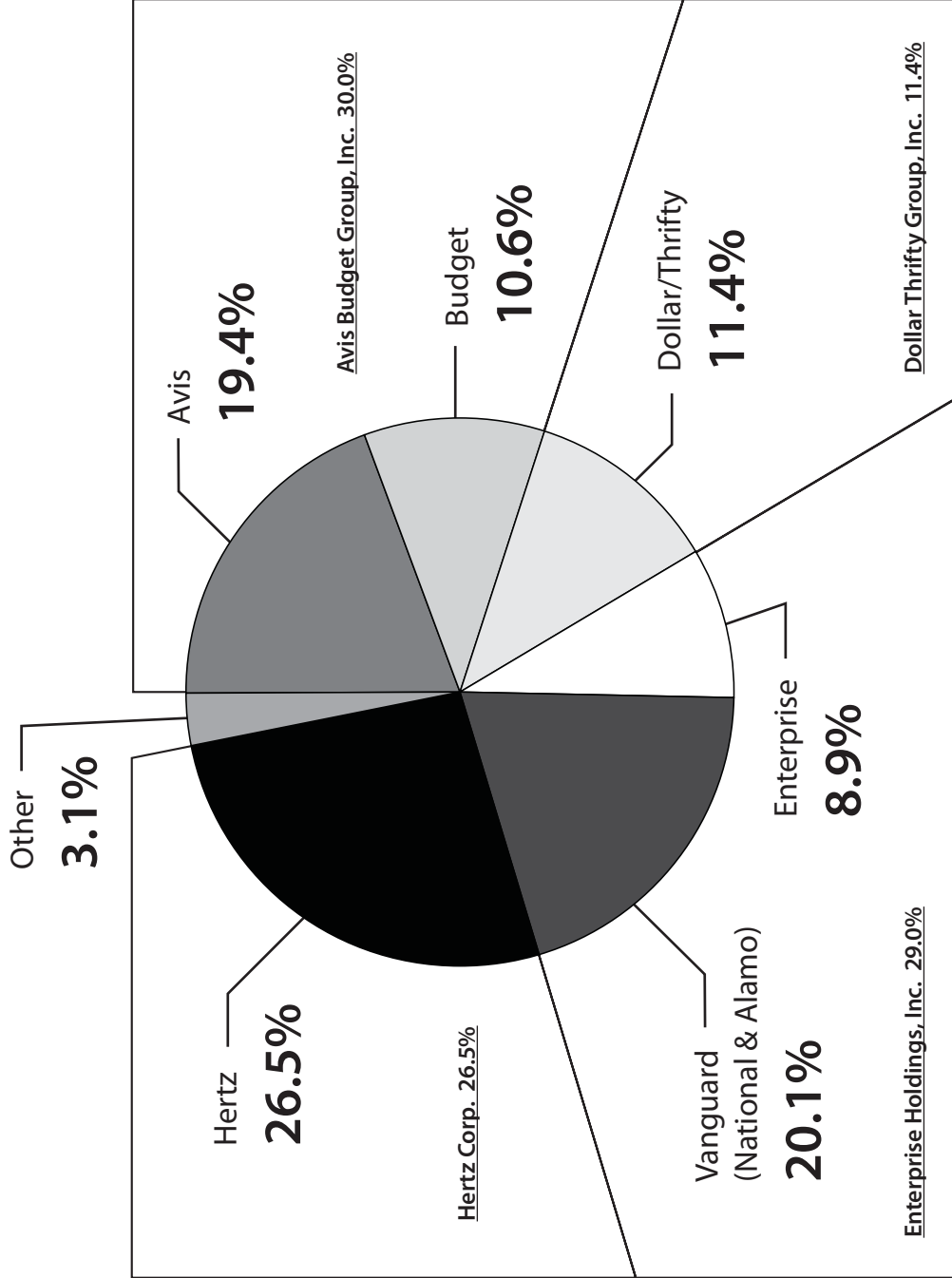
U.S. Rental Car Operator Market Share  
Sorted by U.S. Market Share CY 2008 Estimate  
(Dollars in Billions)

Operator	Total U.S. Rental Car Market						Estimated U.S. Airport Rental Car Market Share <sup>1/</sup>	
	CY 2006		CY 2007		CY 2008 Estimate		CY 2007	CY 2008 <sup>2/</sup>
	Gross Revenues	Share	Gross Revenues	Share	Gross Revenues	Share		
Enterprise <sup>3/</sup>	\$6.800	33.3%	\$7.100	33.0%	\$7.500	34.3%	8.5%	8.9%
Hertz	3.770	18.5%	3.900	18.1%	3.860	17.6%	27.9%	26.5%
Avis <sup>4/</sup>	2.900	14.2%	3.100	14.4%	3.200	14.6%	19.8%	19.4%
Vanguard (Alamo/National) <sup>3/</sup>	2.700	13.2%	2.900	13.5%	2.900	13.3%	19.8%	20.1%
Dollar/Thrifty	1.459	7.1%	1.680	7.8%	1.650	7.5%	11.4%	11.4%
Budget <sup>4/</sup>	1.500	7.3%	1.500	7.0%	1.600	7.3%	10.2%	10.6%
Advantage <sup>5/</sup>	0.155	0.8%	0.220	1.0%	0.136	0.6%	See note <sup>6/</sup>	See note <sup>6/</sup>
Others	1.129	5.5%	1.089	5.1%	1.033	4.7%	2.4%	3.1%
Total <sup>7/</sup>	\$20.413	100.0%	\$21.489	100.0%	\$21.879	100.0%	100.0%	100.0%

Notes:

- 1/ Based on gross revenues reported to airport operators at 185 of the largest U.S. airports. Source: Hertz 2008 Annual Report
- 2/ Eight months ended August 31, 2008
- 3/ Enterprise Rent-A-Car acquired Vanguard Car Rental USA in August 2007. Vanguard Car Rental USA currently operates as a subsidiary of Enterprise Holdings and includes the Alamo and National brands.
- 4/ A brand of the Avis Budget Group, Inc.
- 5/ Purchased by Hertz Global Holdings, Inc. in April 2009.
- 6/ Included in Others line on this table.
- 7/ Totals may not add due to rounding.

Sources: Auto Rental News (Total U.S. Rental Car Market), November 2009; Hertz 2008 Annual Report (Estimated Airport Rental Car Market Share), November 2009.  
Prepared by: Ricondo & Associates, Inc., December 2009.



Source: Metropolitan Nashville Airport Authority, October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit II-1

## Estimated U.S. Airport Gross Revenue Market Share by Brand (CY 2008)

**Dollar Thrifty Automotive Group, Inc. owner of Dollar Rent a Car and Thrifty Rent a Car**

- **Dollar Rent a Car** was founded in 1965 in Los Angeles. The company has more than 640 worldwide locations in 53 countries, including 350 in the United States.<sup>4</sup> As presented in Exhibit II-1 Dollar and Thrifty had a combined CY 2008 estimated U.S. airport market share of 11.4 percent.
- **Thrifty** was founded in 1958. The company brands itself as a value-oriented car rental company that has a significant presence both in the airport and local car rental markets. In the U.S. approximately 80 percent of its business is focused on the airport market, 20 percent in the local market.<sup>5</sup> As presented in Exhibit II-1 Dollar and Thrifty had a combined CY 2008 estimated U.S. airport market share of 11.4 percent.

**Enterprise Holdings, Inc. Owner of Enterprise Rent-A-Car and Vanguard Car Rental USA, Inc. (Alamo Rent a Car and National Car Rental)**

- **Enterprise Rent-A-Car** was founded in 1957 in St. Louis. The company is the largest rental car company in the U.S. and it has locations within 15 miles of 90 percent of the U.S. population.<sup>6</sup> As presented in Exhibit II-1 Enterprise Rent-A-Car had a CY 2008 estimated U.S. airport market share of 8.9 percent.
- **Alamo Rent a Car** was founded in 1974 in Florida, and it is known for pioneering the concept of unlimited free mileage. The company provides rental cars primarily to family and leisure travelers.<sup>7</sup> As presented in Exhibit II-1 Alamo and National combined (Vanguard) had a CY 2008 estimated U.S. airport market share of 20.1 percent.
- **National Car Rental** was founded in 1947 and is headquartered in St. Louis. The company brands itself as a premium, international recognized brand serving the daily rental needs of the frequent airport business traveler.<sup>8</sup> As presented in Exhibit II-1 Alamo and National combined (Vanguard) had a CY 2008 estimated U.S. airport market share of 20.1 percent.

**Hertz Corp., Owner of Advantage Rent a Car and Hertz Car Rental**

- **Advantage Rent a Car** was founded in San Antonio, Texas in 1963. The company started out to serve the large military population in San Antonio but expanded quickly and at its peak operated over 150 U.S. locations and 130 locations internationally. Advantage filed for protection under Chapter 11 of the U.S. Bankruptcy Code in December 2008, and closed about 40 percent of its U.S. locations. On April 18, 2009 Hertz purchased the assets of Advantage Rent a Car (including its brand and website) for \$33 million. Hertz plans to use Advantage for 'further expansion into the price-oriented travel demographic' as the acquisition allows Hertz to sell under an additional brand.<sup>9</sup> Advantage is included in others in Exhibit II-1.

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<sup>4</sup> Source: [www.Dollar.com](http://www.Dollar.com), *Corporate Background*, last accessed October 2009.

<sup>5</sup> Source: [www.Thrifty.com](http://www.Thrifty.com), *General Information*, last accessed October 2009.

<sup>6</sup> Source: [www.Enterprise.com](http://www.Enterprise.com), *About Us*, last accessed October 2009.

<sup>7</sup> Source: [www.Alamo.com](http://www.Alamo.com), *About Alamo Rent A Car*, last accessed October 2009.

<sup>8</sup> Source: [www.NationalCar.com](http://www.NationalCar.com), *Company Information*, last accessed October 2009.

<sup>9</sup> Sources: USA Today, "Advantage Rent-A-Car Files for Bankruptcy," December 8, 2008; [www.Hertz.com](http://www.Hertz.com), last accessed November 2009.

- **Hertz Car Rental** was founded in 1918 in Chicago. The company has over 8,500 locations in 141 countries and it is the largest general use car rental brand in the world.<sup>10</sup> As presented in Exhibit II-1 Hertz had a CY 2008 estimated U.S. airport market share of 26.5 percent.

As shown in Table II-1, Enterprise Rent-A-Car holds the largest share (34.3 percent) of the total U.S. rental car market, with \$7.5 billion of gross revenues estimated for CY 2008, due in large part to its dominance of the insurance/car replacement market. However as shown in Exhibit II-1 Enterprise Rent-A-Car accounted for only 8.9 percent of gross revenues at the top 185 U.S. airport markets in CY 2008 through August, based on gross revenues reported to airport operators. Hertz has the largest airport market share with 26.5 percent of gross revenues followed by Vanguard with 20.1 percent and then Avis with 19.4 percent.<sup>11</sup>

Exhibit II-1 also shows the market share for each parent company. Here Avis Budget Group, Inc. (Avis and Budget) has the largest market share with 30.0 percent followed by Enterprise Holdings, Inc (Alamo, National, and Enterprise) with 29.0 percent, Hertz Corporation (Hertz) with 26.5 percent and the Dollar Thrifty Group, Inc. (Dollar and Thrifty) with 11.4 percent.

## **2.2 Industry Trends**

This section presents a review of historical rental car industry activity trends, a discussion of consolidated rental car facilities, and a discussion of airport taxes and surcharges that are added to a customer's total rental car bill.

### **2.2.1 Rental Car Industry Activity**

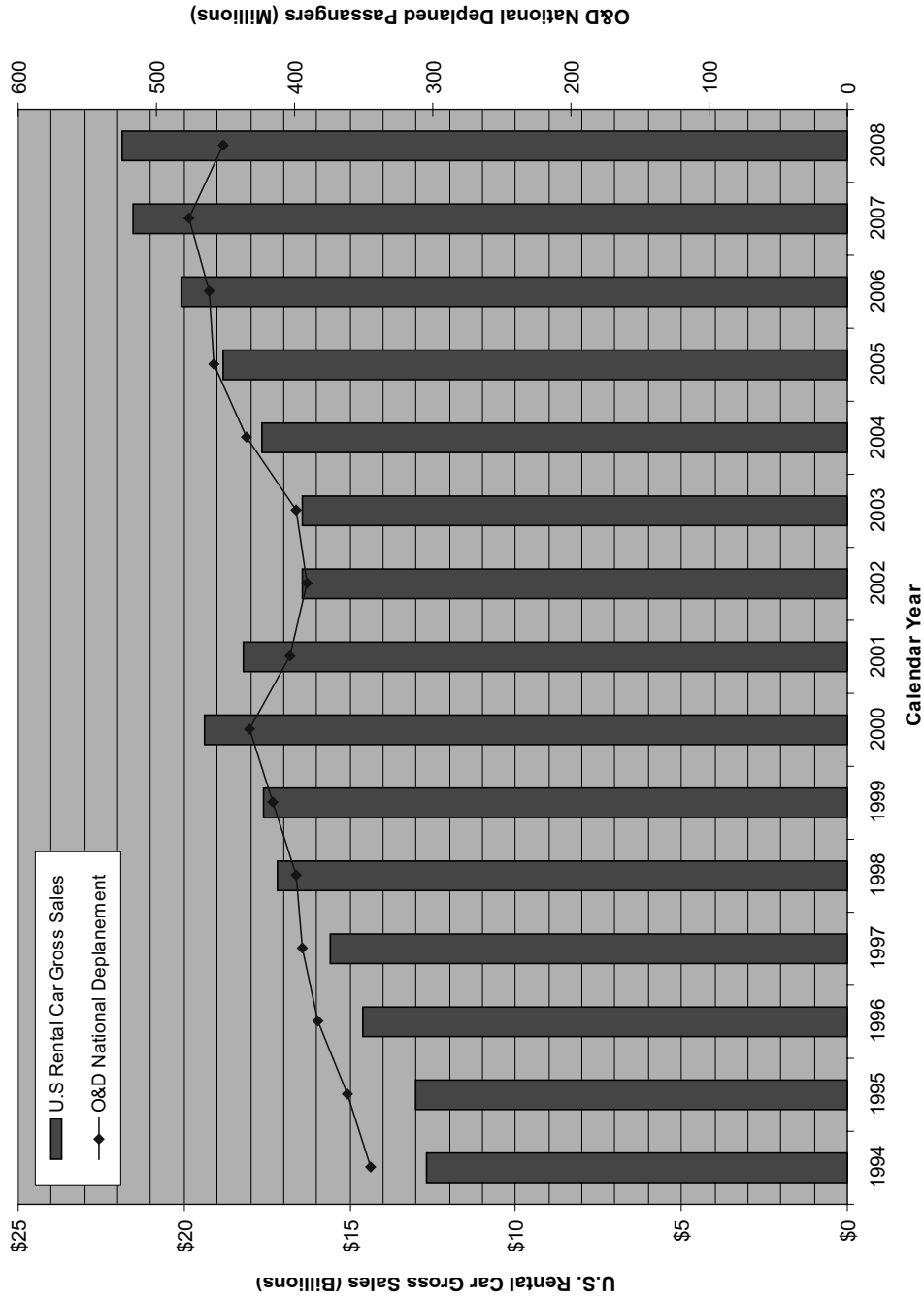
Although growth of the U.S. airport rental car market is influenced by factors such as the economy and car rental rates, it is primarily related to Origin and Destination (O&D) passenger activity—more specifically, destination or inbound passenger levels.

**Exhibit II-2** depicts total U.S. rental car gross sales compared to total U.S. domestic O&D deplanements, and **Exhibit II-3** show the yearly percentage change of total U.S. rental car gross sales compared to total U.S. domestic O&D deplanements, and total U.S. gross domestic product (GDP). Both graphs are displayed on a Calendar Year basis between CY 1994 and CY 2008. These two exhibits demonstrate the strong relationship between economic conditions and demand for travel related services. The U.S. economy expanded at a 5.8 percent compounded annual growth rate (CAGR), as measured by GDP between CY 1994 and CY 2000. The strong economy spurred demand for travel, with deplanements rising at a 3.8 percent CAGR and total U.S. rental car gross sales increasing at a 7.3 percent CAGR during this period. The U.S. economy began to weaken in early 2001, a trend that was exacerbated by the events of September 11. Furthermore, air travel demand was depressed by the outbreak of severe acute respiratory syndrome (SARS) during this period. For the CY 2001 – CY 2002 period, GDP growth slowed to a 3.4 percent CAGR, with deplanements declining at a 2.9 percent CAGR and total U.S. rental car gross sales declining at a 9.7 percent CAGR.

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<sup>10</sup> Source: [www.Hertz.com](http://www.Hertz.com), *Hertz History*, last accessed October 2009.

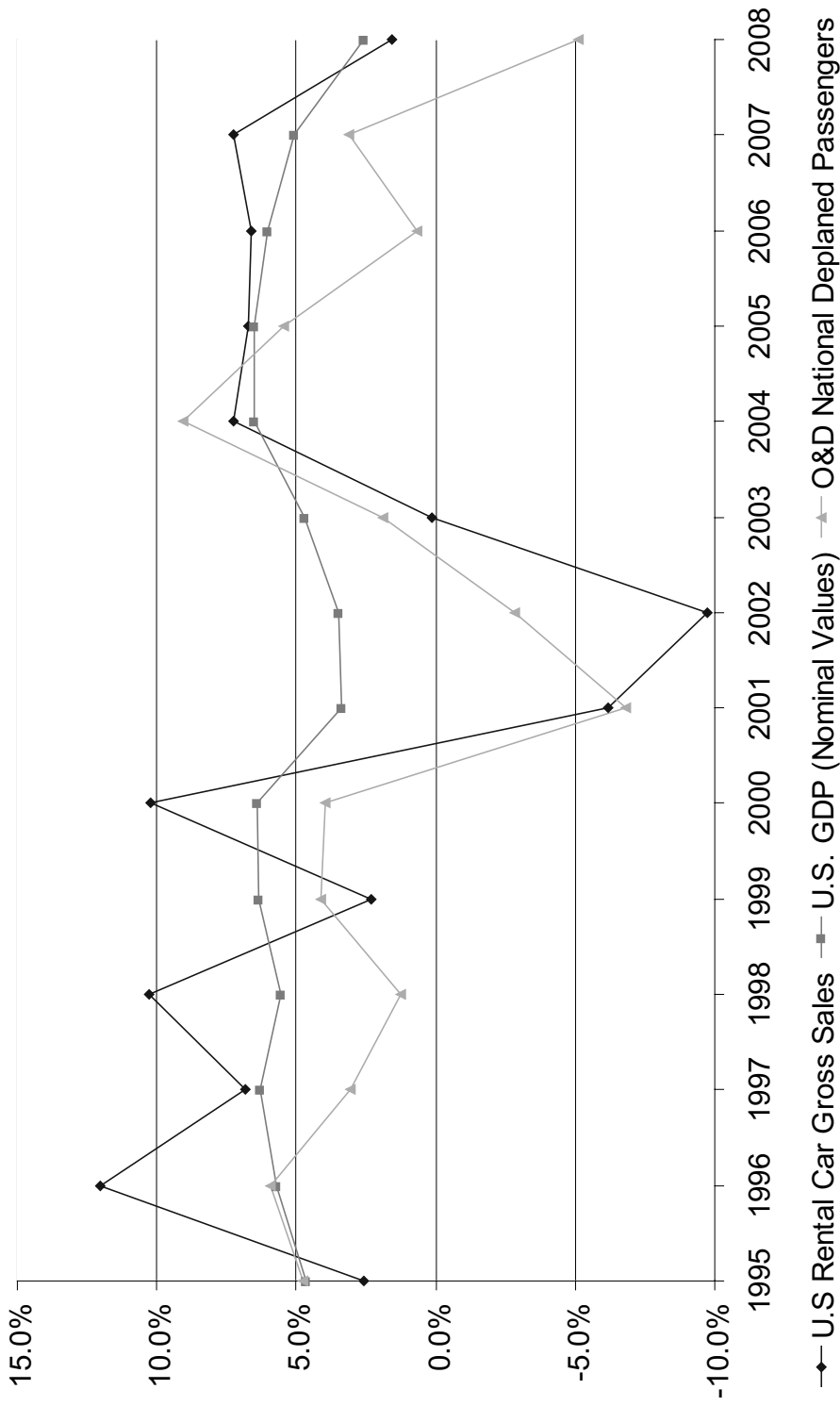
<sup>11</sup> Source: Hertz Corp., *2008 Annual Report*.



Source: Metropolitan Nashville Airport Authority (Airport data); U.S. DOT Origin & Destination Survey of Airline Passenger Traffic; Auto Rental News (U.S. data), October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit II-2

U.S. Rental Car Market Gross Sales  
(Calendar Year Basis)



Sources: Auto Rental News; US DOT Origin & Destination Survey of Airline Passenger Traffic; Bureau of Economic Analysis, November 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit II-3

## U.S. Rental Car Gross Sales Annual Percent Change Comparison (Calendar Year Basis)



The U.S. economy began to rebound in CY 2003, with GDP rising at a 6.0 percent CAGR through CY 2007. During this period, total U.S. domestic O&D deplanements increased at a CAGR of 4.5 percent, while total U.S. rental car gross sales grew at a 7.0 percent CAGR, reflecting gains in both the airport and local/insurance replacement markets. In December 2007 the economy entered the current economic downturn<sup>12</sup>, with GDP growth slowing to 2.6 percent for CY 2008. Due to the economic weakness and the airlines' actions to reduce system wide capacity, the number of deplaning passengers decreased 5.1 percent nationwide while the U.S. rental car gross sales recorded a modest increase of 1.6 percent.

### **2.2.2 Consolidated Rental Car Facilities**

As airline passenger activity grew over the past 20 years, so did terminal roadway congestion at the nation's airports. A contributing factor to this congestion was the presence of numerous buses required to transport rental car customers to their vehicles. Remote consolidated rental car facilities became a popular means for airport operators to address this element of the congestion problem. Instead of each rental car company having its own shuttle bus system to transport customers to and from individual remote sites, a consolidated facility brings all the on-airport rental car companies together at a single location with a single transit system, typically a bus system, transporting rental car customers to and from the terminal. Where space permits, as is the case with the Authority's planned CONRAC Facility, airports are locating their consolidated rental car facilities adjacent to the terminal building. This serves to enhance the customer service experience by making rental cars more accessible and eliminating the need for customer service buses.

One of the first consolidated rental car facilities in the U.S. was completed in 1989 at Portland International Airport.<sup>13</sup> Portland was then followed by other airports such as Dallas/Fort Worth International Airport, San Francisco International Airport, and Houston George Bush Intercontinental Airport. Typically, the primary source of financing for these facilities has been special facility bonds backed by a CFC, which is a fee imposed by an airport upon the customers of the rental car companies specifically to fund construction of a facility. As discussed earlier, these fees are typically based on rental car transaction days, although some CFCs are charged on a per-contract basis.

### **2.2.3 Airport Taxes and Surcharges**

Airport taxes and surcharges received a lot of attention from the rental car industry during the 1990s, both in terms of their opposition to new taxes to pay for non-rental car-related facilities (such as convention centers and sports arenas) and their support of actions that allowed them to pass through charges, such as airport concession fees, to their customers. The concept of taxing rental cars for non-rental car-related facilities is often a popular option for local governments since they can export part of the tax burden to non residents. The opponents to this concept point out that it raises the cost of rental cars which, in economic theory, decreases demand. A more detailed analysis on rental car taxes at the Airport and surrounding airports is provided in Section 4.6 of this report.

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<sup>12</sup> Source: National Bureau of Economic Research Business Cycle Dating Committee, "Determination of the December 2007 Peak in Economic Activity", December 11, 2008.

<sup>13</sup> Source: Martineck, Trish, "Consolidating Today's Rental Car Facilities," *Passenger Terminal World*, accessed from [www.hksinc.com/2000/pdf/06\\_03\\_Consolidating\\_Today's\\_Rental\\_Car\\_Facilities.pdf](http://www.hksinc.com/2000/pdf/06_03_Consolidating_Today's_Rental_Car_Facilities.pdf).

The pass-through movement began in the late 1990s as car rental companies sought ways to become more profitable. As a result, rental car companies began implementing pass-throughs of concession fees, access fees, and state license and title fees. This practice allowed rental car companies to increase fees and outsource some of the expense to the customer.

Airports also began adding airport fees to pay for consolidated rental car facilities and consolidated shuttle bus costs. Unlike passenger facility charges at many airports, rental car facility charges and transportation fees are not regulated by the federal government. A list of rental car customer facility charges and transportation fees at selected U.S. airports is shown in **Table II-2**. Similar to the Metropolitan Nashville Airport Authority the operators of some airports shown on Table II-2 (including San Jose, Providence, Kansas City, Orlando, and others) began collecting CFCs prior to construction of the rental car facilities being funded with CFCs.

## **2.3 Rental Car Market at the Airport**

As shown in **Table II-3**, the Airport is served by four national rental car companies that operate a total of eight different rental car brands. All four companies lease parking garage and terminal building space from the Authority. Table II-3 also includes Advantage Rent a Car, which is a wholly-owned subsidiary of Hertz and is included in Hertz's lease for the new CONRAC Facility. Advantage does not currently operate at the Airport. As of the date of this report, the Authority has executed a lease agreement for the new CONRAC Facility with all of the companies currently serving Airport customers

**Exhibit II-4** presents the FY 2009 market share held by each brand as measured by gross revenue. Hertz led the market with a 24.0 percent share in FY 2009, followed by Vanguard with its National and Alamo brands combined accounting for 20.7 percent. The third-largest brand at the Airport in FY 2009 was Avis at 18.8 percent. Hertz, Vanguard, and Avis have been the largest three brands for the last three years, although Hertz' share of the market declined from 31 percent in FY 2005 to 24 percent in FY 2009.

Exhibit II-4 also presents the market share by parent company. Enterprise Holdings, Inc. has the largest market share at 32.6 percent, followed by Avis Budget Group, Inc. at 30.8 percent and the Hertz Corporation at 24.0 percent.

Currently, there are no off-airport rental car companies serving the Airport, nor is any significant off-Airport service anticipated to be provided in the future. Furthermore, the Airport covenants in the Indenture for the Series 2010 Bonds to require any rental car concessionaire seeking to serve the Airport to lease space in the CONRAC Facility for the conduct of its business (see section 5.3.4.3 Other Covenants of the Authority). Also, the Authority maintains the ability to limit the provision of bus service by off-Airport rental car operators through its commercial transportation policies and regulations.

## **2.4 Historical Rental Car Demand at the Airport**

This section discusses historical rental car activity at the Airport for FY 2000 through the first four months of FY 2010. Rental car demand is primarily measured by the amount of rental car gross revenues, the number of rental car transactions and transaction days, and the average number of days per rental car contract, as defined below:

**Table II-2**

Customer Facility Charge and Transportation Fees at Selected U.S. Airports

Airport	Airport Code	Hub Size	CFC and/or Transportation Fee	Additional Per Transaction Fee	Fee Maximum
<b>Charged Per Transaction Day</b>			Per Day		
Dallas/Fort Worth	DFW	L	\$6.20		
New Orleans	MSY	M	6.20		
Phoenix	PHX	L	6.00		
Kansas City	MCI	M	5.75		
Seattle	SEA	L	5.00		
Anchorage	ANC	M	4.81		
Providence	PVD	M	4.50		
Atlanta	ATL	L	4.50		
Nashville	BNA	M	4.00		
Miami	MIA	L	4.00		
Fort Lauderdale	FLL	L	3.95		7 day max
Albuquerque	ABQ	M	3.90		
Cincinnati	CVG	M	3.75		
Baltimore	BWI	L	3.75		
Charleston	CHS	S	3.50		
Houston	IAH	L	3.00	4.49 <sup>1/</sup>	
Las Vegas	LAS	L	3.00		
Minneapolis	MSP	L	3.00		
Orlando	MCO	L	2.50		5 day max
Washington Reagan	DCA	L	2.50		
Burlington	BTW	S	2.00		
Columbus	CMH	M	2.00	3.46 <sup>2/</sup>	
Austin	AUS	M	1.95		
Denver	DEN	L	1.60		
<b>Charged Per Contract</b>			Per Contract		
San Francisco	SFO	L	\$18.50		
Los Angeles	LAX	L	10.00		
Oakland	OAK	M	10.00		
San Jose	SJC	M	10.00		
Fresno	FAT	S	10.00		
Palm Springs	PSP	S	10.00		
Louisville	SDF	M	5.00		
Tucson	TUC	M	4.50		

Notes:

1/ Busing fee per transaction.

2/ Garage recoupment charge per transaction.

Source: www.Hertz.com, December 2009.

Prepared by: Ricondo & Associates, Inc., December 2009.

**Table II-3**

Car Rental Companies Serving the Airport (As of December 2009)

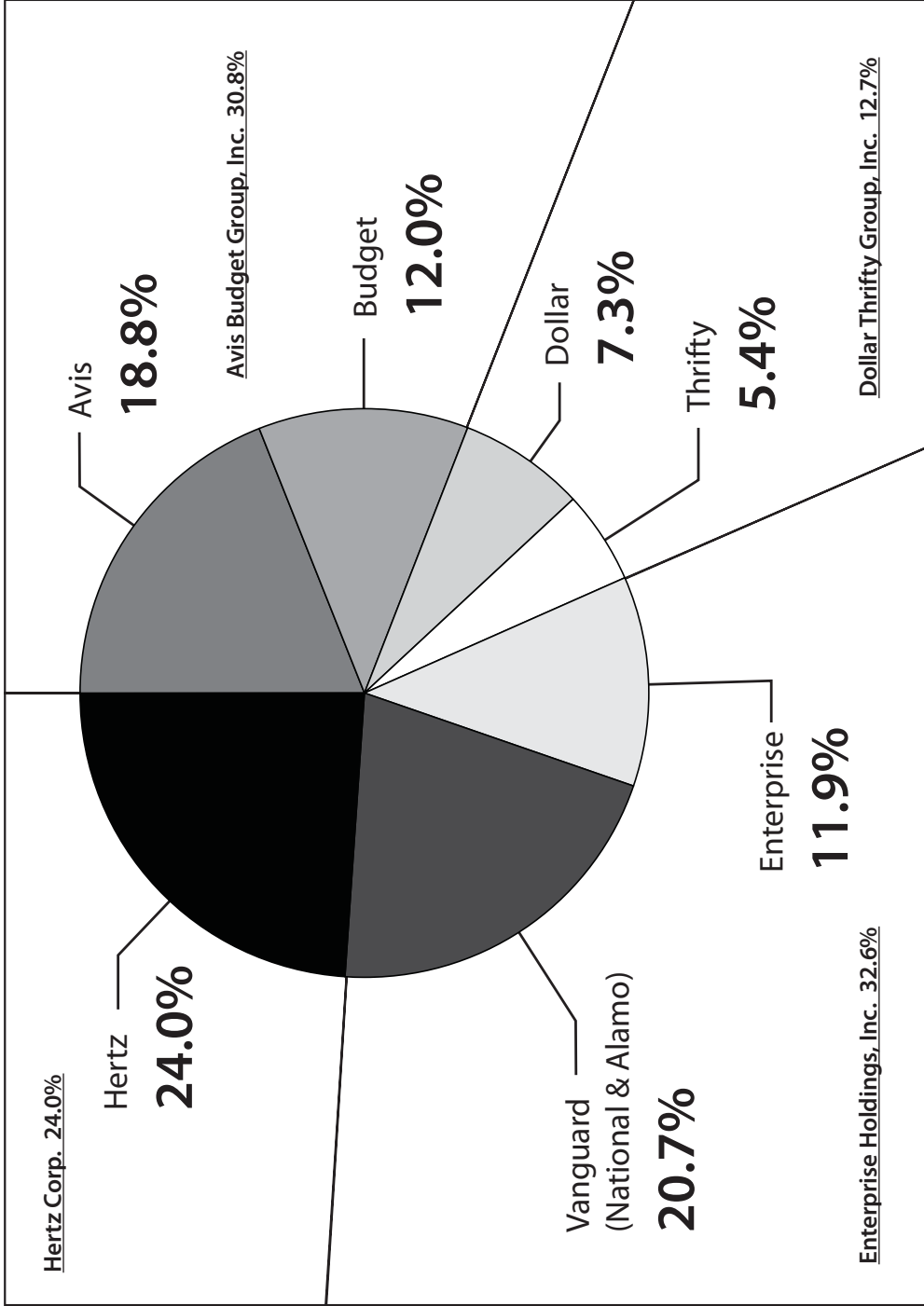
Company	Brand	Location of Customer Service Counter	Location of Rental Vehicle Pick-up/Drop-off
<u>Avis Budget Group, Inc.</u>			
	Avis	Ground Transportation Level	Short Term Garage Rental Car Lot
	Budget	Ground Transportation Level	Short Term Garage Rental Car Lot
<u>The Dollar Thrifty Automotive Group</u>			
	Dollar	Ground Transportation Level	North Rental Car Parking Lot
	Thrifty	Ground Transportation Level	North Rental Car Parking Lot
<u>Enterprise Holdings</u>			
	Alamo	Ground Transportation Level	South Rental Car Parking Lot
	Enterprise	Ground Transportation Level	North Rental Car Parking Lot
	National	Ground Transportation Level	South Rental Car Parking Lot
<u>The Hertz Corporation</u>			
	Advantage	N/A <sup>1/</sup>	N/A <sup>1/</sup>
	Hertz	Ground Transportation Level	Short Term Garage Rental Car Lot

Note:

1/ Not currently at the airport. Hertz has indicated that Advantage may bid for space in the new facility as a new entrant.

Source: Metropolitan Nashville Airport Authority December, 2009.

Prepared by: Ricondo & Associates, Inc., December, 2009.



Source: Metropolitan Nashville Airport Authority, November 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit II-4

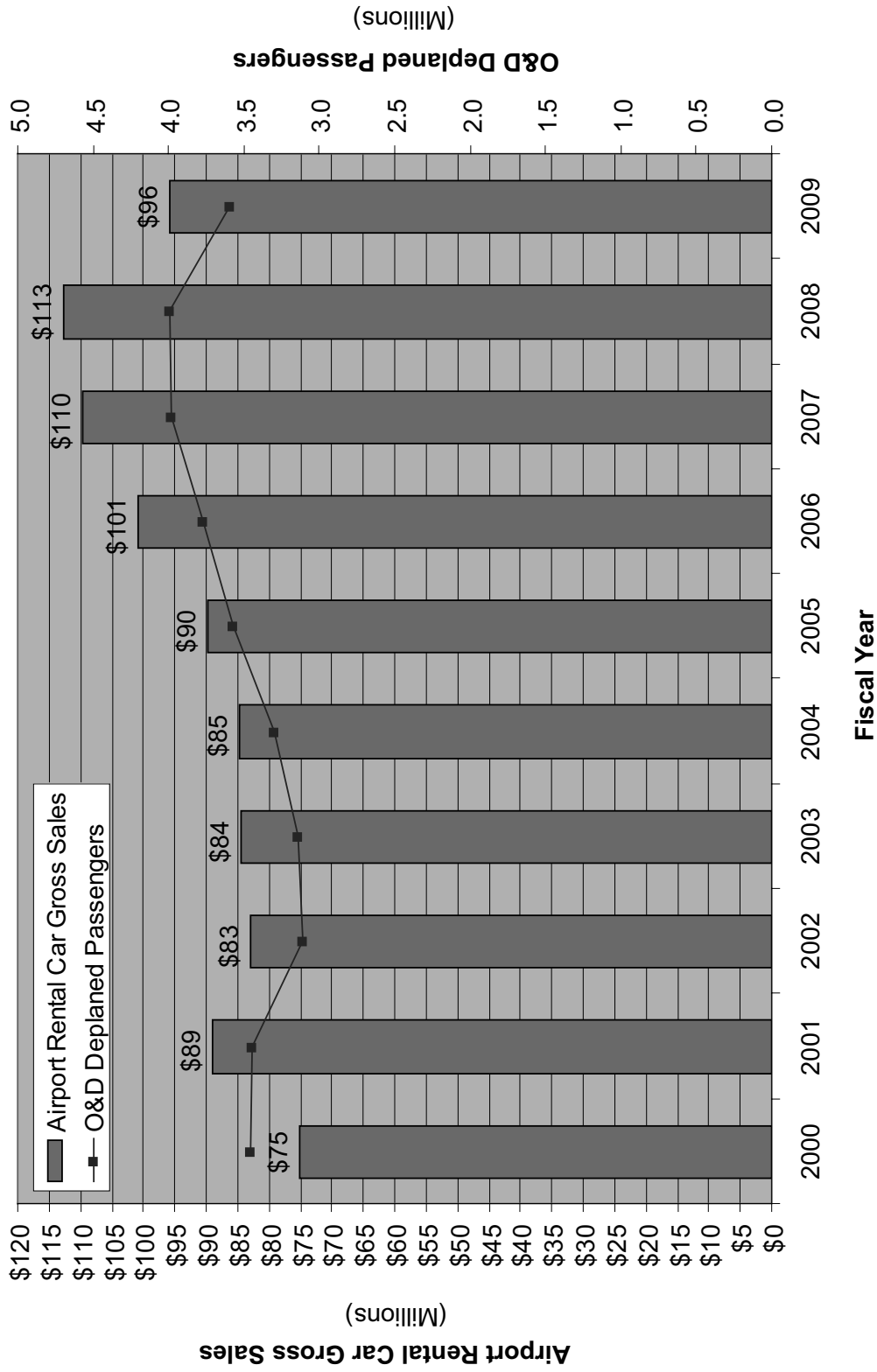
## Airport Rental Car Market Share by Brand (FY 2009) Measured by Gross Revenue

- Rental car transactions: Total number of rental car contracts (or cars rented).
- Rental car transaction days: Total number of days that cars are rented for all rental car transactions.
- Average days per transaction: Average number of days for each rental car contract. Equal to total rental car transaction days divided by total rental car transactions.

**Exhibit II-5** displays O&D deplaned passengers and gross rental car sales at the Airport between FY 2000 and FY 2009. Similar to the nationwide experience, both O&D passenger activity and gross rental car sales decreased at the Airport by 9.8 percent and 6.8 percent, respectively in FY 2002 (as a result of the events of September 11, 2001, and an economic downturn). Through the economic expansion experienced between FY 2003 and FY 2008, the Airport recorded a 4.9 percent CAGR in O&D passenger traffic, while gross rental car sales increased at a 5.9 percent CAGR. As discussed in Chapter 4, these gains were enhanced by the airlines' response to increased demand by adding flights and destinations to the Airport. With the weakening economic conditions experienced in FY 2009, both O&D deplaned passenger activity and gross rental car sales generated at the Airport declined, recording decreases of 10.1 and 15.0 percent respectively, during the year.

**Table II-4** reflects historical gross rental car sales, transactions, transaction days, average days per transaction, and the average daily rental rate at the Airport for FY 2006 through the first four months of FY 2010. As shown on Table II-4, gross rental car sales at the Airport grew 12.2 percent in FY 2006, while O&D deplaned passengers grew 5.7 percent for the same time period. This was followed by gross rental car sales growth of 8.8 percent in FY 2007 and O&D deplaned passenger growth of 5.6 percent for the same time period. As discussed in Chapter 4 this growth can primarily be attributed to (1) Southwest's continued gains in passenger activity; (2) new service from Washington DC and increased service from Chicago initiated by American at the Airport; (3) additional flights from Chicago and Denver initiated by United; and (4) the initiation of low-fare, twice-daily nonstop service by Frontier to Denver in late FY 2004, which was subsequently increased to three daily nonstop flights in FY 2006. Airport gross rental car sales growth slowed to 2.8 percent in FY 2008, while O&D deplaned passengers declined by 1.1 percent, as the national economy began to weaken and the airlines implemented capacity reductions. This trend continued in FY 2009, as gross rental car sales decreased by 15.0 percent and O&D deplaned passengers decreased by 8.6 percent, primarily due to the continued economic downturn. During the first four months of FY 2010 gross rental car sales declined 11.3 percent on a year-over-year basis compared to FY 2009. However, it is important to note that rental car demand at the Airport remained fairly strong at the beginning of FY 2009 before declining later in the year, with the Airport having experienced a 26.3 percent decrease in gross rental car sales in February 2009. Thus the trend in gross rental car sales is expected to stabilize through the remainder of FY 2010.

Table II-4 also presents data on gross sales per O&D deplaned passenger, which increased from \$26.73 in FY 2006 to \$28.22 in FY 2008 before decreasing to \$26.23 in FY 2009. Rental car transaction days increased 7.7 percent in FY 2007, 5.5 percent in FY 2008, and decreased by 9.4 percent in FY 2009. In the first four months of FY 2010, rental car transaction days decreased by 13.0 percent compared to the first four months of FY 2009. The estimated average daily rental rate at the Airport (gross revenues divided by transaction days) was relatively stable between FY 2006 and FY 2008 at approximately \$54.00, but decreased by 6.2 percent in FY 2009 to \$49.99.



Source: Metropolitan Nashville Airport Authority, October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit II-5

## Airport Gross Rental Car Sales (Fiscal Year Basis)

**Table II-4**

Historical Rental Car Activity at the Airport  
(Fiscal Years Ending June 30)

	Actual					First four months of	
						FY 2009	FY 2010
	2006	2007	2008	2009			
Gross Rental Car Sales	[A] \$100,810,101	\$109,675,559	\$112,747,414	\$95,795,246		\$37,157,762	\$32,966,922
Annual % Change	12.2%	8.8%	2.8%	-15.0%			-11.3%
O&D Deplaned Passengers	[B] 3,771,790	3,983,000	3,995,800	3,590,410			N/A
Annual % Change	5.7%	5.6%	0.3%	-10.1%			N/A
Gross Rental Car Sales per O&D Deplaned Passenger	[A] / [B] \$ 26.73	\$ 27.54	\$ 28.22	\$ 26.68			N/A
Annual % Change	6.2%	3.0%	2.5%	-5.4%			N/A
Rental Car Transactions	[C] 615,318	644,221	645,488	547,587		211,099	183,559
Annual % Change	3.3%	4.7%	0.2%	-15.2%			-13.0%
Per O&D Deplaned Passenger	[C] / [B] 0.163	0.162	0.162	0.153			N/A
Rental Car Transaction Days	[D] 1,861,785	2,004,442	2,115,191	1,916,330		751,354	653,599
Annual % Change	N/A	7.7%	5.5%	-9.4%			-13.0%
Per O&D Deplaned Passenger	[D] / [B] 0.494	0.503	0.529	0.534			
Average Days Per Transaction	[D] / [C] 3.03	3.11	3.28	3.50		3.56	3.56
Average Daily Rental Rate	[A] / [D] \$54.15	\$54.72	\$53.30	\$49.99		\$49.45	\$50.44

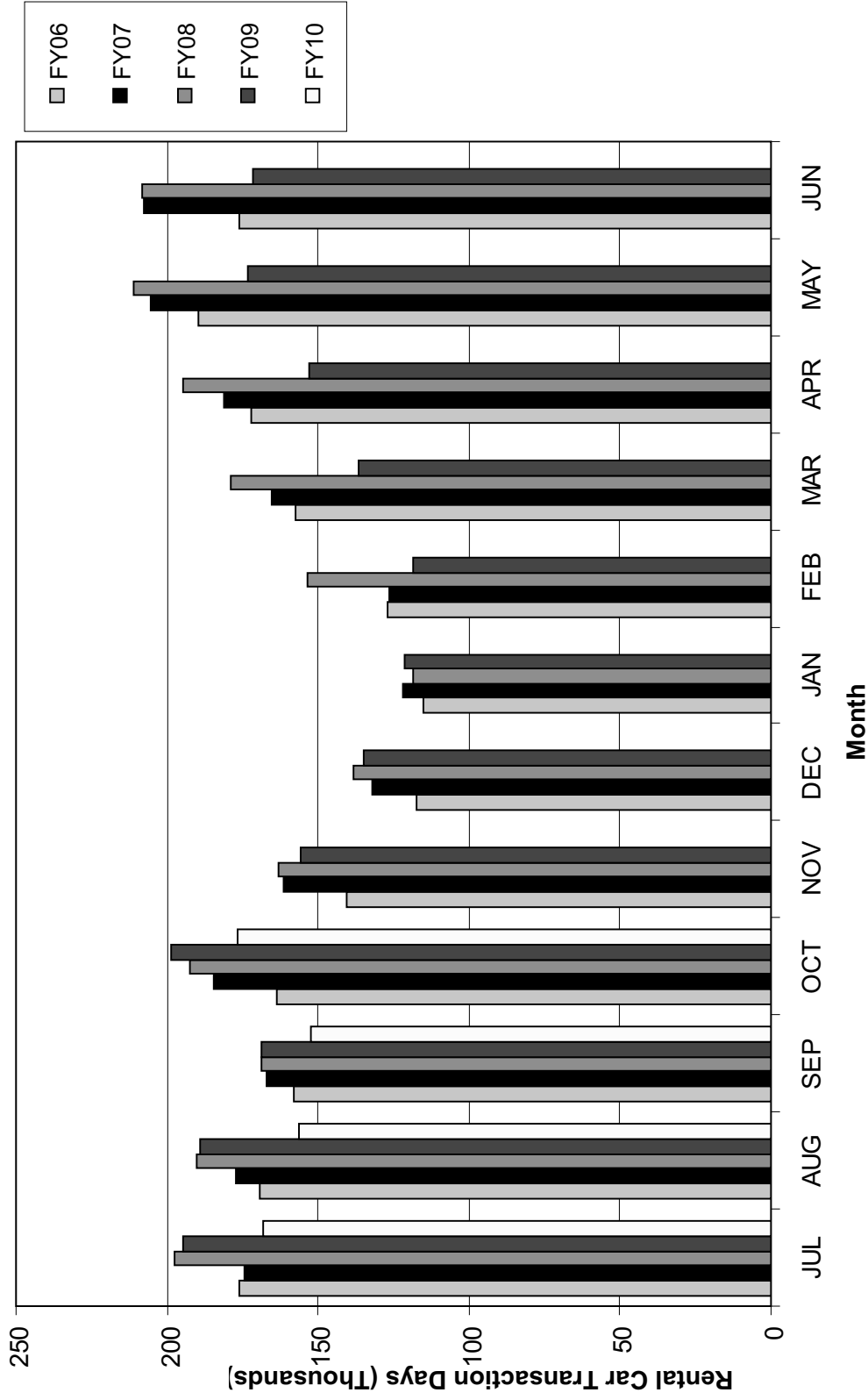
Sources: Metropolitan Nashville Airport Authority; Rental car company survey; US DOT Origin & Destination Survey of Airline Passenger Traffic, December 2009.

Prepared by: Ricondo & Associates, Inc., December 2009.



Table II-4 also displays average days per rental car transaction. This data shows that rental lengths have increased from 3.03 days per transaction in FY 2006 to 3.5 days per transaction in FY 2009. The increased average rental length served to offset some of the decline in annual transactions, thereby minimizing the decrease in rental car transaction days, which is the basis for CFC revenues.

**Exhibit II-6** reflects monthly rental car transaction days from July 2005 through October 2009 (FY 2006 to the first four months of FY 2010). The monthly data indicate the seasonality of rental car transaction days at the Airport, with peaks in the summer months and lows during the winter months. Exhibit II-6 shows that the Airport's rental car transaction days remained stable in the first half of FY 2009 and it is not until the second half of FY 2009 that a significant decrease can be observed. This decrease has continued into the first four months of FY 2010 with a year-over-year decrease of 13.0 percent. It should be noted that the number of transaction days did not decrease significantly until February of 2009, thus, the trend in the number of transaction days is expected to stabilize through the remainder of FY 2010.



Source: Metropolitan Nashville Airport Authority, November 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit II-6

## Airport Monthly Rental Car Transactions Days

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### III. Economic Base for Airport Rental Car Demand

The demand for air transportation and, consequently, rental car activity is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area (i.e., the geographical area served by an airport). This relationship is particularly true for origin-destination (O&D) passenger traffic, which has historically been the largest component of demand at the Airport. Potential rental car customers at the Airport primarily consist of deplaning passengers whose flights terminate at the Airport. The major portion of demand for air travel and rental cars at the Airport, therefore, is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding service patterns in support of connecting activity. This chapter presents data that indicates that the Airport's air trade area has an economic base that attracts both business and tourist visitors, which, in turn, positively impacts the demand for both air travel and rental car activity at the Airport during the projection period.

#### 3.1 Air Trade Area

The borders of an air trade area are influenced by the location of other metropolitan areas and their associated airport facilities. For purposes of these analyses, the *primary air trade area* for the Airport consists of the Nashville-Davidson-Murfreesboro- Franklin Metropolitan Statistical Area (the Nashville MSA) as defined by the federal government's Office of Management and Budget. According to the federal government, a MSA is a geographical area with a large population nucleus, along with any adjacent communities that have a high degree of economic and social interaction with that nucleus.<sup>1</sup> The Nashville MSA consists of thirteen counties in the State of Tennessee (Tennessee): Cannon, Cheatham, Davidson (the county in which the Airport is located), Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson. Analysis of July 2009 parking lot license plate surveys at the Airport indicates that the primary air trade area accounts for approximately 52 percent of enplaning resident passengers.

Based on location, accessibility, and services available at other commercial service airports within nearby service areas, it is recognized that the area served by the Airport extends to a *secondary air trade area*. The secondary air trade area consists of approximately sixty-six counties within a 100-mile radius from the Airport, not including the counties in the primary air trade area. The secondary air trade area includes counties within Middle Tennessee, Southern Kentucky and Northern Alabama. The Airport's geographical positioning (nearest competing air carrier airport is in Huntsville, Alabama, 125 miles driving distance from the Airport) and low-cost carrier service base (nearest competing air carrier airport with significant low-cost carrier service is in Chattanooga, Tennessee, 140 miles driving distance from the Airport) have a significant influence on the size of the secondary air trade area.

A large percentage of the Airport's local passenger traffic originates from its primary air trade area, and many of the attractions and destinations for nonresident passengers are located in this area. As a result, only socioeconomic data for the primary air trade area (hereinafter referred to as the Air Trade

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<sup>1</sup> In 2000, the Office of Management and Budget revised its geographic Census definitions to include Metropolitan and Micropolitan Statistical Areas, collectively called Core Based Statistical Areas (CBSA). The Metropolitan Statistical Areas have at least one central urbanized core area of 50,000 people and the Micropolitan Statistical Areas have at least one urbanized core area of at least 10,000 people, but fewer than 50,000.

Area) were analyzed in conjunction with those for Tennessee and the United States. **Exhibit III-1** presents the geographical location of the Airport's primary and secondary air trade areas, as well as the Airport's proximity to alternative facilities.

## **3.2 Population**

There is typically a positive correlation between population growth in local area and inbound travel demand (by both business and leisure travelers). Historical population for the Air Trade Area, Tennessee, and the United States is presented in **Table III-1**. As shown, population in the Air Trade Area increased from 1,048,216 people in 1990 to 1,311,789 people in 2000 and to 1,550,733 people in 2008. As also shown, population growth in the Air Trade Area between 1990 and 2008 (compounded annual growth rate of 2.2 percent) was greater than that for both Tennessee and the nation (compounded annual growth rates of 1.4 percent and 1.1 percent, respectively) during this period. According to internationally renowned economist Arthur Laffer Sr., population growth in both the Air Trade Area and Tennessee has been driven by low corporate tax rates, the absence of a personal income tax (except for dividend and interest income), and low property taxes.<sup>2</sup>

Table III-1 also presents population projections for the Air Trade Area, Tennessee, and the nation for 2015. As shown, population in the Air Trade Area is expected to increase at a compounded annual growth rate of 2.0 percent between 2008 and 2015, from 1,550,733 people in 2008 to 1,779,372 in 2015. Similar to long-term historical trends, projected population growth for the Air Trade Area is greater than that for both Tennessee and the nation (compounded annual growth rates of 0.9 and 0.8 percent, respectively) during this period. Between 2008 and 2015, Air Trade Area population is expected to grow most rapidly in two counties that are south of Nashville, Williamson and Rutherford.

## **3.3 Income**

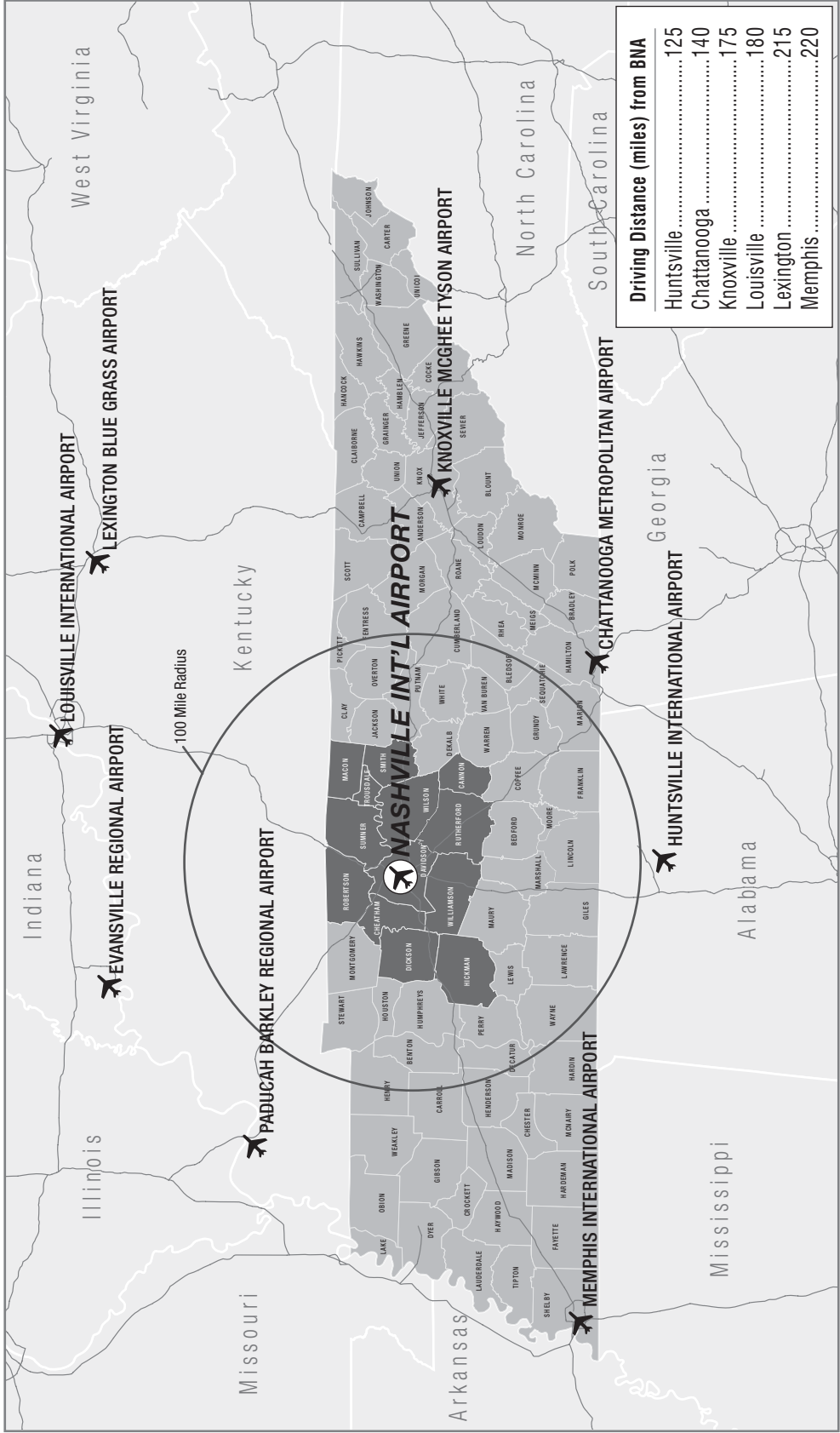
One measure of the relative income of an area is its personal income. Personal income is the sum of wages and salaries, other labor income, proprietors' income, rental income of persons, dividend income, personal interest income, and transfer payments less personal contributions for social insurance. Personal income is a composite measurement of market potential and indicates the general level of affluence of local residents, as well as an area's attractiveness to business and leisure travelers.

**Table III-2** presents historical per capita personal income for the Air Trade Area, Tennessee, and the nation between 2001 and 2008. As shown, per capita personal income for the Air Trade Area was generally higher than equivalent measures for Tennessee and the nation each year between 2001 and 2008. As also shown, per capita personal income for the Air Trade Area increased at a compounded annual growth rate of 3.5 percent between 2001 and 2008, compared to 3.6 percent for Tennessee and 3.8 percent for the nation during this same period.

Table III-2 also presents projections of per capita personal income for 2013. According to data from Woods and Poole Economics, Inc., per capita personal income for the Air Trade Area is projected to increase from \$39,732 in 2008 to \$46,548 in 2013. This increase represents a compounded annual growth rate of 3.2 percent during this period, compared to a 3.7 percent growth rate for Tennessee and the nation.

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<sup>2</sup> Source: Nashville Business Journal, "Laffer's Curve Lands in Nashville," January 25, 2008.



Source: Map Resources, 2007.  
Prepared by: Ricondo & Associates, Inc., October 2009.

Exhibit III-1

Not to Scale      ■ Primary Air Trade Area

### Air Trade Area and Alternative Facilities

**Table III-1**

Historical and Projected Population

Area					Compounded Annual Growth Rate			
	Historical			Projected	Historical			Projected
	1990	2000	2008		1990-2000	2000-2008	1990-2008	
Cannon County	10,467	12,826	13,804	13,991	2.1%	0.9%	1.5%	0.2%
Cheatham County	27,140	35,912	39,396	42,694	2.8%	1.2%	2.1%	1.2%
Davidson County	510,784	569,891	626,144	697,660	1.1%	1.2%	1.1%	1.6%
Dickson County	35,061	43,156	47,884	51,681	2.1%	1.3%	1.7%	1.1%
Hickman County	16,754	22,295	23,841	26,894	2.9%	0.8%	2.0%	1.7%
Macon County	15,906	20,386	21,838	23,750	2.5%	0.9%	1.8%	1.2%
Robertson County	41,494	54,433	64,898	73,002	2.8%	2.2%	2.5%	1.7%
Rutherford County	118,570	182,023	249,270	307,184	4.4%	4.0%	4.2%	3.0%
Smith County	14,143	17,712	19,107	20,214	2.3%	1.0%	1.7%	0.8%
Sumner County	103,281	130,449	155,474	176,163	2.4%	2.2%	2.3%	1.8%
Trousdale County	5,920	7,259	7,822	7,526	2.1%	0.9%	1.6%	-0.5%
Williamson County	81,021	126,638	171,452	213,234	4.6%	3.9%	4.3%	3.2%
Wilson County	67,675	88,809	109,803	125,379	2.8%	2.7%	2.7%	1.9%
Air Trade Area	1,048,216	1,311,789	1,550,733	1,779,372	2.3%	2.1%	2.2%	2.0%
Tennessee	4,877,185	5,689,283	6,214,888	6,600,486	1.6%	1.1%	1.4%	0.9%
United States	248,709,873	281,421,906	304,059,724	322,365,787	1.2%	1.0%	1.1%	0.8%

Sources: U.S. Department of Commerce, Bureau of the Census (historical - all areas; projected - U.S.), October 2009.

Tennessee Advisory Commission on Intergovernmental Relations, Center for Business and Economic Research, June 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

**Table III-2**

**Per Capita Personal Income**

Year	Per Capita Personal Income (in current dollars)		
	Air Trade Area	Tennessee	United States
<b>Historical</b>			
2001	\$31,281	\$26,839	\$30,582
2002	\$31,912	\$27,448	\$30,838
2003	\$32,745	\$28,276	\$31,530
2004	\$34,306	\$29,565	\$33,157
2005	\$35,692	\$30,705	\$34,690
2006	\$37,587	\$32,167	\$36,794
2007	\$38,851	\$33,395	\$38,615
2008	\$39,732	\$34,330	\$39,755
<b>Projected</b>			
2013	\$46,548	\$41,134	\$47,577
<b>Compounded Annual Growth Rate</b>			
2001-2008	3.5%	3.6%	3.8%
2008-2013	3.2%	3.7%	3.7%

Percentage of Households in Income Categories (2008 PCPI)			
Income Category (in 2000 \$)	Air Trade Area	Tennessee	United States
Less than \$29,999	29.2%	35.9%	30.7%
\$30,000 to \$59,999	34.0%	34.7%	32.1%
\$60,000 to \$74,999	12.1%	10.6%	11.7%
\$75,000 to \$99,999	11.7%	9.2%	11.6%
\$100,000 or More	13.1%	9.6%	13.9%

Source: Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data*

Source (CEDDS), November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.



An additional indicator of the market potential for air transportation demand is the percentage of households in the higher income categories. An examination of this indicator is important in that as personal income increases, air transportation becomes more affordable and, therefore, is used more frequently. Table III-2 also presents percentages of households in selected per capita personal income categories for 2008. As shown, 24.8 percent of households in the Air Trade Area had a per capita personal income of \$75,000 or more in 2008, which was significantly higher than the 18.8 percent of households in this income category for Tennessee and comparable to the national percentage of households in this income category.

### **3.4 Employment**

Recent employment trends for the Air Trade Area, Tennessee, and the United States are presented in **Table III-3**. As shown, the Air Trade Area's civilian labor force increased from approximately 688,000 workers in 1998 to approximately 797,000 workers in 2008. This increase represents a compounded annual growth rate of 1.5 percent in the Air Trade Area's labor force during this period, compared to 0.8 percent for Tennessee and 1.1 percent for the nation.

As also shown in Table III-3, average annual unemployment rates (non-seasonally adjusted) for the Air Trade Area were consistently below the unemployment rates for Tennessee and the nation each year between 1998 and 2008. After increasing markedly in the first three quarters of 2009, the Air Trade Area's unemployment rate (non-seasonally adjusted) was 9.0 percent in November 2009. This rate was significantly below the unemployment rates experienced by Tennessee and the nation during the same period (10.1 and 9.4 percent, respectively). The better than national average unemployment rate was one reason why, in November 2009, *Forbes* magazine named the Air Trade Area as one of the top 20 metropolitan areas that are recovering fastest from the current recession.<sup>3</sup>

According to the most recent Moody's Economy.com data, the Air Trade Area's unemployment rate (seasonally adjusted) is projected to peak at approximately 9.8 percent during the second half of 2010, before dropping to approximately 6.6 percent by the end of 2014. The nation is projected to experience an annual unemployment rate (seasonally adjusted) of 10.6 percent in 2010.

An analysis of nonfarm employment trends by major industry division is presented in **Table III-4**, which compares the Air Trade Area's employment trends to those for the nation for 1997, 2007 and 2008. As shown, nonagricultural employment in the Air Trade Area increased from approximately 670,000 workers in 1998 to approximately 759,000 workers in 2008. This increase represents a compounded annual growth rate of 1.3 percent during this period, compared to 0.9 percent nationwide. Between 2007 and 2008, as the nation's economy began to decelerate, nonagricultural employment in the Air Trade Area declined at a rate approximately equal to what was experienced nationwide (0.5 percent and 0.4 percent declines respectively).

With the exception of the manufacturing, information, and financial sectors, each of the major industry groups in the Air Trade Area experienced positive growth between 1998 and 2008, with the highest growth occurring in the services and government sectors. The decrease in manufacturing employment between 1998 and 2008 was not unique to the Air Trade Area, as manufacturing employment nationwide decreased at a more rapid rate during this same period. The Air Trade Area's success in attracting and retaining advanced manufacturing employers in industries such as automobiles (Nissan), and major appliances (A.O. Smith Water Heaters) has helped to offset

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<sup>3</sup> Source: Forbes, "America's Fastest-Recovering Cities," November 19, 2009.

**Table III-3**

**Civilian Labor Force and Unemployment Rates**

Year	Civilian Labor Force (000's)		
	Air Trade Area	Tennessee	United States
1998	688	2,812	137,673
1999	700	2,839	139,368
2000	717	2,872	142,583
2001	717	2,864	143,734
2002	714	2,867	144,863
2003	724	2,896	146,510
2004	735	2,904	147,401
2005	752	2,935	149,320
2006	774	2,999	151,428
2007	785	3,013	153,124
2008	797	3,041	154,287
Compounded Annual Growth Rate			
1998 - 2008	1.5%	0.8%	1.1%
Year	Non-Seasonally Adjusted Unemployment Rates		
	Air Trade Area	Tennessee	United States
1998	3.1%	4.5%	4.5%
1999	2.9%	4.1%	4.2%
2000	3.2%	4.0%	4.0%
2001	3.8%	4.7%	4.7%
2002	4.4%	5.3%	5.8%
2003	4.7%	5.7%	6.0%
2004	4.5%	5.4%	5.5%
2005	4.5%	5.6%	5.1%
2006	4.2%	5.2%	4.6%
2007	4.1%	4.8%	4.6%
2008	5.5%	6.4%	5.8%
Nov. 2009	9.0%	10.1%	9.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics, December 2009.

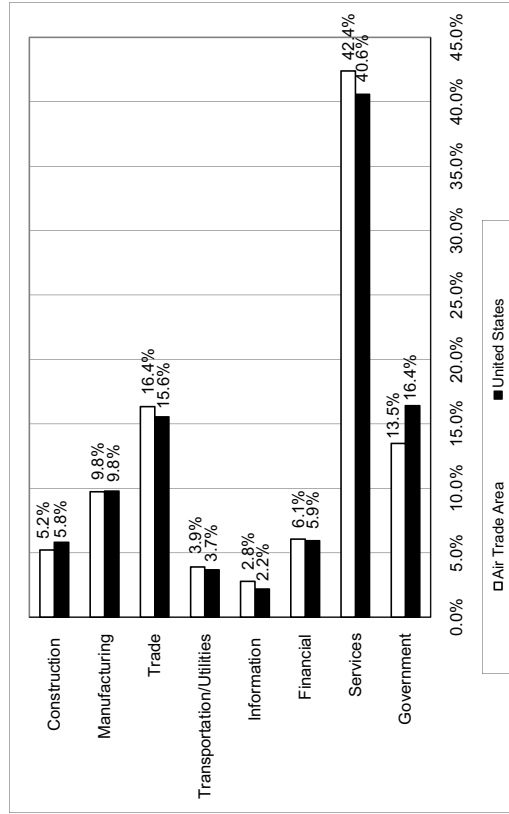
Prepared by: Ricondo & Associates, Inc., January 2010.

**Table III-4**

Employment Trends by Major Industry Division

Industry	Air Trade Area				United States			
	Nonagricultural Employment (000's)		Compounded		Nonagricultural Employment (000's)		Compounded	
	1998	2007	2008	Annual Growth Rate 1998-2008	1998	2007	2008	Annual Growth Rate 1998-2008
Construction <sup>1/</sup>	33.9	41.7	39.7	1.6% (2.3%)	6,794	8,354	7,989	1.6% (4.4%)
Manufacturing	93.4	79.3	74.0	1.1% (2.3%)	17,560	13,879	13,431	0.4% (3.2%)
Trade	111.5	124.0	124.1	1.1% (0.1%)	20,405	21,535	21,320	0.6% (1.0%)
Transportation/Utilities	25.9	30.5	29.7	1.4% (2.6%)	4,781	5,094	5,065	0.7% (0.6%)
Information	21.4	19.8	21.2	0.1% (0.4%)	3,218	3,032	2,997	0.2% (1.2%)
Financial	47.8	46.2	46.1	0.2% (0.2%)	7,462	8,301	8,146	0.9% (1.9%)
Services <sup>3/</sup>	249.4	321.1	321.6	2.6% (1.7%)	45,801	55,185	55,620	2.0% (0.8%)
Government	86.5	99.9	102.4	1.7% (2.5%)	19,909	22,218	22,500	1.2% (1.3%)
<b>Total</b>	<b>669.8</b>	<b>762.5</b>	<b>758.8</b>	<b>1.3% (0.5%)</b>	<b>125,930</b>	<b>137,599</b>	<b>137,068</b>	<b>0.9% (0.4%)</b>

Percent of 2008 Nonagricultural Employment



**Notes:**

- 1/ Includes mining employment.
- 2/ The information sector includes communications, publishing, motion picture and sound recording, and on-line services.
- 3/ The nonagricultural employment for the services sector includes outsourcing from the manufacturing sector.

Source: U.S. Department of Labor, Bureau of Labor Statistics, October 2009.  
 Prepared by: Ricordo & Associates, Inc., October 2009.

downsizing by low value manufacturing employers.<sup>4</sup> The slight decrease in information employment in the Air Trade Area between 1998 and 2008 was primarily the result of efficiency initiatives and mergers (e.g. BellSouth) by traditional wired telecommunications service providers in response to fundamental shifts in the structure of their industry. Similar efficiency initiatives and mergers (e.g. First American National Bank) in the financial sector are responsible for the decline in employment in this sector in the Air Trade Area between 1998 and 2008.

A shifting of the Air Trade Area's employment base occurred between 1998 and 2008, as manufacturing employment decreased from 13.9 percent of total employment in 1998 to 9.8 percent in 2008; and services employment increased from 37.2 percent of total employment in 1998 to 42.4 percent in 2008. These trends in the Air Trade Area's employment base were consistent with changes in the employment base nationwide, as manufacturing decreased from 13.9 percent to 9.8 percent and services increased from 36.4 percent to 40.6 percent during this same period.

### **3.5 Business Climate**

The business climate in the Air Trade Area offers many advantages to new, expanding, and relocating companies. Nashville has been nationally recognized as one of the best places for business and career growth, livability (including access to healthcare and educational opportunities), and for its low costs for conducting business. *Forbes* magazine's 2009 ranking of the best cities for business and careers ranked Nashville 25<sup>th</sup> in the nation, out of 200 metropolitan areas, in part due to steady job growth, low costs for conducting business, and the quality of the area's colleges and universities.<sup>5</sup> *Kiplinger's Personal Finance* magazine has named Nashville the best place in the country to live due to its low cost of living, high quality of life, and reasonable home prices.<sup>6</sup> According to the 2008 Competitive Alternatives study conducted by the audit, tax, and advisory firm KPMG, business costs in Nashville are 3.2 percent lower than the average nationwide. The study also recognized Nashville's low transportation costs and moderate tax environment.

Major employers in the Air Trade Area, as measured by the number of employees, are presented in **Table III-5**. As shown, there are more than 25 firms or governments in the Air Trade Area with 2,000 or more employees. The largest employer in the Air Trade Area is the Vanderbilt University with approximately 20,968 employees, followed by the State of Tennessee (20,000 employees), the United States Government (11,496 employees), the Metropolitan Nashville – Davidson County Public Schools (10,653 employees), and the Metropolitan Government of Nashville and Davidson County (9,509 employees).

According to the most recent U.S. Census Bureau data as shown in **Table III-6**, between 2002 and 2007, growth in the number of business establishments in the Air Trade Area was much more rapid

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<sup>4</sup> As defined in the January 2008 study "Labor Market Opportunities in the Nashville Economic Market Area" by the Center for Regional Economic Competitiveness, "advanced manufacturing employers" include machinery manufacturers, computer and electronic product manufacturers, electrical equipment, appliance and component manufacturers, and transportation equipment manufacturers. According to this study, employment in advanced manufacturing industries in the Air Trade Area represents a share of total employment nearly twice as large as the share nationally. The study projects that this trend will continue over the next decade.

<sup>5</sup> Source: *Forbes*, "Special Report: The Best Places for Businesses and Careers," March 25, 2009.

<sup>6</sup> Source: *Kiplinger's Personal Finance*, "50 Smart Places to Live," June 2006. In November 2009, according to the Greater Nashville Association of Realtors, the median residential price for a single-family home was \$158,500 compared to \$172,600 nationally.

**Table III-5**

**Major Employers With Over 2,000 Employees**

Employer	Employees <sup>1/</sup>	Product or Service
Vanderbilt University	20,968	Higher Education
State of Tennessee	20,000	State Government
U.S. Government	11,496	Federal Government
Metropolitan Nashville - Davidson County Public Schools	10,653	Public Schools
Metropolitan Government of Nashville and Davidson County	9,509	Local Government
St. Thomas Health Services	6,500	Health Care
Nissan North America	5,850	Automobile Manufacturing
HCA	5,447	Health Care
Wal-Mart Stores	4,500	Retail Stores
Gaylord Entertainment	4,500	Hospitality and Entertainment
CBRL Group	4,189	Restaurants
Sumner County Government and Public Schools	3,900	Local Government and Public Schools
Williamson County Government and Public Schools	3,576	Local Government and Public Schools
Rutherford County Board of Education and County Government	3,350	Local Government and Public Schools
Dell	3,200	Computer Manufacturing
Shoney's	3,000	Restaurants
Randstad Work Solutions	2,817	Employment Services
The Kroger Company	2,640	Retail Grocer
AT&T	2,500	Telecommunications
Department of Veterans Affairs Tennessee Valley Healthcare System	2,400	Federal Government
Ingram Industries	2,400	Diversified Businesses
UPS	2,241	Package Delivery Services
Asurion	2,200	Telecommunications
Middle Tennessee State University	2,178	Higher Education
Verizon Wireless	2,058	Telecommunications

Note:

1/ Number of employees as of 2008.

Source: Nashville Business Journal, *Top Employers*, March 13, 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

**Table III-6**

**Number of Business Establishments**

Year	Air Trade Area No. of Establishments	United States No. of Establishments
2002	33,704	7,200,770
2003	35,109	7,254,745
2004	35,804	7,387,724
2005	36,510	7,499,702
2006	37,437	7,601,160
2007	38,790	7,705,018
Compounded Annual Growth Rate		
2002-2007	2.9%	1.4%

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Source: U.S. Department of Commerce, Bureau of the Census,  
*County Business Patterns Data (NAICS)* , July 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

than for the United States overall. Over this period, Air Trade Area business establishments grew at a compounded annual growth rate of 2.9 percent, compared with 1.4 percent for the United States.

**Table III-7** presents business relocations and expansions in the Air Trade Area between July 2008 and June 2009. Approximately 6,116 new jobs can be attributed to these relocations and expansions (approximately 2,583 new jobs due to relocations and 3,533 due to expansions). Since 2004, according to the Nashville Area Chamber of Commerce, at least nine companies with annual revenues of more than \$100 million each and 20 smaller companies have relocated their headquarters to the Air Trade Area.<sup>7</sup> In June 2009, (but not included on Table III-7) Nissan announced that it would expand an existing factory in the Air Trade Area to produce electric cars and batteries by 2012, potentially adding 1,300 jobs to the local workforce.<sup>8</sup>

Relatively strong demand for office space helped drive growth in construction employment in the Air Trade Area over the past decade. As presented in Table III-4, construction employment in the Air Trade Area increased at a compounded annual growth rate of 1.6 percent between 1998 and 2008, the third-fastest growing sector during this period. In 2008, the construction sector accounted for 39,700 employees in the Air Trade Area representing 5.2 percent of total nonagricultural employment.

Several major office development projects have been completed in the Air Trade Area in recent years:

- **The Pinnacle at Symphony Place.** This \$105 million, 520,000 square-foot, 29-story, Class A office building opened in December 2009 and houses Nashville law firm Bass Berry & Sims and the headquarters of Pinnacle Financial Partners. The building is Nashville's first downtown building to receive LEED Silver Certification - a national standard measuring a building's environmental friendliness.
- **Verizon Wireless Regional Headquarters.** In September 2008, Verizon Wireless moved into a new \$54 million regional headquarters building located in Franklin, Tennessee. Verizon plans to hire 600 to 700 new employees at the 191,000 square-foot headquarters over the next three to five years.
- **Nissan North American Headquarters.** Construction of the \$100 million, 460,000 square-foot, 10-story Nissan North American Headquarters in Franklin, Tennessee was completed in July 2008. The building is located on a 50-acre campus with a restored wetland.
- **SunTrust Plaza.** This \$60 million, 338,000 square-foot, 13-story, Class A office building opened in downtown Nashville in December 2007. Tenants include SunTrust Bank and the law firm Stites and Harbison.

Although slowing as economic growth decelerated over the past several years, the highest demand for office development continues to be in the Brentwood and Cool Springs/Franklin suburban submarkets where office vacancy rates are currently lower than in downtown Nashville and average rents are higher. Inbound business travelers conducting business in these submarkets will likely demand car rental services as these submarkets are located 15 to 25 miles southwest of the Airport.

Three of the eight Fortune 500 companies headquartered in Tennessee are located in the Air Trade Area: the hospital and surgical center operator HCA (ranked 88<sup>th</sup> in 2008 revenues); community

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<sup>7</sup> As of October 2008. Source: Financial Times, "The Location For Relocation," October 18, 2008.

<sup>8</sup> Source: The Nashville Post, "Nissan Gets \$1.6B Loan for Smyrna Plant," June 23, 2009.

**Table III-7**

**Business Relocations and Expansions**  
**July 2008-June 2009**

Company	Type of Operation	Expansion or Relocation	Number of New Jobs
CoreTech Industries Inc.	Corporate Headquarters (HQ)	Relocation	1,000
Silver Eagle Bus Manufacturing, Inc.	HQ/Manufacturing	Relocation	500
Five Star Custom Foods	Manufacturing	Relocation	250
Admiration Foods (A Supreme Oil Co)	Manufacturing	Relocation	200
Internal Revenue Service	Finance/Government	Relocation	90
Social Security Administration	Government/Customer Service	Relocation	75
Arch Aluminum and Glass Co.	Manufacturing	Relocation	65
23 additional companies with 50 or fewer new jobs created	N/A	Relocation	403
Shoals Technologies Group	Manufacturing	Expansion	400
Standard Functional Foods Group	Manufacturing	Expansion	350
Asurion	Information Technology	Expansion	300
CINTAS	Manufacturing	Expansion	250
Dollar General	HQ	Expansion	200
Gibson Guitar	Manufacturing	Expansion	200
Dorman Products	Warehouse/Distribution	Expansion	160
Leviton	Distribution	Expansion	150
AmMed Direct	Back Office, Regional HQ	Expansion	140
Mesilla Valley Transportation	Transportation	Expansion	110
Permobil	Manufacturing	Expansion	106
MIG/Visteon Automotive Systems	Manufacturing	Expansion	101
Tridon	Manufacturing	Expansion	100
Chromalox	Manufacturing	Expansion	100
Aegis Sciences	Corporate Office HQ and	Expansion	100
Amsino Medical USA	Manufacturing	Expansion	84
BlueCross BlueShield of Tennessee	Healthcare	Expansion	60
27 additional companies with 50 or fewer new jobs created	N/A	Expansion	622
Total New Jobs Due to Relocations			2,583
Total New Jobs Due to Expansions			3,533
Total New Jobs Due to Relocations and Expansions			6,116

Source: Nashville Area Chamber of Commerce - Partnership 2010.

Prepared by: Ricondo & Associates, Inc., October 2009.



hospital operator Community Health Systems (ranked 243<sup>rd</sup> in 2008 revenues); and the thrift store operator Dollar General (ranked 259<sup>th</sup> in 2008 revenues). There are eight additional Fortune 1000 companies that are headquartered in the Air Trade Area, ranging from the retail farm and ranch store chain Tractor Supply Company (ranked 684<sup>th</sup> in 2008 revenues) to the psychiatric hospital operator Psychiatric Solutions (ranked 968<sup>th</sup> in 2008 revenues).

The Air Trade Area is recognized nationally and internationally as a health care industry capital and is known for developing innovative new health care companies. Health services accounted for approximately 92,300 employees in the Air Trade Area in 2008, which represented 29 percent of the services sector employment and 12 percent of total nonagricultural employment during this period. According to the Nashville Health Care Council, the Air Trade Area is home to more than 300 health care companies operating on a multi-state, national, or international basis, and more than 250 professional service firms (e.g., accounting, architecture, banking, legal) with expertise in the health care industry. In November 2009, plans were announced for the construction of a first-of-its-kind Medical Trade Center that is anticipated to create 2,700 non-construction jobs and bring 150,000 new visitors to Nashville a year.<sup>9</sup>

In addition to health care companies, the Air Trade Area benefits from renowned academic and clinical hospitals. Vanderbilt University Medical Center is home to the Vanderbilt Hospital (658 beds) and the Vanderbilt Children's Hospital (222 beds) which house the region's only level one trauma center and most comprehensive neonatal intensive care unit. The Center is also home to the School of Medicine, the fastest growing academic medical center program in the country (by growth in National Institutes of Health grants), and the research-focused Vanderbilt Ingram Cancer Center and Vanderbilt Heart Institute. Other major hospitals in the Air Trade Area include the 683-bed Baptist Hospital, the largest not-for-profit community hospital in the Air Trade Area, and the Centennial Medical Center (615 beds) which houses the Women's Hospital at Centennial, Tennessee's first hospital dedicated solely to women's healthcare needs. Meharry Medical College, the largest private, comprehensive, historically black institution for educating health professionals in the nation, is also located in the Air Trade Area.

The Air Trade Area has over 20 accredited four-year and postgraduate institutions, six community colleges and 11 vocational and technical schools including: Vanderbilt University (12,514 students), a private research university consistently ranked as one of the nation's top 20 universities by publications such as *U.S. News & World Report*; Belmont University (5,393 students), the largest Christian university in Tennessee, offering over 75 areas of study, 12 master's programs and three doctoral degrees; Middle Tennessee State University (22,516 students), the oldest and largest public university in the Air Trade Area housing the first dedicated honors college in Tennessee; and Tennessee State University (9,038 students), the only state-funded historically black university in Tennessee.

### **3.6 Travel and Tourism**

Travel and tourism is a growing industry in the Air Trade Area, which stimulates demand for air travel and rental car activity at the Airport. According to the Nashville Convention and Visitors Bureau, there were approximately 11 million visitors to the Air Trade Area in 2007 for business, conventions, or leisure. Approximately two-thirds of visitors to the Air Trade Area are conducting

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<sup>9</sup> Source: Nashville Business Journal, "Nashville's Medical Trade Center Will Rise From Site of Nashville Convention Center," November 30, 2009.

business or attending a convention and one-third are visiting for leisure purposes. Between 1997 and 2007, visitor spending grew at a compounded annual growth rate of 4.6 percent and totaled \$4.0 billion in 2007. In 2007, approximately 36 percent of visitors arrived by air.<sup>10</sup>

According to a 2007 study commissioned by the Authority, total expenditures by visitors using Authority airports were estimated at approximately \$1.2 billion in 2006.<sup>11</sup> Ground transportation accounted for fifteen percent of this total (approximately \$178.5 million). A large percentage of visitor ground transportation expenditures can be expected to be attributed to demand for car rentals given two factors: (1) the sprawling nature of Nashville and the overall Air Trade Area (according to **Table III-8**, Nashville's land mass is larger than all but five other cities in the United States) and (2) the Air Trade Area's limited public transportation options.<sup>12</sup>

As shown in Table III-4, the services sector accounted for approximately 321,600 employees in the Air Trade Area in 2008, which accounted for 42.4 percent of total nonfarm employment, the highest employment level among all sectors. Leisure and hospitality services accounted for approximately 80,000 employees in 2008, which represented 24.9 percent of the services sector employment and 10.5 percent of total nonfarm employment during this period.

There were 103 conventions in Nashville with 500 or more attendees in 2009, flat compared with 2008, according to bookings made by the Nashville Convention and Visitors Bureau. The Bureau projects that the number of large conventions in 2010 will be similar to last year's figure.

Nashville, nicknamed the "Music City," is commonly known as the home of country music. The Grand Ole Opry House, host to the famed, long-running, live entertainment country music shows known as the Grand Ole Opry, is part of a complex that also includes the 2,881 room Gaylord Opryland Resort and Convention Center.<sup>13</sup> Other music-related attractions, many of which are located on the stretch of roadway symbolically known as "Music Mile," include the Country Music Hall of Fame and Museum, Musicians Hall of Fame and Museum, Music City Walk of Fame, Ryman Auditorium, and the recently opened Schermerhorn Symphony Center. Plans are being developed to construct a GMA Gospel Music Hall of Fame in Nashville. Over 40 different venues throughout the city are designated as "Live Music Venues," where performances can be heard at least four nights a week. The city also typically hosts the Country Music Association Awards that are held each November.

The Air Trade Area has many historical homes and plantations, including the Hermitage (home of President Andrew Jackson), Belle Meade Plantation, Cheekwood Botanical Gardens and Museum of Art, Travellers Rest Plantation and Museum and Belmont Mansion. Other major tourist attractions in the Air Trade Area include the Bicentennial Capitol Mall State Park, Nashville Zoo at Grassmere, Nashville Shores (a waterpark), Frist Center for the Visual Arts, and the Adventure Science Center.

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<sup>10</sup> Source: September 2009 e-mail correspondence with Terry Clements, Vice President of Government and Community Relations, Nashville Convention and Visitors Bureau.

<sup>11</sup> Source: Wilbur Smith Associates, "The Economic Impact of MNA Airports," pgs. 37-38, November 2007. The airports considered in this study include the Airport and John C. Tune Airport, a general aviation airport.

<sup>12</sup> Source: The Tennessean "Mass Transit, Urban Mix Are Important," August 13, 2008. The Air Trade Area has limited commuter rail options and no light rail transit service.

<sup>13</sup> The Gaylord Opryland Resort and Convention Center is the largest non-gaming resort in the United States.

**Table III-8**

Cities Ranked By Land Area According to 2000 U.S. Census <sup>1/</sup>

Rank	City	2000 Land Area (square miles)
1	Anchorage, AK	1697
2	Jacksonville, FL	758
3	Oklahoma City, OK	607
4	Houston, TX	579
5	Phoenix, AZ	475
<b>6</b>	<b>Nashville, TN</b>	<b>473</b>
7	Los Angeles, CA	469
8	San Antonio, TX	408
9	Indianapolis, IN	362
10	Dallas, TX	343

Note:

1/ Only includes cities with more than 100,000 inhabitants

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Source: U.S. Department of Commerce, Bureau of the Census,  
*County and City Databook: 2000* , Table B-1.

Prepared by: Ricondo & Associates, Inc., October 2009.

A number of outdoor festivals and events are hosted in the Air Trade Area on an annual basis. These events include the Wilson County Fair (attendance of approximately 505,000 people), the Tennessee State Fair (approximately 209,000 people), the CMA Music Festival (approximately 224,000 people), Nashville's 4<sup>th</sup> of July celebration (approximately 125,000 people), the Luis Palau Festival (approximately 90,000 people), Tennessee Titans National Football League home games (approximately 69,000 people), the Iroquois Steeplechase (approximately 40,000 people), and the Country Music Marathon and Half Marathon (approximately 25,000 people).

The Air Trade Area is home to the National Football League's Tennessee Titans, the National Hockey League's Nashville Predators, the Pacific Coast League's Nashville Sounds (the AAA farm club for Major League Baseball's Milwaukee Brewers), and the United Soccer Leagues' Nashville Metros. The Air Trade Area was the site for the Southeastern Conference (SEC) tournaments for NCAA Division I Basketball (Men's - 2001 and 2006, Women's - 2001, 2004 and 2008), the first and second rounds of the NCAA Men's Division I Basketball Tournament in 2001, 2003 and 2005, the 2009 SEC Gymnastics Championships, and a Ladies Professional Golf Association Tour event between 1988 and 2006. The Air Trade Area will host the 2010 SEC Men's Basketball Tournament, and the NCAA Women's Division I Basketball Final Four in 2014. On an annual basis, the Air Trade Area hosts the Country Music Marathon and Half Marathon (April), and NCAA Division I Football's Gaylord Hotels Music City Bowl (December).

### **3.7 Retail Sales**

As also shown in Table III-4, the trade sector, which includes wholesale and retail sales, accounted for approximately 124,100 employees in the Air Trade Area in 2008, which accounted for 16.4 percent of total nonfarm employment. One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. Retail sales represent a significant portion of expenditures by residents and visitors in a particular local area.

**Table III-9** presents total retail sales for the Air Trade Area, Tennessee, and the nation between 2001 and 2008. As shown in Table III-9, total retail sales for the Air Trade Area increased from approximately \$18.5 billion in 2001 to approximately \$21.4 billion in 2008. This increase represents a compounded annual growth rate of 2.1 percent during this period, which was higher than equivalent statistics for both Tennessee and the nation (compounded annual growth rates of 1.2 percent, respectively).

Table III-9 also presents projections of total retail sales for 2013. According to data from Woods and Poole Economics, Inc., total retail sales for the Air Trade Area are projected to increase from approximately \$21.4 billion in 2008 to approximately \$22.8 billion in 2013. This increase represents a compounded annual growth rate of 1.3 percent during this period, compared to 0.6 percent for Tennessee and 0.5 percent for the nation.

Shopping in the Air Trade Area is provided by a variety of specialty shops, as well as traditional large shopping malls. The largest shopping malls in the Air Trade Area, as indicated by square footage of retail space, include CoolSprings Galleria (1.35 million square feet); Opry Mills (1.20 million square feet); Rivergate Mall (1.13 million square feet); Hickory Hollow Mall (1.10 million square feet); Bellevue Center Mall (841,000 square feet); and Providence MarketPlace (830,000 square feet).

**Table III-9**

**Total Retail Sales**

(In 2004 Dollars, Amounts in Millions)

Year	Air Trade Area	Tennessee	United States
<b>Historical</b>			
2001	\$18,541	\$70,051	\$3,523,048
2002	\$18,427	\$69,497	\$3,536,043
2003	\$18,989	\$71,084	\$3,616,903
2004	\$19,905	\$73,724	\$3,749,550
2005	\$20,800	\$76,267	\$3,864,722
2006	\$21,552	\$78,315	\$3,950,657
2007	\$21,979	\$79,181	\$3,980,329
2008	\$21,383	\$76,399	\$3,834,703
<b>Projected</b>			
2013	\$22,797	\$78,909	\$3,938,049
<b>Compounded Annual Growth Rate</b>			
2001 - 2008	2.1%	1.2%	1.2%
2008 - 2013	1.3%	0.6%	0.5%

Source: Woods and Poole Economics, Inc., *2010 Complete Economic and Demographic Data*

Source (CEDDS), November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

### **3.8 Summary**

A summary of the socioeconomic trends in the Air Trade Area includes the following:

- Population growth in the Airport's Air Trade Area between 1990 and 2008 was higher than that for both Tennessee and the nation during this period. The Air Trade Area's population growth rate is projected to continue to exceed that of both the State and the nation through at least 2015. There is typically a positive correlation between population growth in the local area and inbound travel demand (by both business and leisure travelers).
- The Air Trade Area's per capita personal income has generally been higher than equivalent measures for Tennessee and the nation. Per capita personal income is a composite measurement of market potential and indicates the general level of affluence of local residents, as well as an area's attractiveness to business and leisure travelers.
- Average annual unemployment rates (non-seasonally adjusted) for the Air Trade Area were consistently below the unemployment rates for Tennessee and the nation each year between 1998 and 2008. According to Moody's Economy.com, the Air Trade Area's unemployment rate (seasonally adjusted) is projected to peak at slightly below 10 percent in the second half of 2010, a rate lower than the peak projected for the nation.
- Nonagricultural employment in the Air Trade Area increased from approximately 670,000 workers in 1998 to approximately 759,000 workers in 2008. This increase represents a compounded annual growth rate of 1.3 percent during this period, compared to 0.9 percent nationwide. The services industry has the highest percentage of employment in the Air Trade Area, followed by the trade sector.
- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities that attract visitors to the region.
- The economic base of the Air Trade Area is strong and diversified, and is capable of supporting increased demand for air travel and rental car activity at the Airport during the projection period.

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## IV. Rental Car Demand

Demand for rental cars is highly correlated to passenger activity, which will serve as the basis for projecting future rental car demand at the Airport. As a result, this chapter describes historical and projected passenger activity and demand for rental cars at the Airport and discusses key factors affecting these demand levels.

### 4.1 Airlines Serving the Airport

As of November 2009, the Airport had scheduled passenger service provided by 22 U.S. certificated passenger airlines and one foreign flag carrier. In addition, as of November 2009, eight all-cargo carriers provided scheduled cargo service at the Airport. Scheduled service at the Airport is provided by 12 of the nation's 17 major passenger airlines, which represent the largest group of passenger airlines in terms of their total annual revenues. These airlines include American, American Eagle, Atlantic Southeast, Comair, Delta, ExpressJet, Frontier, Mesa, Northwest, SkyWest, Southwest, and US Airways.<sup>1</sup> **Table IV-1** lists the airlines serving the Airport as of November 2009.

**Table IV-2** presents the historical air carrier base at the Airport since FY 2000. As shown, the Airport has had the benefit of a relatively large air carrier base during the years depicted, which has helped promote competitive pricing and scheduling diversity in the Airport's major markets. Specific points concerning the Airport's historical air carrier base are presented below:

- Nine of the 12 major U.S. passenger airlines currently providing service at the Airport operated there during each of the fiscal years shown in Table IV-2.
- Southwest, with the highest share of enplaned passengers at the Airport in FY 2009 (52.5 percent), initiated its low-fare service at the Airport in FY 1986 with nonstop service to Chicago and Houston, followed by nonstop service to Birmingham and Phoenix in FY 1987 with a total of 15 to 20 daily nonstop flights to these four markets. Since FY 1995, and as discussed in more detail in Section 4.2, Southwest steadily increased its nonstop service from the Airport to a total of 28 cities with approximately 80 to 85 daily nonstop flights.<sup>2</sup> Seventeen of these 28 markets are included in the Airport's top 20 origin-destination (O&D) passenger markets for FY 2009.
- Similar to trends nationwide following the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11), mainline carriers serving the Airport shifted traffic from certain markets to their respective regional/commuter affiliates. As a result, Air Wisconsin, Atlantic Southeast, and Chautauqua initiated service at the Airport in FY 2002, doing business as US Airways Express, Delta Connection, and American Connection/Delta Connection, respectively. This increase in regional/commuter affiliate activity at the Airport was expanded to also include Compass, Freedom, Mesa, Pinnacle, PSA, Republic, and Trans States between FY 2003 and FY 2008. Although each of the carriers' shares of enplaned passengers at the Airport were for the most part maintained during this period, the

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<sup>1</sup> The mainline carriers Continental and United are major U.S. passenger airlines currently not serving the Airport; however, service is provided at the Airport by the subsidiaries/code share airlines for these mainline carriers.

<sup>2</sup> Southwest's nonstop service to Oakland and Seattle is seasonal (one daily flight to each market).



**Table IV-1**

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**Airlines Serving the Airport <sup>1/</sup>**

<u>U.S. Carriers (22)</u>	<u>Doing Business As:</u>
Air Wisconsin	US Airways Express
American	
American Eagle	
Atlantic Southeast	Delta Connection
Chautauqua	American Connection, Midwest Connection
Comair	Delta Connection
Compass	Northwest Airlink
Delta	
ExpressJet	Continental Express
Freedom	Delta Connection
Frontier	
Mesa	United Express, US Airways Express
Northwest	
Pacific Wings	KentuckySkies, TennesseeSkies
Pinnacle	Delta Connection, Northwest Airlink
PSA	US Airways Express
Republic	US Airways Express
Shuttle America	Delta Connection
SkyWest	Midwest Express, United Express
Southwest	
Trans States	United Express
US Airways	
 <u>Foreign Flag Carriers (1)</u>	
Air Canada Jazz	
 <u>All-Cargo Carriers (8)</u>	
ABX Air	
ASTAR	
Baron	
BAX Global	
China	
FedEx	
Kitty Hawk	
Mountain	

**Note:**

1/ As of November 2009.

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Source: Metropolitan Nashville Airport Authority, November 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

**Table IV-2**

**Scheduled Air Carrier Base**

Air Carrier	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010 <sup>1/</sup>
American	•	•	•	•	•	•	•	•	•	•	•
American Eagle	•	•	•	•	•	•	•	•	•	•	•
Comair	•	•	•	•	•	•	•	•	•	•	•
Delta	•	•	•	•	•	•	•	•	•	•	•
ExpressJet	•	•	•	•	•	•	•	•	•	•	•
Northwest	•	•	•	•	•	•	•	•	•	•	•
SkyWest	•	•	•	•	•	•	•	•	•	•	•
Southwest	•	•	•	•	•	•	•	•	•	•	•
US Airways	•	•	•	•	•	•	•	•	•	•	•
Air Wisconsin		•	•	•	•	•	•	•	•	•	•
Atlantic Southeast			•	•	•	•	•	•	•	•	•
Chautauqua			•	•	•	•	•	•	•	•	•
Air Canada Jazz				•	•	•	•	•	•	•	•
Mesa				•	•	•	•	•	•	•	•
PSA				•	•	•	•	•	•	•	•
Trans States				•	•	•	•	•	•	•	•
Frontier					•	•	•	•	•	•	•
Freedom							•	•	•	•	•
Pinnacle							•	•	•	•	•
Republic							•	•	•	•	•
Shuttle America							•	•	•	•	•
Compass									•	•	•
Pacific Wings <sup>2/</sup>											•
JetBlue								•	•		
Skyway				•	•	•	•	•	•	•	
Mesaba <sup>3/</sup>	•	•	•	•	•	•	•	•			•
RegionsAir	•	•	•	•	•	•	•	•			
Air Canada	•	•	•	•	•	•	•				
ACA/Independence Air	•	•	•	•	•	•	•				
Midatlantic					•	•	•				
Continental	•	•	•	•	•	•					
Midway				•	•						
United	•	•	•								
Number of Airlines	15	16	18	23	25	24	27	25	24	23	23

Notes:

1/ As of November 2009.

2/ Initiated activity at the Airport in August 2009.

3/ Resumed activity at the Airport briefly in October 2009 doing business as the Delta Connection, which was replaced by Shuttle America in November 2009.

Source: Official Airline Guide, November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

regional/commuter affiliates share of total enplaned passengers at the Airport increased from 4.3 percent in FY 2001 to 22.2 percent in FY 2008. This share of total enplaned passengers was maintained in FY 2009 (22.4 percent share).

- The low-cost carrier Frontier initiated service at the Airport in late FY 2004, with two daily nonstop flights to its Denver hub, which was increased to three daily nonstop flights in FY 2006.
- Another low-cost carrier, JetBlue, initiated service at the Airport in early FY 2007 with three daily nonstop flights to New York (JFK). This carrier discontinued service at the Airport in January 2008.

## **4.2 Historical Passenger Activity**

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplanements by airline.

### **4.2.1 Enplaned Passengers**

The Airport, classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements, ranked 40<sup>th</sup> nationwide in total passengers enplaned and deplaned in CY 2008.<sup>3, 4</sup> **Table IV-3** presents historical data on enplaned passengers at the Airport and the nation. As shown, enplanements at the Airport increased from 4,114,046 in FY 1999 to 4,460,962 in FY 2009. This increase represents a compounded annual growth rate of 0.8 percent during this period, compared to 0.3 percent growth nationwide.<sup>5</sup> As also shown, the Airport's share of U.S. enplanements increased from 0.673 percent in FY 1999 to 0.712 percent in FY 2009, reflective of the higher compounded annual growth rate experienced at the Airport relative to the nation during this period.

Passenger activity at the Airport decreased from 4,474,163 enplanements in FY 2001 to 3,997,980 in FY 2003, a compounded annual decrease of 5.5 percent during this period. This decrease in activity at the Airport was primarily due to the terrorist attacks of September 11 and a nationwide economic slowdown. As also shown, enplaned passengers at the Airport recovered to their pre-September 11 levels by FY 2005, primarily due to the prevalence of low-fare service provided by Southwest at the Airport during this period.

Specific details concerning enplaned passengers at the Airport's between FY 1999 and FY 2009 are discussed below:

- **FY 1999-FY 2001.** Enplaned passengers at the Airport increased from 4,114,046 in FY 1999 to 4,474,163 in FY 2001. This increase represents a compounded annual growth rate of 4.3 percent during this period, compared to 1.2 percent nationwide. This significant increase in passenger activity at the Airport was primarily due to Southwest's initiation of low-fare service to numerous new markets from the Airport during this period. As shown in

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<sup>3</sup> As defined by the FAA, a medium hub airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This definition equates to an airport enplaning between 1,838,262 and 7,353,040 passengers in CY 2008. Based on FAA records, the Airport had 4,648,000 enplaned passengers in CY 2008.

<sup>4</sup> Source: Airports Council International, *ACI Traffic Data 2008*.

<sup>5</sup> The fiscal year for the Airport ends June 30<sup>th</sup>, whereas the federal fiscal year ends September 30<sup>th</sup>. As a result, growth rate comparisons between Airport and U.S. activity are not strictly comparable. U.S. data ending June 30<sup>th</sup>, especially activity projections, are not readily available.

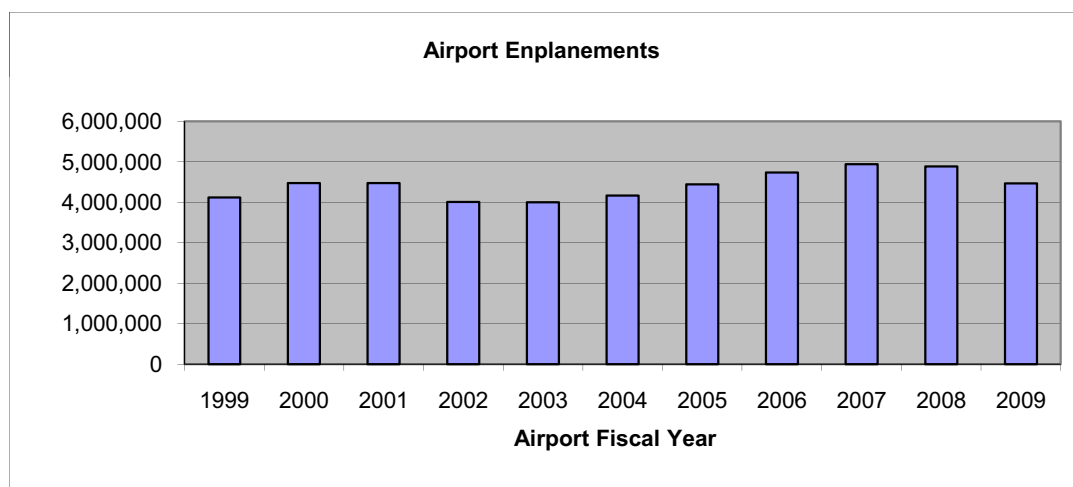
**Table IV-3**

Historical Enplanements

Fiscal Year	Airport Enplanements <sup>1/</sup>	Airport Annual Growth	U.S. Domestic Enplanements <sup>2/</sup>	U.S. Annual Growth	Airport Share of U.S. Enplanements
1999	4,114,046	-	610,900,000	-	0.673%
2000	4,473,657	8.7%	641,200,000	5.0%	0.698%
2001	4,474,163	0.0%	625,800,000	(2.4%)	0.715%
2002	4,004,407	(10.5%)	575,100,000	(8.1%)	0.696%
2003	3,997,980	(0.2%)	587,800,000	2.2%	0.680%
2004	4,166,820	4.2%	628,500,000	6.9%	0.663%
2005	4,438,392	6.5%	669,500,000	6.5%	0.663%
2006	4,735,910	6.7%	668,400,000	(0.2%)	0.709%
2007	4,938,191	4.3%	690,100,000	3.2%	0.716%
2008	4,880,360	(1.2%)	679,600,000 <sup>3/</sup>	(1.5%)	0.718%
2009	4,460,962	(8.6%)	626,500,000 <sup>4/</sup>	(7.8%)	0.712%

Compounded  
Annual Growth Rate

1999 - 2001	4.3%	1.2%
2001 - 2003	(5.5%)	(3.1%)
2003 - 2008	4.1%	2.9%
1999 - 2009	0.8%	0.3%



Notes:

1/ Twelve months ending June 30.

2/ Twelve months ending September 30.

3/ Estimated by the FAA.

4/ Projected by the FAA.

Sources: Metropolitan Nashville Airport Authority (Airport activity), October 2009; FAA (U.S. activity), March 2009.

Prepared by Ricondo & Associates, Inc., October 2009.

**Table IV-4,** Southwest added daily nonstop service to nine markets in FY 1996 (which more than doubled its enplaned passengers at the Airport in FY 1996 from FY 1995 levels, from approximately 310,000 in FY 1995 to approximately 645,000 in FY 1996), followed by six additional markets in FY 1997, and a total of nine additional markets between FY 1998 and FY 2001. Of the 24 markets where Southwest added daily nonstop service during this six-year period (daily nonstop service to three of these markets was subsequently discontinued), 17 markets were provided daily nonstop service solely by Southwest. Southwest's share of enplaned passengers at the Airport increased from 28.3 percent in FY 1997 to 49.0 percent in FY 2001. As shown later in this section, Southwest has maintained this share through FY 2009. Although enplaned passengers for Southwest increased by nearly 203,000 in FY 2001 from FY 2000, each of the other mainline carriers experienced decreases in passenger activity during this period, resulting in minimal growth in enplaned passengers at the Airport overall in FY 2001 from FY 2000 levels. Economic indicators in the nation prior to the events of September 11 were beginning to show signs of a recession, which was beginning to affect air travel nationwide.

- **FY 2002-FY 2003.** As discussed above, the effects of September 11 and an economic slowdown caused passenger activity at the Airport to decrease 10.5 percent in FY 2002 from FY 2001 levels, from 4,474,163 enplaned passengers in FY 2001 to 4,004,407 in FY 2002. The negative impacts of the events of September 11 and an economic slowdown on passenger activity slowed in FY 2003, as enplaned passengers at the Airport remained relatively constant in FY 2003 compared to FY 2002 levels.
- **FY 2004-FY 2008.** Enplaned passengers at the Airport increased from 3,997,980 in FY 2003 to 4,880,360 in FY 2008. This increase represents a compounded annual growth rate of 4.1 percent during this period, compared to 2.9 percent nationwide. This increase of approximately 900,000 enplaned passengers at the Airport during this period was primarily due to (1) continued growth in passenger activity by Southwest (primarily in FY 2006 from FY 2005 levels); (2) new service to Washington DC and increased service to Chicago initiated by American at the Airport; (3) additional flights to Chicago and Denver initiated by United; and (4) the initiation of low-fare daily nonstop service by Frontier to Denver from the Airport in late FY 2004, with two daily nonstop flights to its Denver hub, which was subsequently increased to three daily nonstop flights in FY 2006.
- **FY 2009.** Enplaned passengers at the Airport decreased from 4,880,360 in FY 2008 to 4,460,962 in FY 2009, a decrease of 8.6 percent during this period. This decrease was primarily due to systemwide reductions in capacity by almost all the domestic airlines in late calendar year (CY) 2008 and CY 2009. In FY 2009, capacity (scheduled departing seats) for Southwest at the Airport decreased 8.0 percent, capacity for American carriers decreased 4.7 percent, capacity for Delta carriers decreased 8.8 percent, and capacity for Northwest carriers decreased 5.0 percent. These carriers combined accounted for approximately 75 percent of enplaned passengers at the Airport in FY 2009. Overall, capacity at the Airport decreased 8.2 percent in FY 2009, similar to the 8.1 percent decrease in scheduled domestic seats nationwide during this same period.

#### **4.2.2 Enplaned Passengers by Airline**

**Table IV-5** presents the historical share of enplanements by airline at the Airport between FY 2005 and FY 2009. As shown, Southwest accounted for approximately 50 percent of enplaned passengers at the Airport during each of the years depicted. Four other carriers accounted for a combined 35 percent share of total enplaned passengers at the Airport between FY 2005 and FY 2009, including

**Table IV-4**

Nonstop Service at the Airport by Southwest

Daily Nonstop Flights (Fiscal-Year-End)																
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009
Houston Hobby	5	6	6	6	7	7	7	7	6	6	7	5	5	4	4	4
Chicago Midway	9	9	9	8	9	9	8	8	7	8	7	8	8	8	7	7
Birmingham	4	3	3	3	3	3	3	3	3	3	3	2	2	2	2	2
Phoenix	2	2	2	2	2	3	3	3	3	3	4	4	4	3	3	3
Austin	1	1	1	2	2	2	2	2	2	2	2	3	3	2	2	2
Baltimore	5	5	5	7	8	8	9	8	9	9	9	8	8	7	7	7
Cleveland	3	3	3	3	3	4	4	4	4	4	4	4	2	2	2	2
Las Vegas	1	2	2	2	2	3	3	3	3	3	3	4	4	3	3	3
Kansas City	2	2	3	4	4	4	4	4	4	4	4	4	4	4	4	4
Orlando	3	3	3	4	4	4	4	4	4	4	4	5	5	5	5	5
New Orleans	2	2	2	2	3	3	3	3	3	3	3	2	2	3	3	3
San Antonio	1	1	1	1	1	1	1	1	1	1	1	2	2	2	2	2
Tampa	2	3	3	3	4	4	4	4	4	4	4	5	5	5	5	5
Columbus		1		1	1	2	2	2	2	2	2	2	2	2	2	2
Detroit		3	3	3	3	3	3	3	3	3	3	3	3	2	2	2
Jacksonville		3	3	3	3	3	3	3	3	3	3	4	4	4	4	4
Los Angeles		2	2	2	3	3	3	3	3	3	3	3	3	3	3	3
Oakland <sup>1/</sup>		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Providence		1	1	2	2	2	2	2	2	2	2	1	1	1	1	1
Manchester				1	1	1	2	2	2	2	2	0	0	0	0	0
Fort Lauderdale					1	1	1	1	1	1	1	2	2	2	2	2
Long Island				1	1	2	3	2	2	3	2	0	0	0	0	0
Raleigh				3	3	5	5	5	5	5	5	5	5	5	5	5
San Diego				1	1	1	2	2	2	2	2	2	2	2	2	2
Seattle <sup>1/</sup>				1	1	1	1	1	1	1	1	1	1	1	1	1
Hartford						2	2	2	2	1	1	1	1	1	1	1
Ontario						1	1	1	1	1	1	1	1	1	1	1
Palm Beach							2	1	1	0	0	0	0	0	0	0
Denver														1	2	3
Philadelphia														2	3	3
Norfolk															1	1
Total	20	40	53	59	73	83	88	85	84	84	84	82	83	81	81	81

Notes:

1/ Seasonal service to this market from the Airport beginning in FY 2009.

Source: Official Airline Guide, October 2009.

Prepared by: Ricordo & Associates, Inc., October 2009.

**Table IV-5**

Historical Enplanements by Airline <sup>1/</sup>

Airline	FY 2005			FY 2006			FY 2007			FY 2008			FY 2009		
	Enplanements	Share		Enplanements	Share		Enplanements	Share		Enplanements	Share		Enplanements	Share	
Southwest	2,097,881	47.3%		2,396,765	50.6%		2,435,801	49.3%		2,474,183	50.7%		2,341,657	52.5%	
American Carriers	578,076	13.0%		685,102	14.5%		718,948	14.6%		754,184	15.5%		668,562	15.0%	
Delta Carriers	499,163	11.2%		424,068	9.0%		455,638	9.2%		427,097	8.8%		357,365	8.0%	
Northwest Carriers	372,211	8.4%		341,063	7.2%		334,471	6.8%		316,336	6.5%		289,885	6.5%	
US Airways Carriers	333,147	7.5%		286,651	6.1%		291,529	5.9%		293,879	6.0%		270,060	6.1%	
United Carriers	204,541	4.6%		232,289	4.9%		247,306	5.0%		186,742	3.8%		193,955	4.3%	
Continental Carriers	180,806	4.1%		196,977	4.2%		214,617	4.3%		212,219	4.3%		167,428	3.8%	
Frontier	66,344	1.5%		96,023	2.0%		120,921	2.4%		121,853	2.5%		112,954	2.5%	
Air Canada Jazz	9,894	0.2%		11,219	0.2%		19,471	0.4%		21,138	0.4%		19,025	0.4%	
Other	96,329	2.2%		65,753	1.4%		99,489	2.0%		72,729	1.5%		40,071	0.9%	
Airport Total <sup>2/</sup>	4,438,392	100.0%		4,735,910	100.0%		4,938,191	100.0%		4,880,360	100.0%		4,460,962	100.0%	

Notes:

1/ For those airlines that were party to a merger or acquisition, only the surviving entity is presented in this table. However, the activity for the airlines that are now a part of the surviving airline is included in the information presented.

2/ Totals may not add due to individual rounding.

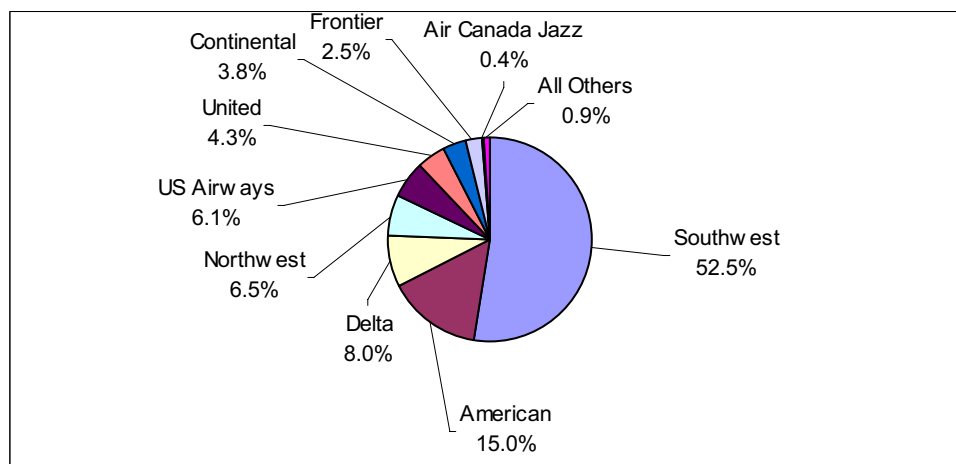
Source: Metropolitan Nashville Airport Authority, October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

American carriers (15 percent share in FY 2008), Delta carriers (8 percent share), Northwest carriers (6 percent share), and US Airways carriers (6 percent share). **Exhibit IV-1** presents airline shares of enplaned passengers at the Airport for FY 2009.

#### **Exhibit IV-1**

##### **Airport Enplanements by Airline - FY 2009**



Source: Metropolitan Nashville Airport Authority, October 2009.  
Prepared by: Ricondo & Associates, Inc., October 2009.

### **4.3 Historical Air Service**

An important airport characteristic is the distribution of its O&D passenger markets, which is a function of air travel demands and available services and facilities. This is particularly true for the Airport, as it serves primarily O&D passengers. **Table IV-6** presents historical data on the Airport's primary (i.e., top 20) O&D markets for FY 2004 and FY 2009. Except for a few markets, the Airport's primary O&D destinations were short to medium haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) to all markets served of 843 miles in FY 2004 and 865 miles in FY 2009, comparable to 843 miles and 864 miles nationwide, respectively. The Airport's average stage lengths during these periods reflect the Airport's geographical location and strong local demand for major midwestern (i.e., Chicago), eastern (i.e., New York and Baltimore), and southern (i.e., Orlando and Dallas) markets.

Eighteen of the Airport's top 20 O&D markets in FY 2004 were also included in the top 20 O&D markets in FY 2009. The most significant increases in O&D passenger levels at the Airport occurred in the Denver and Philadelphia markets, with O&D passengers for these markets increasing by more than 110,000 passengers between FY 2004 and FY 2009. The increases in O&D passenger demand to these markets were primarily due to decreases in average one-way fares in FY 2009 compared to FY 2004. Average one-way fares for these markets decreased by \$50 and \$44, respectively, during this period. Only five markets experienced decreases in the total number of O&D passengers between FY 2004 and FY 2009; however, only Baltimore experienced a loss higher than 45,000 O&D passengers during this period (a decrease of approximately 68,100 O&D passengers).

As of November 2009, daily nonstop service was provided to 41 cities with a total of 186 daily flights, with 18 daily nonstop flights to Chicago, the Airport's top O&D market. During the course of FY 2009, each of the Airport's top 20 O&D markets were provided nonstop service with a total of



Table IV-6

Primary O&D Passenger Markets

FY 2004					FY 2009				
Rank	Market	Trip Length <sup>1/</sup>	Total O&D Passengers	Rank	Market	Nonstop Service <sup>2/</sup>	Trip Length <sup>1/</sup>	Total O&D Passengers	
1	Chicago	SH	433,440	1	Chicago	●	SH	465,240	
2	Baltimore	SH	358,560	2	New York/Newark	●	MH	343,910	
3	Orlando	MH	267,300	3	Baltimore	●	SH	290,490	
4	New York/Newark	MH	264,550	4	Orlando	●	MH	279,020	
5	Detroit	SH	232,900	5	Dallas	●	MH	246,870	
6	Houston	MH	210,110	6	Houston	●	MH	244,650	
7	Tampa	MH	192,120	7	Philadelphia	●	MH	220,700	
8	Los Angeles	LH	185,910	8	Tampa	●	MH	220,270	
9	Dallas	MH	175,240	9	Los Angeles	●	LH	218,060	
10	Las Vegas	MH	174,790	10	Denver	●	MH	217,080	
11	Raleigh	SH	171,020	11	Detroit	●	SH	200,650	
12	Fort Lauderdale	MH	165,060	12	Las Vegas	●	MH	191,930	
13	New Orleans	SH	157,150	13	Fort Lauderdale	●	MH	170,060	
14	Cleveland	SH	152,290	14	Raleigh	●	SH	158,670	
15	Phoenix	MH	144,630	15	Phoenix	●	MH	158,650	
16	Kansas City	SH	139,510	16	Kansas City	●	SH	143,680	
17	Philadelphia	MH	105,820	17	New Orleans	●	SH	132,710	
18	Jacksonville	SH	104,940	18	Jacksonville	●	SH	128,010	
19	Seattle	LH	103,460	19	Washington	●	SH	119,940	
20	San Diego	LH	101,270	20	Seattle	●	LH	111,560	
	Others		2,754,490		Others			2,898,760	
	Total		6,594,560		Total			7,160,910	
Average				Average					
Airport <sup>3/</sup>			843 miles	Airport <sup>3/</sup>			865 miles		
United States			860 miles	United States			864 miles		
Notes:									
1/ (SH) Short Haul = 1 to 600 miles									
(MH) Medium Haul = 601 to 1,800 miles									
(LH) Long Haul = over 1,800 miles									
2/ As of November 2009 (nonstop service to Seattle from the Airport is seasonal and was not provided in November 2009).									
3/ Average calculated for all of the Airport's O&D markets.									

Sources: US DOT, Origin & Destination Survey of Airline Passenger Traffic, November 2009.  
Prepared by Ricondo & Associates, Inc., November 2009.

approximately 120 to 125 daily flights.<sup>6</sup> **Table IV-7** presents the Airport's nonstop markets, including the number of daily flights to each market and the airlines providing these nonstop flights. **Exhibit IV-2** graphically illustrates the Airport's nonstop markets, as of November 2009.

## **4.4 Aviation Industry**

This section discusses qualitative factors that could influence future aviation activity at the Airport.

### **4.4.1 National Economy**

Air travel demand is directly correlated to consumer income and business profits. As consumer income and business profits increase, so does demand for air travel. In 2008, the combination of declines in construction activity, losses in housing-related securities, rising oil prices and a falling stock market eventually tipped the economy into recession. The nation's non-seasonally adjusted unemployment rate rose from 5.4 percent in January 2008 to 7.1 percent in December 2008. In the first half of 2009, the nation's unemployment rate continued to increase and by November 2009, the nation's non-seasonally adjusted unemployment rate was at 9.4 percent. U.S. GDP remained positive or slightly negative for the first three quarters of 2008, before entering a sharp decline of 5.4 percent in the fourth quarter of 2008. Consumer and business spending began to decline sharply in the third quarter of 2008 and mounting stress in financial markets reached a breaking point in September 2008, triggering a decline in stock market wealth that further reduced consumer and business spending. This sharp decline continued into the first quarter of 2009 as the nation's GDP decreased for the third straight quarter at a rate of 6.4 percent. In February 2009, the federal government passed a \$787 billion package of tax cuts and new federal spending aimed at stimulating private sector economic activity. U.S. GDP for the second quarter of 2009 decreased by a smaller rate of 1.0 percent when compared to the first quarter of 2009.

U.S. GDP increased 2.2 percent in the third quarter of 2009, according to revised estimates from the Bureau of Economic Analysis. The third-quarter increase was the first since the second quarter of 2008. The rise in real GDP is reflected of stronger consumer spending compared to previous quarters. Spending on new cars and trucks was a big contributor, reflecting the federal "cash for clunkers" program, which was in effect in July and August. Additionally, housing increased for the first time in 15 quarters. Inventory investment, exports, and government spending also contributed to the growth.

According to the latest forecast from the Congressional Budget Office (CBO), U.S. GDP is projected to grow by 1.7 percent in 2010, by 3.5 percent in 2011, and by an average of 4.7 percent in 2012 and 2013.<sup>7</sup>

### **4.4.2 State of the Airline Industry**

Following the restructuring years after September 11<sup>th</sup>, the industry finally gained ground in 2007 with virtually every U.S. carrier posting profits. In 2007, the major airlines had managed to restrain capacity in a growing economy. High fuel prices challenged margins, crowded out cost-saving initiatives, and a slowing U.S. economy weakened demand, even with restrained capacity growth.

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<sup>6</sup> Seattle, the Airport's 20<sup>th</sup>-ranked O&D market in FY 2009, is provided nonstop service from the Airport on a seasonal basis by Southwest.

<sup>7</sup> Source: Congressional Budget Office, *The Budget and Economic Outlook: An Update*, available online at <http://www.cbo.gov/ftpdocs/105xx/doc10521/08-25-BudgetUpdate.pdf>, last accessed, January 5, 2010.

**Table IV-7**

**Nonstop Markets**

Market	Daily Nonstop Flights	Number of Airlines	Airline
Atlanta	13	4	Atlantic Southeast (5), Delta (5), Pacific Wings (2), Shuttle America (1)
Austin	2	1	Southwest
Baltimore	7	1	Southwest
Birmingham	2	1	Southwest
Charlotte	8	2	Republic (4), US Airways (4)
Chicago <sup>1/</sup>	18	5	American Eagle (7-ORD), Mesa (2-ORD), SkyWest (1-ORD), Southwest (7-MDW), Trans States (1-ORD)
Cincinnati	3	2	Atlantic Southeast (2), Freedom (1)
Cleveland	2	1	Southwest
Columbus	2	1	Southwest
Dallas	8	1	American
Denver	8	4	Frontier (3), Mesa (1), SkyWest (1), Southwest (3)
Detroit	8	3	Northwest (5), Southwest (2), Compass (1)
Fort Lauderdale	2	1	Southwest
Hartford	1	1	Southwest
Houston <sup>2/</sup>	11	2	ExpressJet (7-IAH), Southwest (4-HOU)
Jackson , TN	4	1	Pacific Wings
Jacksonville	3	1	Southwest
Kansas City	3	1	Southwest
Las Vegas	2	1	Southwest
Los Angeles	3	2	American (1), Southwest (2)
Memphis	3	1	Pinnacle
Miami	2	2	American (1), American Eagle (1)
Milwaukee	3	2	Chautauqua (2), SkyWest (1)
Minneapolis	4	2	Compass (1), Pinnacle (3)
New Orleans	3	1	Southwest
New York/Newark <sup>3/</sup>	13	4	American (2-LGA), American Eagle (2-LGA), Comair (4-JFK), ExpressJet (5-EWR)
Norfolk	1	1	Southwest
Ontario	1	1	Southwest
Orlando	4	1	Southwest
Owensboro	3	1	Pacific Wings
Philadelphia	7	3	Air Wisconsin (4), PSA (1), Southwest (2)
Phoenix	2	1	Southwest
Providence	1	1	Southwest
Raleigh	4	1	Southwest
Salt Lake City	1	1	SkyWest
San Antonio	2	1	Southwest
San Diego	1	1	Southwest
St. Louis	3	2	Atlantic Southeast (2), Chautauqua (1)
Tampa	4	1	Southwest
Toronto	2	1	Air Canada Jazz
Washington, DC <sup>4/</sup>	12	4	American Eagle (5-DCA), Air Wisconsin (2-DCA), Mesa (3-IAD), PSA (2-DCA)
Total Daily Departures	186		

**Notes:**

1/ Individual flights to Chicago O'Hare and Chicago Midway.

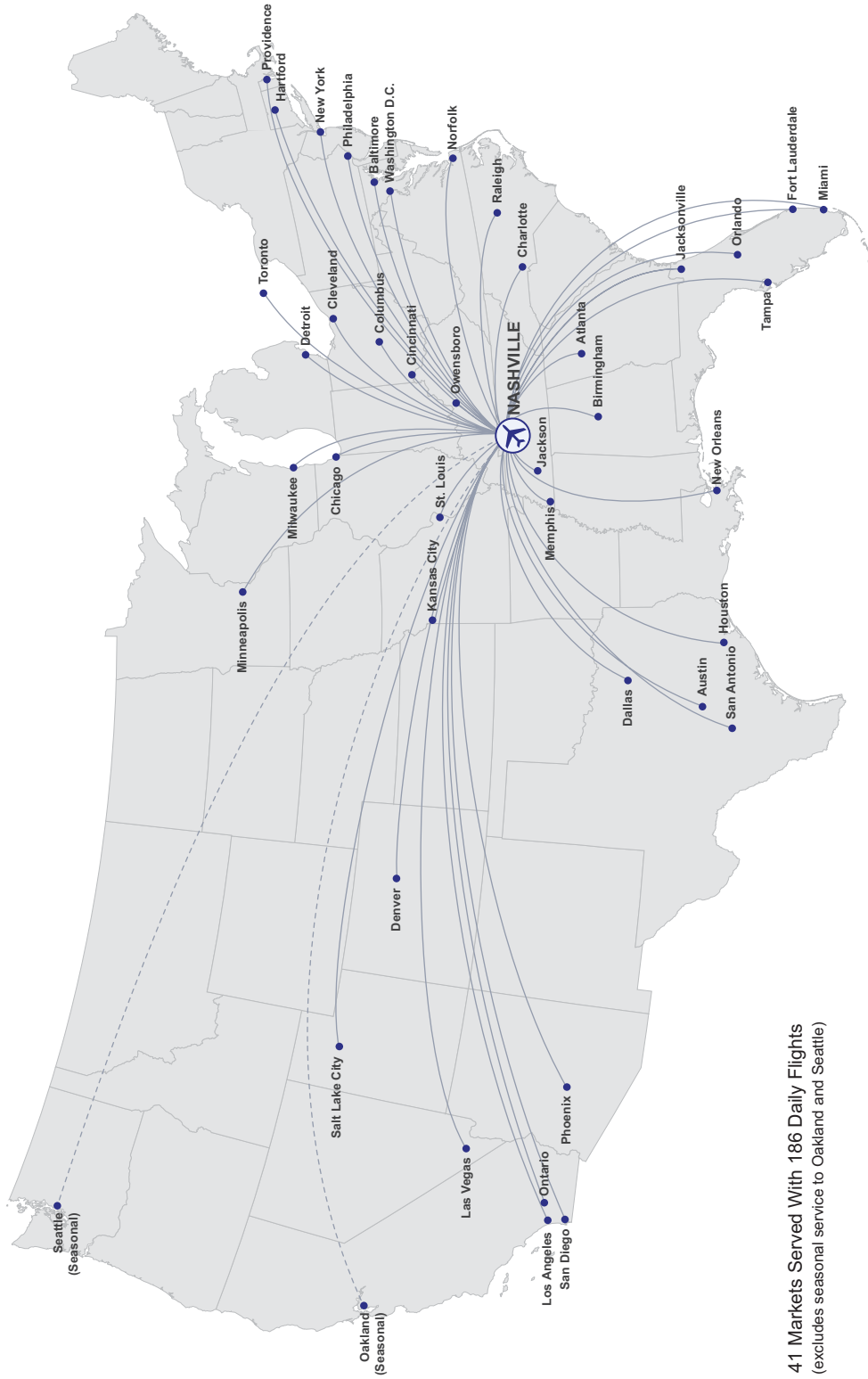
2/ Individual flights to Houston G. Bush International and Houston Hobby.

3/ Includes flights to Kennedy, LaGuardia, and Newark.

4/ Includes flights to Washington Reagan International and Washington Dulles International.

Source: Official Airline Guide (November 12, 2009).

Prepared by: Ricondo & Associates, Inc., November 2009.



Source: Official Airline Guide, Inc., (November 12, 2009).  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit IV-2

Nonstop Markets

In 2008 and 2009, the combination of record high fuel prices, weakening economic conditions, and a weak dollar have resulted in the worst financial environment for U.S. network and low-cost carriers since the September 11<sup>th</sup> terrorist attacks. Many of the domestic network carriers announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address the challenges. In the aftermath of September 11<sup>th</sup>, the industry saw a material adverse shift in the demand for air travel. The result was five years of reported industry operating losses, totaling more than \$28 billion dollars (excluding extraordinary charges and gains). Whereas the capacity reductions in the beginning of the century were the direct results of terror threats targeting the traveling public, the industry capacity reductions beginning in late 2008 were primarily driven by significant increases in fuel costs over a span of two and a half years, a weak dollar exacerbating the impact of increased fuel costs for U.S. carriers, and the contraction of the U.S. economy.

#### **4.4.3 Cost of Aviation Fuel**

The price of fuel is the most significant force affecting the airline industry today. The average price of jet fuel was \$0.82 per gallon in 2000 compared to \$3.07 in 2008, an increase of 275 percent. According to the Air Transport Association (ATA), every one-cent increase in the price per gallon increases annual airline operating expenses by approximately \$190 million to \$200 million.

Also according to the ATA, U.S. airline fuel expense increased from \$16.4 billion in 2000 to \$57.8 billion in 2008, a CAGR of 16.7 percent during this period. The most significant annual increase in U.S. fuel expense during this period occurred in 2008, when fuel expenses increased from \$41.9 billion in 2007 to \$57.8 billion in 2008, a 37.9 percent increase. On July 11, 2008, oil prices rose to a new record of \$147 per barrel following concerns over Iranian missile testing. During the remaining months of 2008, oil prices declined from their July peak and closed out the year at an average of approximately \$40 per barrel (December 2008). **Exhibit IV-3** shows the monthly averages of jet fuel and crude oil prices from January 2007 through October 2009. On October 30, 2009, the NYMEX crude future oil price per barrel closed near the \$80 per barrel range.

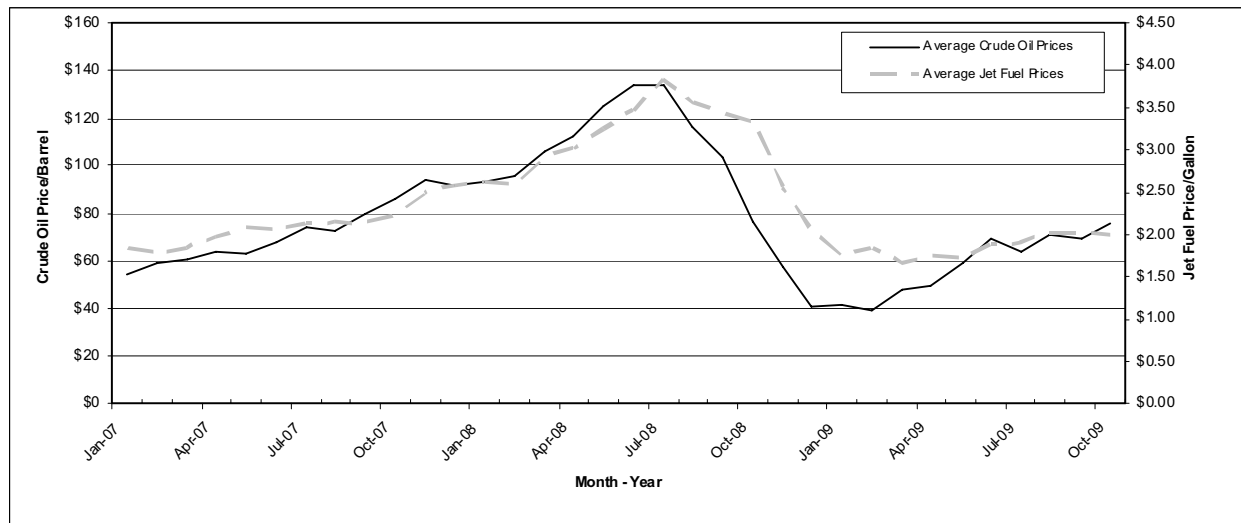
In 1999, jet fuel accounted for nearly 10 percent of an airline's operating expenses and historically, fuel expense was the second highest operating expense for an airline behind labor. More recently, jet fuel surpassed labor as an airlines' highest operating expense, according to the ATA. In 2008, fuel comprised approximately 30.6 percent of an airline's total operating costs while labor represented approximately 20.3 percent of the total. As oil prices fell in the first quarter of 2009, fuel expenses retreated and labor once again became the airlines' highest operating expense, represented 25.8 percent of total operating expenses while fuel represented 21.3 percent. In the second quarter of 2009, these shares of total operating costs were 25.8 percent and 21.9 percent, respectively. Despite the recent drops in jet fuel prices, the airlines still followed through on plans to curtail capacity in the weak economy. According to *usatoday.com*, scheduled domestic capacity is down 12.4 percent in January 2010 compared to the same month in 2008.<sup>8</sup>

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<sup>8</sup> Source: <http://www.usatoday.com/travel/flights/airline-capacity-map.htm>. The data reflect what airlines had reported to Official Airline Guide (OAG) regarding their January 2010 schedules as of December 20, 2009.

### **Exhibit IV-3**

#### **Historical Monthly Averages of Jet Fuel and Crude Oil Prices**



Source: Air Transport Association (ATA), January 2010.  
Prepared by: Ricondo & Associates, Inc., January 2010.

#### **4.4.4 Airport Security**

With enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created and established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. The federal government controls aviation industry security requirement, which can significantly impact the economics of the industry. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

On Dec. 25, 2009, an individual onboard Northwest Airlines Flight 253 attempted to detonate an explosive device and was subdued by passengers and crew. As a result of this incident, the TSA issued new security directives to all U.S. and international air carriers with inbound flights to the U.S., which went into effect on January 4, 2010. TSA is mandating that every individual flying into the U.S. from anywhere in the world traveling from or through nations that are state sponsors of terrorism or other countries of interest will be required to go through enhanced screening. The directive also increases the use of enhanced screening technologies and mandates threat-based and random screening for passengers on U.S. bound international flights.

#### **4.4.5 Threat of Terrorism**

As has been the case since September 11<sup>th</sup>, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

## 4.5 Passenger Activity Projections

Projections of passenger demand at the Airport were prepared on the basis of local socioeconomic and demographic factors, the Airport's historical shares of U.S. enplanements, and anticipated trends in air carrier usage of the Airport.

In developing the projections of enplaned passengers at the Airport, two methodologies were investigated:

- **Market Share Approach.** In this methodology, judgments were made as to how and to what extent the Airport's rate of growth will differ from that projected for the nation by the FAA. On a macro scale, the U.S. projection provides a growth base reflecting how industry traffic in general is anticipated to grow in the future. The growth rate used for the Airport can be reflected as an increase or decrease in its future share of the market.
- **Socioeconomic Regression Approach.** Statistical linear regression modeling was used in this methodology, with local socioeconomic factors as the independent variable and enplaned passengers as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, per capita income, and employment. Of interest in the analyses, among other factors, was how well each socioeconomic variable explained the annual variations in enplaned passengers at the Airport (i.e., the model's coefficient of determination,  $R^2$ ).

The projections were based on a number of underlying assumptions, including:

- Long-term projections of activity are assumed to increase as a result of expected growth in socioeconomic indicators in the Air Trade Area.
- The Airport will continue its role of serving primarily O&D passengers and providing nonstop service to the majority of its major markets. The composition of its air carrier base will continue to foster competitive pricing and scheduling diversity. In addition, the Airport will continue to serve primarily short- and medium-haul markets.
- Volatile fuel prices will likely have an adverse impact on airline profitability, as well as hamper the recovery plans and cost-cutting efforts of certain airlines. Higher fuel prices may cause changes in air service at the Airport; however, the passenger demand for its major O&D markets will continue to be served during the projection period.
- Airline consolidation/mergers that may occur during the projection period are not likely to negatively impact passenger activity levels at the Airport due to its high percentage of O&D passengers. New airline alliances, should they develop, will be restricted to code sharing and joint frequent flyer programs, and should not reduce airline competition at the Airport.
- Individual airline bankruptcies or liquidations may occur during the projection period; however, they will not adversely impact passenger activity levels projected herein. Although service deficiencies may occur in the short term following any airline bankruptcies or liquidations, it is assumed that other carriers will fill the demand left by the specific bankrupt or liquidated carrier in the long term.
- For these analyses, and similar to the FAA's assumptions for its nationwide projections, there will not be any terrorist incidents that negatively impact U.S. air traffic demand during the projection period. Additionally, there will not be a major contraction of the aviation industry through bankruptcy or consolidation during this same period.

- Economic disturbances will occur during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.

Many of the factors influencing aviation demand cannot necessarily nor readily be quantified. As a result, the projection process should not be viewed as precise, particularly given the major structural changes that have occurred in the aviation industry since airline deregulation. Actual future traffic levels at the Airport may differ from projections presented herein because of unforeseen events.

**Table IV-8** presents historical and projected enplanements for the Airport's majors/nationals and regional/commuters. As shown, total enplanements at the Airport decreased from 4,880,360 in FY 2008 to 4,460,962 in FY 2009, a decrease of 8.6 percent during this period. As discussed earlier, this decrease in enplaned passengers was primarily due to systemwide reductions in capacity by almost all the domestic airlines in late CY 2008 and CY 2009. In FY 2009, capacity at the Airport decreased 8.2 percent from FY 2008 levels. Based on an analysis of scheduled departing seats for FY 2010, it is expected that enplaned passengers at the Airport will further decrease from 4,460,962 in FY 2009 to approximately 4,275,200 in FY 2010 (a 4.2 percent decrease in FY 2010 from FY 2009 levels) and then remain relatively stable in FY 2011.

As discussed above, linear regression models were analyzed for projecting long-term passenger activity at the Airport. In reviewing socioeconomic models and trend analysis, the per capita income model and the employment model provided the highest coefficient of determination with 74 percent and 70 percent, respectively (100 percent represents a perfect fit between the two variables). These models indicated that the Air Trade Area could support a compounded annual growth rate of approximately 2.5 percent in long-term growth in passenger activity at the Airport. Therefore, during the remainder of the projection period, activity at the Airport is projected to increase from 4,275,400 enplaned passengers in FY 2011 to 5,153,100 in FY 2019. This increase represents a compounded annual growth rate of 2.4 percent during this period, compared to the 3.0 percent growth projected for domestic enplanements nationwide by the FAA.

As also shown, major/national and regional/commuter enplanements are expected to increase at a compounded annual growth rate of 2.0 and 3.4 percent, respectively, between FY 2011 and FY 2019. It is anticipated that a continued shifting of services at the Airport from majors/nationals to regionals/commuters will occur; however, at lower rates during the long-term outlook. As a result, the share of regional/commuter enplanements at the Airport is expected to increase from 22.4 percent in FY 2009 to 26.3 percent in FY 2019.

As discussed earlier, demand for rental cars is highly correlated to passenger activity. The passenger projections provided above will serve as the basis for projecting future rental car demand at the Airport in the remainder of this chapter.

## **4.6 Factors Influencing Rental Car Demand at the Airport**

Rental car customers make decisions based primarily on rental rates and convenience, and other secondary factors. This section discusses specific factors that could influence rental car demand at the Airport—including rental rates, CFC level, local rental car markets, and other demand factors.

### **4.6.1 Car Rental Rates**

**Table IV-9** reflects two-day leisure (weekend) and three-day business (weekday) rental car rates for the Airport and five other Southern and Midwestern airport markets including St. Louis, Memphis,



**Table IV-8**

**Enplaned Passenger Projections**

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Airport Total	Regional/Commuter Share of Airport Total
<b>Historical</b>				
1999	3,939,280	174,766	4,114,046	4.2%
2000	4,311,150	162,507	4,473,657	3.6%
2001	4,283,406	190,757	4,474,163	4.3%
2002	3,711,533	292,874	4,004,407	7.3%
2003	3,510,557	487,423	3,997,980	12.2%
2004	3,556,154	610,666	4,166,820	14.7%
2005	3,646,208	792,184	4,438,392	17.8%
2006	3,842,694	893,216	4,735,910	18.9%
2007	3,958,137	980,054	4,938,191	19.8%
2008	3,799,938	1,080,422	4,880,360	22.1%
2009	3,462,129	998,833	4,460,962	22.4%
<b>Projected</b>				
2010	3,253,400	1,021,800	4,275,200	23.9%
2011	3,236,500	1,038,900	4,275,400	24.3%
2012	3,378,200	1,083,500	4,461,700	24.3%
2013	3,517,200	1,132,200	4,649,400	24.4%
2014	3,576,800	1,173,400	4,750,200	24.7%
2015	3,623,400	1,209,900	4,833,300	25.0%
2016	3,679,700	1,244,800	4,924,500	25.3%
2017	3,728,700	1,280,100	5,008,800	25.6%
2018	3,765,800	1,316,300	5,082,100	25.9%
2019	3,799,600	1,353,500	5,153,100	26.3%
<b>Compounded Annual Growth Rate</b>				
1999 - 2001	4.3%	4.5%	4.3%	
2001 - 2003	(9.5%)	59.9%	(5.5%)	
2003 - 2008	1.6%	17.3%	4.1%	
2008 - 2009	(8.9%)	(7.6%)	(8.6%)	
2009 - 2010	(6.0%)	2.3%	(4.2%)	
2010 - 2011	(0.5%)	1.7%	0.0%	
2011 - 2019	2.0%	3.4%	2.4%	

Sources: Metropolitan Nashville Airport Authority (historical), October 2009.

Ricondo & Associates, Inc. (projected), November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

**Table IV-9**

Car Rental Rate Comparison - Selected Surrounding Airports

**2-Day Weekend Rental <sup>1/</sup>**

(ordered most expensive to least expensive)

	Chattanooga (CHA)	St. Louis (STL)	Knoxville (TYS)	Nashville (BNA)	Memphis (MEM)	Lexington (LEX)
Base Rental Rate	96.98	\$82.98	80.98	\$64.98	\$58.98	\$56.98
Taxes	13.34	8.00	11.10	10.62	10.64	4.04
Customer Facility Charge:	-	-	-	8.00	8.00	4.00
Airport concession fee recovery	10.87	9.32	8.61	6.11	6.66	6.72
Vehicle Licensing Cost Recovery	-	5.80	-	-	-	2.64
Energy Surcharge	1.03	1.03	1.03	1.03	1.03	1.03
<b>Total Rental Rate</b>	<b>\$122.22</b>	<b>\$107.13</b>	<b>101.72</b>	<b>\$90.74</b>	<b>\$85.31</b>	<b>\$75.41</b>
<i>Base Rental Rate</i>	79%	77%	80%	72%	69%	76%
<i>Facility /Transportation Charges</i>	0%	0%	0%	9%	9%	5%
<i>Other Charges</i>	10%	15%	9%	8%	9%	14%
<i>Taxes</i>	11%	7%	11%	12%	12%	5%
<i>Total</i>	100%	100%	100%	100%	100%	100%

**3-Day Weekday Rental <sup>2/</sup>**

(ordered most expensive to least expensive)

	St. Louis (STL)	Nashville (BNA)	Memphis (MEM)	Knoxville (TYS)	Chattanooga (CHA)	Lexington (LEX)
Base Rental Rate	\$274.47	\$235.47	\$208.47	\$223.47	\$175.47	\$139.47
Taxes	25.41	35.83	34.88	30.40	24.03	9.63
Customer Facility Charge:	-	12.00	12.00	-	-	6.00
Airport concession fee recovery	30.58	21.88	23.25	23.57	19.59	16.03
Vehicle Licensing Cost Recovery	8.70	-	-	-	-	3.96
Energy Surcharge	1.03	1.03	1.03	1.03	1.03	1.03
<b>Total Rental Rate</b>	<b>\$340.19</b>	<b>\$306.21</b>	<b>\$279.63</b>	<b>\$278.47</b>	<b>\$220.12</b>	<b>\$176.12</b>
<i>Base Rental Rate</i>	81%	77%	75%	80%	80%	79%
<i>Facility /Transportation Charges</i>	0%	4%	4%	0%	0%	3%
<i>Other Charges</i>	12%	7%	9%	9%	9%	12%
<i>Taxes</i>	7%	12%	12%	11%	11%	5%
<i>Total</i>	100%	100%	100%	100%	100%	100%

Notes:

1/ Standard car (Pontiac G6 or similar); pick-up Friday, January 8, 2010 at 5pm; drop off Sunday, January 10, 2010 at 5pm.

2/ Standard car (Pontiac G6 or similar); pick-up Monday, January 11, 2010 at 10am; drop off Thursday, January 14, 2010 at 10am.

Source: www.Hertz.com, December 1, 2009.

Prepared by: Ricondo & Associates, Inc. December 2009.

Chattanooga, Knoxville, and Lexington. Rental rates were obtained on December 1, 2009 from the website of a major U.S. rental car company operating at the Airport and were based on the following:

**Two-day weekend rental (leisure):**

- Pick up Friday, January 8, 2010 at 5pm
- Drop off Sunday, January 10, 2010 at 5pm
- Standard size car (Pontiac G6 or similar)

**Three-day weekday rental (business):**

- Pick up Monday, January 11, 2010 at 10am
- Drop off Thursday, January 14, 2010 at 10am
- Standard size car (Pontiac G6 or similar)

As shown on Table IV-9, the rates at the Airport for a 2-day weekend rental is approximately \$90, which is lower than the rate at Chattanooga, St Louis, and Knoxville. Chattanooga has the highest rate among the nearby airports for a 2-day weekend rental at \$122, with St Louis second highest at \$107.

The Airport has the second highest rates in the survey for weekday rentals, with a 3-day weekday rental rate of approximately \$306. St. Louis has the highest rate for a 3-day weekday rental at approximately \$340. Lexington had the lowest 3-day weekday rental at approximately \$176. Table IV-9 also reflects the breakdown of other charges and taxes charged at each airport. As shown, CFCs, facility fees, and/or transportation charges range from zero to seven percent of total rental rates for weekend rentals (with the Airport at seven percent), and from zero to four percent of total rental rates for weekday rentals (with the Airport and Memphis at four percent).

Given the Airport's rate levels compared to those at other regional airports, car rental rates at the Airport are competitive and, therefore, are not considered a negative influence on rental car demand at the Airport.

#### **4.6.2 CFC Level**

Table II-2 (presented previously in Chapter 2) reflects rental car customer facility charges and transportation fees at various U.S. airports. As shown, many of the Airports listed charge the CFC per transaction day, while other airports (e.g. San Francisco, Los Angeles, Oakland, and others) charge on a per contract basis. Currently, Dallas/Fort Worth<sup>9</sup> and New Orleans have the highest fee per transaction day in the nation at \$6.20 and San Francisco has the highest fee per transaction at \$18.50. At least two airports, Houston George Bush Intercontinental and Port Columbus International, levy both a CFC (per transaction day) and a separate fee for bussing or facility costs (per transaction) on rental car contracts. In some cases, airport operators use additional funding sources (i.e. airport revenues) or collect additional revenues (other than CFCs or transportation charges) to help finance rental car facilities or fund related operating costs.

San Francisco's \$18.50 per transaction fee (used to pay for automated people mover costs between the airport terminal and the rental car center) is currently the highest CFC/transportation fee in the

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<sup>9</sup> The \$6.20 per transaction fee for DFW includes a \$4.00 CFC and a \$2.20 transportation fee.

nation for one-day or two-day car rentals. For transactions over two days, Dallas Fort Worth and New Orleans (at \$6.20 per day) currently have the highest CFC/transportation fee in the nation.

The Airport currently has a \$4.00 per transaction day CFC, which was implemented by the Authority in January 2008. Based on historical rental car activity data for the Airport before and after the implementation of the CFC, it does not appear that the implementation of the \$4.00 CFC had a negative effect on rental car demand at the Airport. Rental car transaction days actually increased 6.0 percent for the six-month period immediately following implementation of the CFC at the Airport compared to the same period the previous year. This is consistent with the national experience, which indicates the implementation of a CFC has generally not resulted in a measurable impact on rental car demand. The Authority plans to increase the CFC rate to \$4.50 effective January 1, 2010.

#### **4.6.3 Other Factors Influencing Rental Car Demand**

Travel and tourism is a rapidly growing industry in the Air Trade Area, which stimulates demand for air travel and rental car activity at the Airport. Nashville, nicknamed the “Music City,” is commonly known as the home of country music. According to the Nashville Convention and Visitors Bureau, there were approximately 11 million visitors to the Air Trade Area in 2007 for business, conventions, or leisure. Approximately two-thirds of visitors to the Air Trade Area are conducting business or attending a convention and one-third are visiting for leisure purposes.

A large percentage of visitors can be expected to choose rental cars as their mode of transportation given two factors: (1) the sprawling nature of Nashville and the overall Air Trade Area (Nashville’s land mass is larger than all but five other cities in the United States) and (2) the Air Trade Area’s limited public transportation options.<sup>10</sup>

Other factors that influence rental car demand at the Airport include local/nationwide economic conditions and consumer income. The Air Trade Area’s stable and diverse local economy, as described in Chapter 3, helps support future long-term growth in Airport passenger travel and the demand for rental cars. The strength of the U.S. economy in large part dictates growth of air travel and rental car demand nationwide. As the U.S. economy expands, consumer income and the demand for goods and services (including rental cars) increases. Conversely, nationwide economic recession (as is currently being experienced) generally decreases consumer income and the demand for goods and services, including rental cars.

#### **4.7 Projection of Airport Rental Car Transaction Days**

Based on a review of historical rental car activity data, the number of rental car transaction days at the Airport is primarily a function of O&D deplaned passengers. Rental car transaction activity at the Airport has followed the trends in O&D deplaned passenger activity in each fiscal year between FY 2005 and FY 2009, but not necessarily at the same growth rate in any given fiscal year. Furthermore, the average number of days per rental car transaction increased slightly from 3.03 days in FY 2006 to 3.50 days in FY 2009. In the long-term, it is reasonable to expect that these relationships will remain relatively stable.

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<sup>10</sup> Source: The Tennessean “Mass Transit, Urban Mix Are Important,” August 13, 2008. The Air Trade Area has limited commuter rail options and no light rail transit service.

For purposes of this analysis, specific assumptions were made regarding rental car transactions per O&D deplaned passenger and average days per rental car transaction, as follows:

- **O&D Deplaned Passengers.** The percentage of O&D deplaned passengers is assumed to continue to be approximately 80.5 percent of the Airport's total deplaned passengers, which is consistent with the historical levels from FY 2006 through FY 2009.
- **Rental Car Transactions.** Based on actual figures for FY 2009, rental car transactions per O&D deplaned passenger is assumed to remain at 0.153 throughout the projection period.
- **Average Days Per Transaction.** Based on actual figures for the last three years, the average number of days per rental car transaction will remain at 3.25 throughout the projection period.

Other assumptions used in developing the projection of rental car transaction days include the following:

- **Local/National Economy.** The economic base of the Air Trade Area will remain stable and diversified during the projection period, as described in Chapter 3 of this report.
- **Passenger Levels at the Airport.** Passenger projections described earlier herein will be realized.
- **Car Rental Rates.** Average daily car rental rates at the Airport have been relatively flat, or have decreased slightly for the last four fiscal years (FY 2006-FY 2009). Car rental rates at the Airport will continue to be competitive in relation to other means of transportation, and are not anticipated to depress rental car demand.
- **CFC level.** The CFC level at the Airport is assumed to increase to \$4.50 in January of 2010. This will not have a material effect on rental car demand or transactions days at the Airport.
- **CONRAC Facility.** The new rental car pick-up location at the CONRAC Facility will not have a material effect on rental car demand or rental car transaction days at the Airport.
- **Off-Airport Rental Car Activity.** At present, there are no off-airport operators serving the Airport. It is anticipated that all of the existing rental car companies at the Airport will continue to be located in the CONRAC Facility. As a result, off-Airport rental car activity will not have an effect on rental car demand or rental car transaction days at the Airport.

Based on the methodology and assumptions described above, the projection of rental car transaction days is presented in **Table IV-10**. Projected rental car transaction days are derived by multiplying the number of projected rental car transactions by the projected average rental car contract duration (in days). Rental car transaction days at the Airport are expected to grow from approximately 1.9 million in FY 2009 to approximately 2.1 million in FY 2019. This represents a projected annual decrease of 11.0 percent in FY 2010, no growth in FY 2011, and a compounded annual growth rate of 2.4 percent between FY 2011 and FY 2019.

**Table IV-10**

Rental Car Transaction Day Projections  
(Fiscal Years Ending June 30)

	Actual				Projected									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rental Car Transactions <sup>1/</sup>	615,318	644,221	645,488	547,587	524,800	524,800	547,700	570,700	583,100	593,300	604,500	614,800	623,800	632,500
Annual % Change	3.3%	4.7%	0.2%	-15.2%	-4.2%	0.0%	4.4%	4.2%	2.2%	1.7%	1.9%	1.7%	1.5%	1.4%
Total Airport Enplaned / Deplaned Passengers	4,735,910	4,938,191	4,880,360	4,460,962	4,275,200	4,275,400	4,461,700	4,649,400	4,750,200	4,833,300	4,924,500	5,008,800	5,082,100	5,153,100
Annual % Change	6.7%	4.3%	-1.2%	-8.6%	-4.2%	0.0%	4.4%	4.2%	2.2%	1.7%	1.9%	1.7%	1.5%	1.4%
O&D Deplaned Passengers <sup>2/</sup>	3,771,790	3,983,000	3,995,800	3,590,410	3,440,899	3,441,060	3,591,004	3,742,075	3,823,204	3,890,087	3,963,489	4,031,338	4,090,334	4,147,478
Annual % Change	5.8%	5.6%	0.3%	-10.1%	-4.2%	0.0%	4.4%	4.2%	2.2%	1.7%	1.9%	1.7%	1.5%	1.4%
Percentage of O&D to Total Passengers	[C] / [B]	80.7%	81.9%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%	80.5%
Rental Car Transactions Per Origin-Destination Deplaned Passenger	[A] / [C]	0.163	0.162	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153
Average Rental Car Transaction-Days Per Transaction	[D] / [A]	3.03	3.11	3.28	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
<b>Rental Car Transaction Days <sup>1/</sup></b>	<b>1,861,785</b>	<b>2,004,442</b>	<b>2,115,191</b>	<b>1,916,330</b>	<b>1,705,600</b>	<b>1,705,600</b>	<b>1,780,000</b>	<b>1,854,800</b>	<b>1,895,100</b>	<b>1,928,200</b>	<b>1,964,600</b>	<b>1,998,100</b>	<b>2,027,400</b>	<b>2,055,600</b>
Annual % Change	N/A	7.7%	5.5%	-9.4%	-11.0%	0.0%	4.4%	4.2%	2.2%	1.7%	1.9%	1.7%	1.5%	1.4%
Per O&D Deplaned Passenger	[D] / [C]	0.494	0.503	0.534	0.496	0.496	0.496	0.496	0.496	0.496	0.496	0.496	0.496	0.496

Notes:

1/ Rental car company survey.

2/ US DOT Origin & Destination Survey of Airline Passenger Traffic.

Sources: Metropolitan Nashville Airport Authority; Rental car company survey; US DOT Origin & Destination Survey of Airline Passenger Traffic, December 2009.

Prepared by: Ricordo & Associates, Inc., December 2009.

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## V. Financial Analysis

This chapter presents an overview of the structure of the transaction, including summaries of the key documents including the Customer Facility Charge resolution; the lease agreement between the Authority and MPC CONRAC LLC and each car rental company (the CRC Lease Agreement); the Special Facility Lease Agreement and the Special Facility Sublease Agreement between the Authority and MPC CONRAC LLC (the CONRAC Lease and CONRAC Sublease); and the Indenture between the Authority and the Trustee (the Indenture). This chapter also discusses the funding sources and financial plan associated with the construction of the consolidated rental car facility (the CONRAC Facility); projected customer facility charge (CFC) revenues and the flow of funds under the Indenture; and projected debt service coverage. Capitalized terms and words in this chapter, unless specifically defined herein, have the same meanings as set forth in the Indenture, the Official Statement for the Series 2010 Bonds, the CONRAC Lease, the CONRAC Sublease, and/or the CRC Lease Agreement.

### 5.1 Sources of Funding

As outlined in Chapter 1, the Authority is issuing the Series 2010 Bonds to finance, in part, the construction of a new CONRAC Facility at the Airport. **Table V-1** presents the estimated sources of funding for the approximately \$69.4 million project, which include the following:

- **Pay-as-you-go CFCs (through December 31, 2009).** The Authority has expended approximately \$6.0 million of CFCs collected since January 1, 2008, on the design of the CONRAC Facility, terminal roadway improvements and site preparation for the CONRAC Facility, and permits and related soil testing for the construction of the CONRAC facility.
- **Pay-as-you-go CFCs (after December 31, 2009).** Approximately \$13.5 million in CFCs will be used on a pay/go basis during the construction period for project costs.
- **Series 2010 Bond Proceeds.** Approximately \$50 million of Series 2010 Bond proceeds will be applied to the remainder of the project costs.

### 5.2 Financing Plan

**Table V-2** presents the overall sources and uses of the Series 2010 Bond funds for the CONRAC Facility:

The following assumptions are included in the financing plan:

- Approximately \$68.1 million of Series 2010 Bonds (par amount) will be issued to fund a portion of the costs for the construction of the CONRAC Facility.
- The Series 2010 Bonds will be issued for a term of 20-years, with an average coupon rate of 7.04 percent.
- The Series 2010 Bonds will be insured, with the premium paid at closing.
- Interest on the Series 2010 Bonds is capitalized through completion of the project.
- A debt service reserve fund (CONRAC Bond Reserve Fund) equal to Maximum Annual Debt Service on the Series 2010 Bonds is funded from Series 2010 Bond proceeds.



**Table V-1**

**CONRAC Facility Costs and Funding Sources**

	Total Cost	CFC Revenue used through Dec. 31, 2009 <sup>1/</sup>	CFCs used for Construction <sup>1/</sup>	Series 2009 Bond Proceeds
Design	\$4,100,000	\$4,100,000	\$0	\$0
Terminal area roadway improvements / CONRAC site preparation	\$1,000,000	\$670,000	\$0	\$0
Site testing / permits	\$1,850,000	\$1,280,000	\$0	\$0
CONRAC Construction	\$58,000,000	\$0	\$9,050,000	\$48,950,000
Additional soft costs	\$4,480,000	\$0	\$4,480,000	\$0
Total	\$69,430,000	\$6,050,000	\$13,530,000	\$48,950,000

Note:

1/ CFCs collected from January 2008 through June 2011 will be used to fund project costs prior to DBO.

Sources: Metropolitan Nashville Airport Authority, Ricondo & Associates, Inc., November 2009.

Prepared by: Ricondo & Associates, Inc., January 2010.

**Table V-2**

**Projected Sources and Uses of Bond Proceeds**

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Sources of Funds

Par of Bonds	\$68,120,000
Accumulated CFC Revenue prior to Dec. 1, 2009	7,000,000
CFC Revenue after Dec. 1, 2009	7,000,000
	-
	-
Total Sources	\$82,120,000

Uses of Funds

Project costs	\$62,480,000
Debt Service Reserve Fund	6,812,000
Capitalized Interest	6,317,069
Debt Service Coverage Account	1,728,897
Bond Insurance Premium	2,011,284
Other Costs of Issuance	770,750
CFC Deposit to CONRAC Discretionary Account	2,000,000
Total Uses	\$82,120,000

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Source: Morgan Keegan & Co. Inc., January 2010.

Prepared by: Ricondo & Associates, Inc., January 2010.

- Debt service coverage equal to 25 percent of Maximum Annual Debt Service will be funded at the time of closing. This amount will be deposited into the CONRAC Coverage Fund and used each year to demonstrate compliance with the Rate Covenant.
- Issuance costs are funded with Series 2010 Bond proceeds.
- The reinvestment rate for all reserve funds is assumed to be 3.0 percent.

**Table V-3** presents projected annual debt service for the CONRAC Facility through FY 2018. As shown, debt service is projected to increase from \$5.8 million in Fiscal Year 2012 to \$6.7 million in Fiscal 2019. Beyond the forecast period, debt service remains fairly stable at \$6.7 million annually through maturity on July 1, 2029.

## **5.3 Transaction Structure**

To effect the transaction, the Authority has imposed the CFC that serves as the primary source of repayment for the Series 2010 Bonds, has entered into the CRC Lease Agreements with all of the on-Airport car rental companies for space within the CONRAC Facility, has entered into concession agreements with the car rental companies for operations at the Airport, entered into the CONRAC Lease and the CONRAC Sublease with MPC CONRAC LLC, and will enter into the Indenture which governs the Series 2010 Bonds at the financial closing of the transaction. **Exhibit V-1** presents a graphical depiction of the structure of the transaction and the relationship between the various documents. The key documents are summarized in the following sections of this report.

### **5.3.1 The CFC Resolution**

The Authority is authorized to impose rates and charges by its enabling statute, and the Authority's Board of Commissioners has adopted MNAA Resolution No. 2007-21, as amended by Resolution No. 2008-15 and Resolution No. 2009-14 (together, the CFC Resolution) which imposed a CFC per rental car transaction day in order to plan, design, construct, finance, operate, and maintain a CONRAC Facility at the Airport. Pursuant to the CFC Resolution, CFC collections began on January 1, 2008 at the rate of \$4.00 per rental car transaction day. The CFC Resolution requires the on-Airport car rental companies to collect the CFC and remit collections to the Authority. Adjustments to the CFC rate, which are not limited by statute, are subject only to the approval of the Authority's Board of Commissioners. On November 18, 2009, The Board of Commissioners adopted Resolution No. 2009-14, increasing the CFC to \$4.50 per rental car transaction day effective January 1, 2010.

**Table V-4** presents the history of CFC revenue and uses from January 1, 2008, the inception of the CFC, through October 31, 2009, with estimated receipts through December 31, 2009, which, for the purpose of this report, is assumed to be the last day of collections before the Indenture takes effect. During this two year period, the Authority collected approximately \$15.3 million of CFC revenue. As indicated in Section 5.1, the Authority applied approximately \$6.0 million of CFC revenue toward the design and other preparatory work associated with the CONRAC Facility. At closing of the Series 2010 Bonds, the Authority expects to transfer approximately \$2 million to the CONRAC Discretionary Account in the CONRAC Discretionary Fund under the Indenture, which will be available to provide funding for incidental costs related to the construction of the CONRAC Facility, the prepayment of certain operating costs (such as property insurance), and other uses permitted by the Indenture. The remaining CFC revenue held by the Authority at December 31, 2009, will be transferred to the CONRAC Construction Fund under the Indenture and used toward project costs.

**Table V-3**

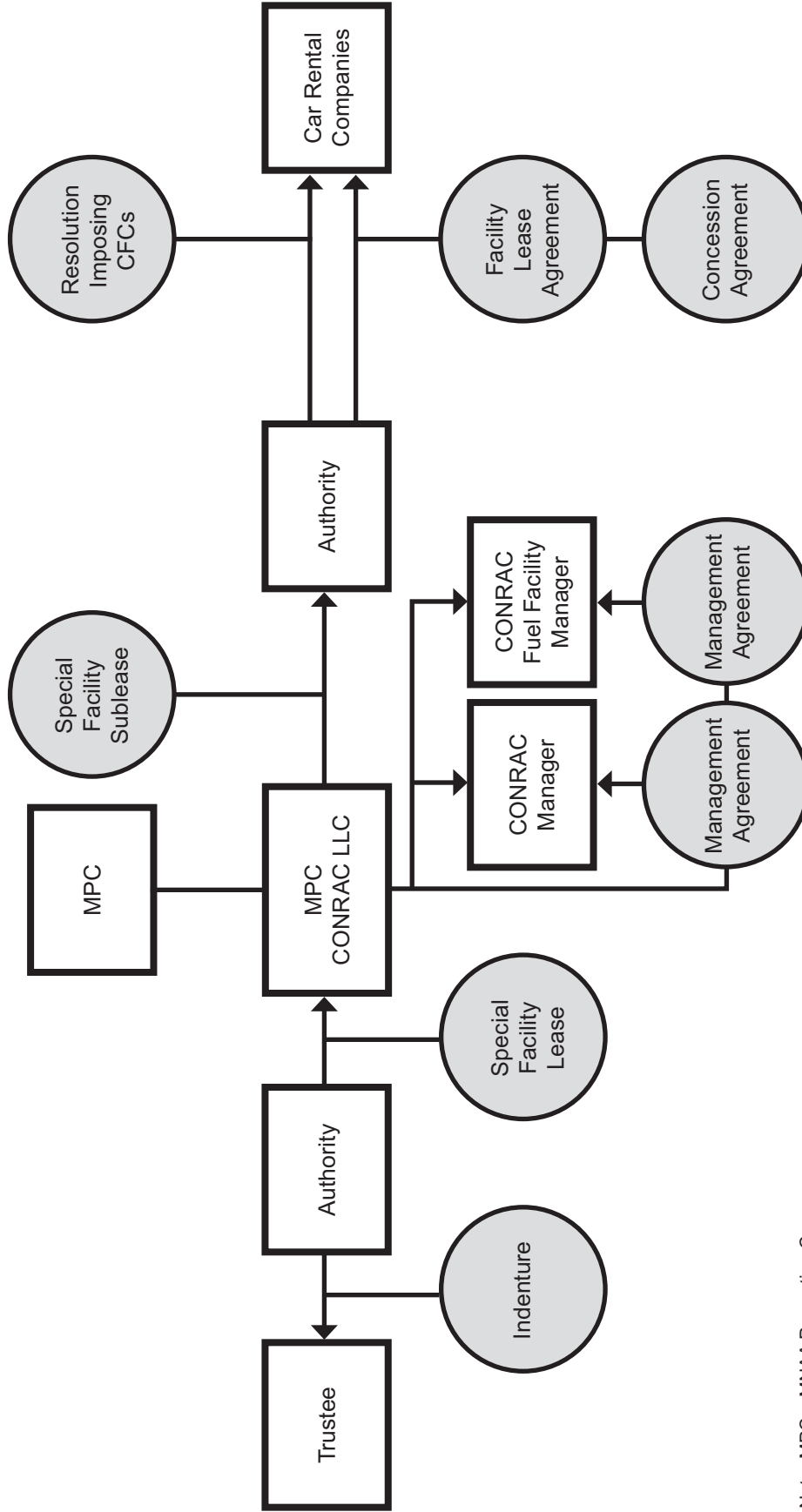
Projected Annual Debt Service  
(Fiscal Years Ending June 30)

	2010 <sup>1/</sup>	2011	2012	2013	2014	2015	2016	2017	2018	2019
Principal	\$0	\$0	\$1,380,000	\$1,555,000	\$1,750,000	\$1,955,000	\$2,180,000	\$2,425,000	\$2,700,000	\$2,865,000
Interest	\$1,768,779	\$4,548,290	\$4,548,290	\$4,499,024	\$4,433,403	\$4,354,303	\$4,262,027	\$4,154,553	\$4,025,301	\$3,867,351
Gross debt service	\$1,768,779	\$4,548,290	\$5,928,290	\$6,054,024	\$6,183,403	\$6,309,303	\$6,442,027	\$6,579,553	\$6,725,301	\$6,732,351
Paid from capitalized interest	1,768,779	4,548,290	-	-	-	-	-	-	-	-
Net debt service	\$0	\$0	\$5,928,290	\$6,054,024	\$6,183,403	\$6,309,303	\$6,442,027	\$6,579,553	\$6,725,301	\$6,732,351

1/ Debt service due July 1 is paid from revenues collected in the prior fiscal year.

Sources: Morgan Keegan & Co., Inc., January 2010.

Prepared by: Ricordo & Associates, Inc., January 2010.



Note: MPC – MNAA Properties Corp.

Source: Metropolitan Nashville Airport Authority, October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit V-1

## Transaction Structure

**Table V-4**

CFC Fund through December 31, 2009  
(Fiscal Years Ending June 30)

	Actual		Projected
	2008 <sup>1/</sup>	2009	2010 <sup>2/</sup>
CFC Revenue	\$4,259,428	\$7,665,320	\$3,411,000
Design, permit and other planning costs	0	6,050,000	0
Net CFC Revenue	\$4,259,428	\$1,615,320	\$3,411,000
<b>CFC Fund</b>			
Beginning Balance	0	4,259,428	6,029,048
Net CFC Revenue	4,259,428	1,615,320	3,411,000
Transfer to CONRAC Construction Fund	0	0	(7,530,448)
Transfer to the CONRAC Discretionary Account	0	0	(2,000,000)
Interest on CFC Fund Balance	0	154,300	90,400
Ending Balance	\$4,259,428	\$6,029,048	\$0

**Notes:**

1/ CFC collections commenced January 1, 2008

2/ The CRC Agreement, CONRAC Lease & Sublease, and the Indenture are assumed effective January 1, 2010 for the purpose of this analysis.

Source: Metropolitan Nashville Airport Authority, Ricondo & Associates, Inc., November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

### **5.3.2 CRC Lease Agreement**

The Authority along with MPC CONRAC LLC has entered into substantially similar CRC Lease Agreements with each of the on-Airport car rental companies. The initial term of the CRC Lease Agreement commences on the Commencement Date and extends until the expiration of the fifteenth Agreement Year after the Opening Date, with one optional five-year renewal exercisable at the option of the car rental company. Exclusive use Ready / Return and Quick Turnaround Area (QTA) space in the CONRAC Facility initially will be allocated based on the market share held by each lessee car rental company (which may operate more than one brand). Ready / Return and QTA space may be reallocated among the car rental companies at the end of each 30 month period in the event that the Market Share of any one car rental company has changed by at least 10 percent from the Market Share in the first full Agreement Year of the CRC Lease Agreement. In the event a car rental company's CRC Lease Agreement is terminated, the Authority may reallocate the vacant space among the remaining car rental companies or lease the space to a New Entrant.

MPC CONRAC LLC will retain a Facility Manager to perform Routine Maintenance of the CONRAC Facility. The operating and maintenance expenses of the CONRAC Facility will be the responsibility of the car rental companies and are not payable from CFCs. MPC CONRAC LLC and the car rental companies will also retain a Fuel Facility Manager for the operation of the fuel facilities that are part of the CONRAC Facility. The operating and maintenance expenses of the fuel facilities are also the responsibility of the car rental companies and are not payable from CFCs. The Operating and Maintenance Reserve required under the Indenture will be funded from CFCs.

Under the CRC Lease Agreements, the car rental companies are required to collect the CFC as established by the CFC Resolution. CFCs are to be remitted to the Authority monthly by the 20<sup>th</sup> day of the month following collection. The CFC Lease Agreements specify that CFC proceeds are the property of the Authority, not the car rental companies, and that the car rental companies hold the CFC proceeds in trust for the benefit of the Authority until they are remitted to the Authority, or the Trustee on the Authority's behalf. The CRC Lease Agreement also prohibits the lessee car rental company from directly or indirectly diverting Airport customers away from the CONRAC Facility or otherwise assisting Airport customers in the avoidance of the CFC.

The CRC Lease Agreement provides for the assessment of Contingent Rent to the lessee car rental company in the event an Annual Shortfall existed, exists, or will exist in any year of the CRC Lease Agreement. An Annual Shortfall is defined under the CRC Lease Agreement as the amount by which Total Annual Costs exceed, or are estimated to exceed, the CFC proceeds received, or estimated to be received, in any year of the CFC Lease Agreement. Total Annual Costs include all payments necessary in any year of the CFC Lease Agreement to satisfy the Bond Obligations, including debt service and any required deposits under the Indenture, Costs of CFC Administration, Costs of any Additional Special Facilities to the extent they are not funded through reserves under the Indenture, and the costs of Major Maintenance to the extent they are not funded through the reserves under the Indenture. Contingent Rent, if imposed, will be paid monthly in 12 equal installments. The Authority may only assess Contingent Rent after it has raised the CFC rate to a minimum of \$5.00 per transaction day.

Under the CRC Lease Agreement, each lessee car rental company is required to pay Land Rent on the site of the CONRAC Facility that is determined by its pro rata share of exclusive areas leased in the CONRAC Facility. However, each year the amount of Land Rent due from the car rental companies will be offset by the amount transferred by the Authority from the CONRAC Excess CFC

Fund to the CONRAC Ground Rental Payment Account under the Indenture. The amount transferred to the CONRAC Ground Rental Payment Fund is expected to equal the amount of Land Rent payable by the car rental companies in each fiscal year of the forecast period. Land Rent, to the extent paid by the car rental companies, is considered part of general airport revenues and is not pledged as part of Net Rent Payments (see Section 5.3.4.1 Pledge of Security) to the payment of the Series 2010 Bonds.

The car rental companies remit CFC revenue, Contingent Rent and Land Rent to the Authority as the Sublessee under the CONRAC Sublease, as discussed in Section 5.3.3. The Authority has agreed to subsequently reimburse the car rental companies for any Contingent Rent and Land Rent (together Advanced Rent) paid from the CONRAC Excess CFC Fund, based on a determination by the Authority, within five years after the date all Bonds Obligations no longer exist or are outstanding.

The CRC Lease Agreement further provides for the collection of Reimbursable O&M Costs. Reimbursable O&M Costs are the actual costs incurred by the Facility Manager, the Authority, or MPC CONRAC LLC in performing Routine Maintenance under the CRC Lease Agreements, the cost of property insurance purchased for the CONRAC Facility, and other operational, maintenance, and administrative costs as outlined in the CRC Agreements. Reimbursable O&M Costs are paid by the car rental companies to the Facility Manager.

#### **5.3.2.1 CRC Concession Agreement**

The Authority has also entered into separate, but essentially similar, concession agreements (the CRC Concession Agreement), with each of the car rental companies operating on-Airport. The term of the CRC Concession Agreement commences on the Opening Date and expires upon the expiration of the fifteenth Concession Agreement Year after the Opening Date. The Concession Agreement grants to a car rental company the right to operate at the Airport on a non-exclusive basis. The Concession Agreement also includes the lease of terminal space for each company's customer service counter. The Concession Agreement requires the payment of a Concession Fee equal to the greater of a Minimum Annual Guarantee or a percentage of gross revenue. The Concession Fee is considered a part of general airport revenue and is not pledged as a part of Net Rent Payments to the payment of the Series 2010 Bonds.

#### **5.3.3 CONRAC Lease/CONRAC Sublease**

In order to establish the CONRAC Facility as a Special Facility under the Authority's Airline Agreement, the Authority will enter into a Special Facility Lease Agreement (the CONRAC Lease) with MPC CONRAC LLC for the construction and operation of the CONRAC Facility. MPC CONRAC LLC is a limited liability company duly organized and existing under the laws of Tennessee whose sole member is MNAA Properties Corporation. MNAA Properties Corporation (MPC) is a Tennessee nonprofit corporation, pursuant to an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The commissioners of the Authority constitute the board of directors of MPC. The CONRAC Lease may not expire as long as any Bonds remain Outstanding under the terms of the Indenture.

MPC CONRAC LLC has, in turn, entered into a Special Facility Sublease with the Authority for the construction of the CONRAC Facility. As discussed in Chapter 1, the Authority has entered into a



guaranteed maximum price contract with Austin Commercial, L.P., for the construction project. As with the CONRAC Lease, the CONRAC Sublease may not expire as long as any Bonds remain Outstanding under the terms of the Indenture.

The Authority makes Sublease Rental Payments to MPC CONRAC LLC, as the Sublessor under the CONRAC Sublease, that consist of the CFC Revenues, Contingent Rent, and Land Rent remitted by the car rental companies under the CRC Lease Agreement. MPC CONRAC LLC then forwards the Sublease Rental Payments to the Trustee, on behalf of the Authority, as rent payable under the CONRAC Lease. **Exhibit V-2** graphically depicts the flow of rental payments through the lease agreements.

### **5.3.4 The Indenture**

The Series 2010 Bonds are issued pursuant to the Indenture to be adopted by the Authority upon the financial close of the transaction. The Indenture sets forth the obligations of the Authority to the Trustee and bondholders relative to the Series 2010 Bonds and any subsequent bonds issued on parity with the Series 2010 Bonds including the pledge of security, covenants with regard to CFCs, requirements precedent for issuing additional bonds, and the creation of certain funds and accounts and the order of priority for the use of pledged revenues. A summary of certain provisions of the Indenture is provided in Appendix B to the Official Statement for the Series 2010 Bonds. Key aspects of the Indenture related to the repayment of the Series 2010 Bonds are summarized in the following sections.

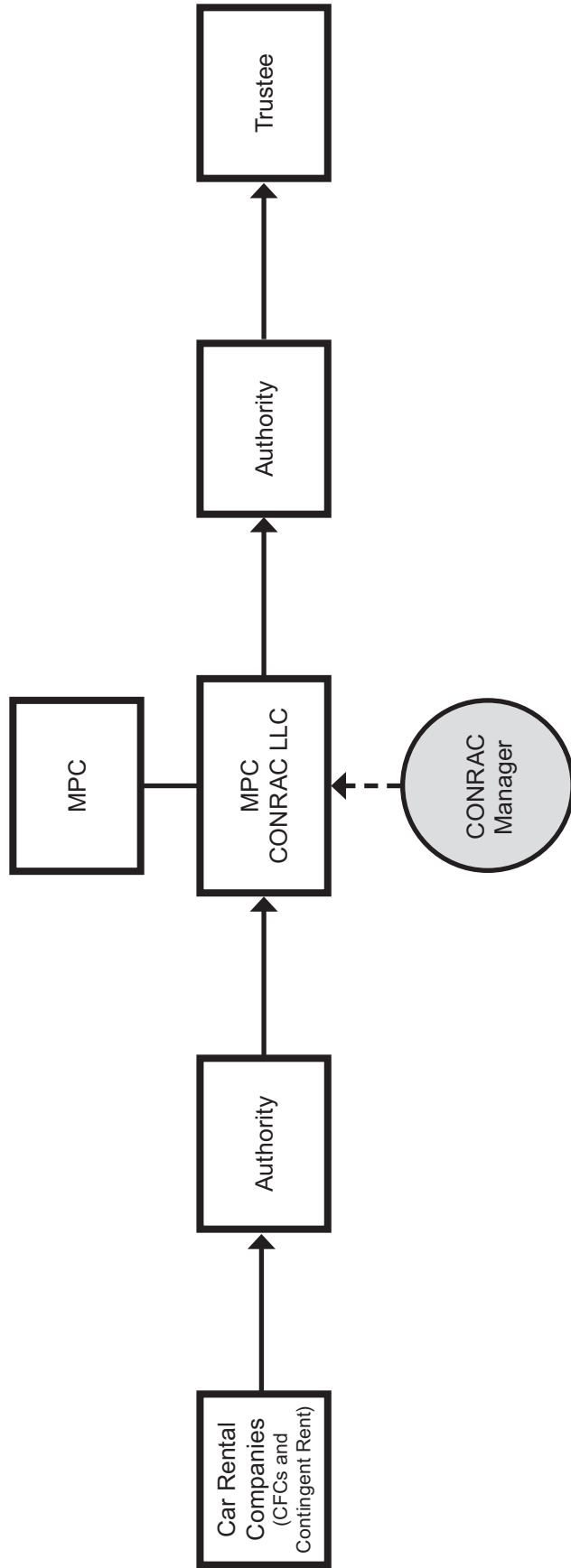
#### **5.3.4.1 Pledge of Security**

Section 2.02 of the Indenture puts forth the pledge of security for the Series 2010 Bonds and all Additional Bonds. The pledge consists of a lien and charge on Net Rent Payments, which are defined as Sublease Rental Payments less the Costs of Administration and any other administrative or other expenses of the Airport property attributable to the CONRAC Facility and compensation due the Trustee under the Indenture. Sublease Rental Payments are defined under the CONRAC Lease and CONRAC Sublease to mean the sum of a) CFC Revenues, b) Ground Rent<sup>1</sup>, c) Contingent Rent, d) any property insurance proceeds derived from insurance obtained by the Facility Manager pursuant to the Management Agreement that is not applied to repair the CONRAC Facility, and e) any condemnation proceeds received as a result of a Total Taking or any condemnation proceeds received as a result of a Partial Taking that are not applied to repair or restore the CONRAC Facility.

The Series 2010 Bonds will not be payable from or secured by a lien on or pledge of any revenues generally available to the Authority, other than Net Facility Revenues and amounts in Pledged Funds as specifically described in the Indenture. For example, airline fees and charges, Airport terminal building concession revenues, rental car privilege fees, and any other Airport revenues are not pledged to, and do not secure the Series 2010 Bonds (or any subsequent obligations issued under the Indenture).

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<sup>1</sup> Under the Indenture Ground Rent Payments equal Land Rent plus the amounts transferred by the Authority to the CONRAC Ground Rental Payment Account.



Note: MPC – MNAA Properties Corp.

Source: Metropolitan Nashville Airport Authority, October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

Exhibit V-2

## Contract Flow of Funds

#### 5.3.4.2 Rate Covenant

In Section 5.08 of the Indenture the Authority covenants to impose, and adjust as necessary in each Fiscal Year, the CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility so that Sublease Rental Payments shall be sufficient to pay principal and interest and premium on the Bonds when due, pay all Ground Rent, Costs of CFC Administration, and other expenses of the Airport attributable to the CONRAC Facility when due, any and all other claims payable from Sublease Rental Payments when due, and carry out all provisions and covenants of the Indenture. At all times the CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility shall be imposed sufficient to yield Net Rent Payments in each Fiscal Year, together with investment earnings on funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at least equal to 125 percent of annual Debt Service on all Bonds Outstanding in such Fiscal Year.

The failure to comply with the Rate Covenant does not, in and of itself, constitute an Event of Default under the Indenture as long as the Authority promptly hires a Consultant to study and make recommendations regarding the CFC, Contingent Rent, or other rents, charges or payments with respect to the CONRAC Facility, considers the recommendations of the Consultant, and takes action it deems necessary to comply with the Rate Covenant.

#### 5.3.4.3 Other Covenants of the Authority

In addition to the Rate Covenant, Article V of the Indenture sets forth various covenants of the Authority, including those related to:

- **The CFC and CFC Revenues.** In Section 5.07 of the Indenture, the Authority covenants to impose a CFC on the car rental companies as long as any Bonds are outstanding. The Authority further covenants that, as long as there are Bonds outstanding, it will not repeal the CFC Resolution or modify the CFC Resolution in any way that adversely affects the holders of the Bonds, and, in the event the CONRAC Lease and CONRAC Sublease are terminated, it will continue to collect CFC revenues pursuant to the CFC Resolution and deposit such revenues in the CONRAC Rental Payment Fund.
- **CRC Lease Agreement** In Section 5.09 of the Indenture the Authority covenants to enforce the terms and provisions of the CRC Lease Agreement. Furthermore, the Authority covenants that it will not consent to or grant any modification of or amendment to the CRC Lease Agreement that would materially and adversely affect the security provided for the payment of the Bonds, the commitment of the car rental companies, or reduce or lessen the rights of the Authority in the event of default in the payment of CFC revenues or Contingent Rent by the car rental companies under the CRC Lease Agreement.
- **No Competing Facilities.** In Section 5.11 of the Indenture the Authority covenants that it will not build on or off the Airport, or allow to be built on the Airport, any facility that would compete with the CONRAC Facility.
- **Concessionaires Must Use the CONRAC Facility.** Under Section 5.12 of the Indenture the Authority will require each Concessionaire to enter into a CRC Lease Agreement and lease space in the CONRAC Facility for the conduct of its business. In the event that a Concessionaire locates any of its operations off-Airport due to insufficient space in the CONRAC Facility, the Authority will require that Concessionaire pick up and drop off its customers at the CONRAC Facility.

#### 5.3.4.4 Additional Bonds

Section 2.05 of the Indenture sets forth the conditions precedent to the issuance of Additional Bonds secured on a parity basis with the Series 2010 Bonds. The Authority may issue Additional Bonds as long as all payments of principal and interest have been paid as they come due, the CONRAC Lease and CONRAC Sublease terms extend to the maturity of all Bonds to be Outstanding upon the issuance of the Additional Bonds, and an event of default has not occurred or is continuing under the Indenture, the CONRAC Lease, the CONRAC Sublease, the Construction Contract, or CRC Lease Agreements.

In addition, Additional Bonds require that either a) a report of the Consultant be delivered to the Trustee demonstrating that projected Net Rent Payments, together with investment earnings on funds held under the Indenture, and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of each Fiscal Year, for the three Fiscal Years following either date of issuance of the Additional Bonds or the final expenditure of capitalized interest funded with the proceeds of the Additional Bonds, whichever is later, are expected, as of the end of each such Fiscal Year, to be at least equal to 1.25 times (x) annual Debt Service on all Bonds, including the Additional Bonds, and all required deposits under the Indenture; or b) a certificate of the Authority be delivered to the Trustee demonstrating that the Net Rent Payments for the immediately preceding Fiscal Year, together with investment earnings on funds held under the Indenture, and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of each Fiscal Year, equaled at least 1.25x maximum annual Debt Service on all Bonds Outstanding, including the proposed Additional Bonds, and all required deposits under the Indenture.

The Authority may issue Additional Bonds without meeting the conditions set forth in items a) and b) above for 1) the completion of the CONRAC Facility in an amount not to exceed 15% of principal amount of the original Bonds issued to finance the CONRAC Facility or, 2) refunding bonds provided that debt service on the refunding Bonds and Outstanding Bonds is less in each Fiscal Year than the debt service on Outstanding Bonds had the refunding Bonds not been issued.

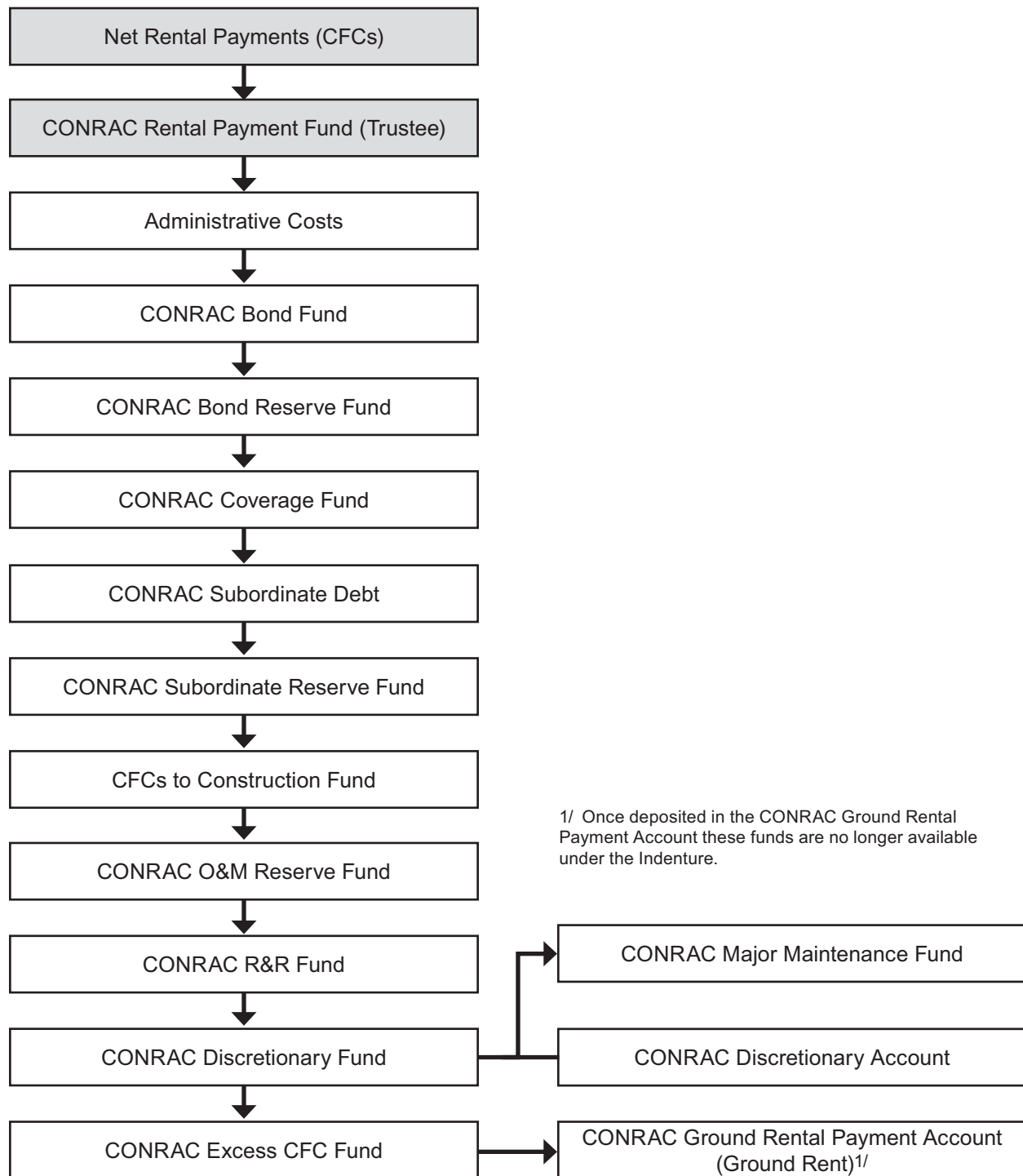
Subordinate obligations are allowed under the Indenture, as are Hedge, Support and Other Financial Agreements. Payments required under such a Hedge, Support, and Other Financial Agreements, including fees, charges, and expenses (but excluding termination, indemnification, or other payments intended to pay the loss of benefits under the agreement), may be payable from Net Rent Payments on a parity basis with the Bonds if the Additional Bonds tests described above are met with respect to such payments.

#### 5.3.4.5 Flow of Funds

Section 4.01 of the Indenture creates certain funds to be held and administered by the Trustee and establishes the priority of payments from Net Rental Payments, which is graphically presented in **Exhibit V-3**.

The Indenture creates the CONRAC Rental Payment Fund as a separate special fund of the Authority held and administered by the Trustee as long as any Bonds are Outstanding. All Sublease Rental Payments shall be deposited in the CONRAC Rental Payment Fund and used and applied in the following order of priority:

- FIRST, each month an amount equal to the Costs of CFC Administration and administrative and other expenses of the Airport property attributed to the CONRAC Facility to the



Source: Metropolitan Nashville Airport Authority (Airport data), October 2009.  
Prepared by: Ricondo & Associates, Inc., November 2009.

**Exhibit V-3**

## Indenture Flow of Funds

Authority, and to the Trustee the compensation of or any payments required to be made to it under the Indenture.

- SECOND, each month to the CONRAC Bond Fund and Accounts therein the amount required for the payment of principal and interest due.
- THIRD, each month an amount, if any, required to be deposited in the CONRAC Bond Reserve Fund.
- FOURTH, each month, the amount, if any, required to be deposited in the CONRAC Coverage Fund.
- FIFTH, each month prior to the completion of the CONRAC Facility, Net Rent Payments required along with the proceeds of the 2010 Bonds to complete the CONRAC Facility, including any additional costs.
- SIXTH, each month an amount, if any, required for the payment of debt service on Subordinate Obligations.
- SEVENTH, each month an amount, if any, required to be deposited in any reserve account established for Subordinate Obligations.
- EIGHTH, each month, the amount, if any, required to be deposited in the CONRAC Operation and Maintenance Reserve Fund. The Indenture establishes the Operating Reserve Requirement as an amount estimated by the Consultant to be equal to three months Reimbursable O&M Costs. The CONRAC Operation and Maintenance Reserve Fund is to be funded in 12 equal monthly installments commencing upon the first business day of the month following the Deadline for Substantial Completion. Based on the estimate of first full year operating and maintenance costs for the CONRAC Facility of \$750,000, the initial Operating Reserve Requirement is set at \$187,500.
- NINTH, each month, the amount, if any, required to be deposited in the CONRAC Renewal and Replacement Fund. The Indenture defines the R&R Requirement as the amount established in the report of the Consultant as necessary to provide for payment of emergency non-recurring capital costs related to the CONRAC Facility. The R&R Requirement is to be funded over a period not to exceed 60 months commencing upon the first business day of the month following the Deadline for Substantial Completion. The Consultant has determined that a reserve equal to five percent of the construction price is sufficient to provide for payment of non-recurring capital costs related to the CONRAC Facility. Based on the guaranteed maximum price of the construction contract of \$58 million, the R&R Requirement is set at \$3 million.
- TENTH, each month, the amount, if any, required to be deposited in the CONRAC Discretionary Fund.
  - Each month, the amount, if any, to the CONRAC Major Maintenance Account to meet the Major Maintenance Requirement. The Indenture defines the Major Maintenance Requirement as the amount estimated by the Consultant to be necessary to make Major Maintenance repairs and replacements at the times estimated in the Consultant's report. The Major Maintenance Requirement is to be funded over a period not to exceed 60 months, commencing with the first business day of the month following the Deadline for Substantial Completion. The Consultant has determined that a reserve equal to 5 percent of the construction price is sufficient to provide for the payment of Major Maintenance

- repairs and replacements estimated to be needed in the first 10 years of operations. Based on the guaranteed maximum price of the construction contract of \$58 million, the Major Maintenance Requirement is set at \$3 million.
- At closing, to the CONRAC Discretionary Account the sum of at least \$2,000,000 as provided for in Section 3.01 of the Indenture. After such initial funding, the Authority shall have no further obligation to make any additional payments to the CONRAC Discretionary Account. The monies on deposit in the CONRAC Discretionary Account may be used by the Authority for any purpose in connection with the CONRAC Facility.
  - ELEVENTH, after all required deposits above, to the CONRAC Excess CFC Fund, which shall be used and applied first to make up any deficiencies in and Fund or Account established under the Indenture including the Construction Fund in the event such moneys are needed for the completion of the CONRAC Facility, second transferred to the Authority not later than 30 days prior to the commencement of each Agreement Year an amount equal to the CONRAC Ground Rental Payment Account as Ground Rent, third to reimburse Advanced Rent paid by the car rental companies as provided in the CRC Lease Agreements, and fourth, any other lawful purpose as determined by the Authority.

Funds on deposit in the Operation and Maintenance Fund, the Renewal and Replacement Fund, and the CONRAC Discretionary Fund shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or the CONRAC Bond Reserve Fund. Funds transferred to the CONRAC Ground Rental Payment Account, a separate account in the CONRAC Rental Payment Fund, are considered part of general airport revenues and are no longer available for payments under the Indenture.

## **5.4 Forecast of CFC Revenue, Cash Flow, and Debt Service Coverage**

This section presents R&A's forecast of CFC Revenue, cash flow and debt service coverage under the Indenture through Fiscal Year 2019. Key assumptions made in this forecast include:

- The current on-Airport car rental companies will continue to operate at the Airport for the duration of the forecast period. In the event one or more car rental car companies leave the market, the remaining car rental companies or new entrant car rental companies will act to serve demand and capture market share.
- Any off-Airport car rental company will be required to pick up and drop off customers at the CONRAC Facility and thus be required to collect and remit the CFC.
- The CFC rate will increase to \$4.50 per transaction day commencing January 1, 2010, and remain at that level through the forecast period.
- Any delay in the opening of the CONRAC Facility will not affect the collection of CFCs

**Table V-5** presents the forecast of CFC Revenues. CFC Revenues represent the product of projected rental car transaction days multiplied by the CFC Rate. As discussed in Section 4.7 of this report, rental car transaction days are projected to grow primarily as a function of deplaned passenger activity at the Airport. Based on the forecast of deplaned passenger activity at the Airport, and other specific assumptions regarding the forecast of rental car transaction days discussed in Section 4.7 of this report, rental car transaction days are projected to decrease from approximately 1.9 million in FY 2009 to approximately 1.7 million in FY 2010 due to both the decline in passenger activity and an assumed lower average number of days per rental car transaction. Reflecting the stable projection of

**Table V-5**

**Customer Facility Charge Projections**  
**(Fiscal Years Ending June 30)**

	Actual		Projected									
	2008	2009	2010 <sup>2</sup>	2011	2012	2013	2014	2015	2016	2017	2018	2019
CFC Transaction Days	2,115,191	1,916,330	1,705,600	1,705,600	1,780,000	1,854,800	1,895,100	1,928,200	1,964,600	1,998,100	2,027,400	2,055,600
Annual % Change		-9.4%	-11.0%	0.0%	4.4%	4.2%	2.2%	1.7%	1.9%	1.7%	1.5%	1.4%
CFC Level	\$4.00	\$4.00	\$4.25	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
<b>CFC Revenue <sup>1/</sup></b>	<b>\$4,259,428</b>	<b>\$7,665,320</b>	<b>\$7,249,000</b>	<b>\$7,675,000</b>	<b>\$8,010,000</b>	<b>\$8,347,000</b>	<b>\$8,528,000</b>	<b>\$8,677,000</b>	<b>\$8,841,000</b>	<b>\$8,991,000</b>	<b>\$9,123,000</b>	<b>\$9,250,000</b>
Annual % Change		80.0%	-5.4%	5.9%	4.4%	4.2%	2.2%	1.7%	1.9%	1.7%	1.5%	1.4%

**Notes:**

1/ CFC collections began on January 1, 2008 (i.e., FY 2008 reflects 6 months of collections).

2/ Assumes rate adjustment on January 1, 2010 to \$4.50; rate shown is the approximate average rate for the year.

Source: Ricordo & Associates, Inc., November 2009.

Prepared by: Ricordo & Associates, Inc., November 2009.



enplanement activity in FY 2011, the number of transaction days for the year is projected to remain flat as well. From FY 2011 through FY 2019, the number of transaction days is projected to increase from approximately 1.7 million to approximately 2.1 million, representing a 2.4 percent compounded annual growth rate, in line with the enplanement forecast.

CFC revenue is projected to decrease to approximately \$7.2 million in FY 2010 from \$7.7 million FY 2009, as the decline in the number of transaction days partially offsets the mid-year \$0.50 increase in the CFC rate. While the number of transaction days stays stable in FY 2011, CFC revenue is projected to increase 5.9 percent reflecting a full fiscal year of collections at the higher CFC rate. From FY 2011 through FY 2019, CFC revenue is projected to increase from approximately \$7.7 million to approximately \$9.3 million, representing a 2.4 percent compounded annual growth rate, in line with the forecast of both enplanement activity and transaction days.

**Table V-6** presents projections of cash flow as outlined in the Indenture. In each year of the forecast, CFC Revenues (Net Rental Payments) are sufficient to meet the Authority's obligations under the Indenture and all required deposits. As a result, R&A projects that the car rental companies will not be assessed Contingent Rent during the forecast period. **Table V-7** presents the flow of funds and the projected annual balances for the various reserves and funds established by the Indenture.

**Table V-8** presents the projected annual debt service coverage ratio, with CFC Revenues forecast to provide coverage of annual debt service ranging from a low of approximately 1.65 times (x) in fiscal 2012, the first full year of debt service payments, to a high of 1.69x in fiscal years 2013 and 2014. In R&A's opinion, the Authority will generate sufficient CFC Revenues (Net Rental Payments) to satisfy the Rate Covenant in each year of the forecast period.

Table V-6

Cash Flow <sup>3/</sup>

(Fiscal Years Ending June 30)

**Bond Indenture / CONRAC Rental Payment Fund (held by Trustee)**

	2010 <sup>23/</sup>	2011	2012	2013	2014	2015	2016	2017	2018	2019
CFC Revenue (Net Rental Payments <sup>4/</sup> )	\$3,838,000	\$7,675,000	\$8,010,000	\$8,347,000	\$8,528,000	\$8,677,000	\$8,841,000	\$8,991,000	\$9,123,000	\$9,250,000
Interest Earnings										
CONRAC Bond Reserve Fund	-	-	-	-	-	-	-	-	-	-
CONRAC Coverage Fund	12,967	51,867	51,867	51,867	51,867	51,867	51,867	51,867	51,867	51,867
CONRAC Operation & Maintenance Reserve Fund	-	-	2,813	5,709	5,881	6,057	6,239	6,426	6,619	6,817
CONRAC Renewal & Replacement Fund	-	-	9,000	27,000	45,000	63,000	72,000	72,000	72,000	72,000
CONRAC Discretionary Fund / CONRAC Major Maintenance Account	-	-	9,000	27,000	45,000	63,000	81,000	90,000	90,000	90,000
CONRAC Discretionary Fund / CONRAC Discretionary Account	15,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
CONRAC Excess CFC Fund	-	37,979	45,728	64,189	76,568	80,258	84,644	107,400	147,938	189,990
Net Rent Payments and Interest Earnings (Net CFC Revenue + Interest Earnings)	3,865,967	7,824,846	8,188,408	8,582,766	8,812,315	9,001,182	9,196,750	9,378,693	9,551,423	9,720,674
Required Payments / Deposits in order of priority										
1) Costs of Administration	100,000	103,000	106,000	109,000	112,000	115,000	118,000	122,000	126,000	130,000
2) CONRAC Bond Fund	-	-	5,928,290	6,054,024	6,183,403	6,309,303	6,442,027	6,579,553	6,726,301	6,872,351
3) CONRAC Bond Reserve Fund	-	-	-	-	-	-	-	-	-	-
4) CONRAC Coverage Fund	-	-	-	-	-	-	-	-	-	-
5) CONRAC Construction Fund	-	-	-	-	-	-	-	-	-	-
6) CONRAC Subordinate Obligations Fund	2,500,000	4,500,000	-	-	-	-	-	-	-	-
7) CONRAC Subordinate Obligations Reserve Fund	-	-	-	-	-	-	-	-	-	-
8) CONRAC Operations & Maintenance Fund	-	-	187,500	5,625	5,794	5,968	6,147	6,331	6,521	6,717
9) CONRAC Renewal & Replacement Fund	-	-	600,000	600,000	600,000	600,000	600,000	-	-	-
10) CONRAC Discretionary Fund / CONRAC Major Maintenance Account	-	-	600,000	600,000	600,000	600,000	600,000	-	-	-
Total Required Payments / Deposits	2,600,000	4,603,000	7,421,790	7,388,649	7,501,197	7,630,271	7,766,174	6,707,884	6,857,821	6,869,067
11) Deposit to CONRAC Excess CFC Fund <sup>34/</sup>	1,265,967	3,221,846	766,618	1,214,117	1,311,119	1,370,912	1,436,576	2,670,809	2,693,602	2,851,607
Car Rental Company Contingent Rent <sup>35/</sup>	-	-	-	-	-	-	-	-	-	-
Payment of CONRAC Ground Rent <sup>7/</sup>	0	0	250,000	500,000	1,200,000	1,236,000	1,273,080	1,311,272	1,350,611	1,391,129
Net Deposit to the CONRAC Excess CFC Fund	1,265,967	3,221,846	516,618	714,117	111,119	134,912	157,496	1,359,536	1,342,991	1,460,478

Notes:

- 1/ Cash flow based on the Indenture, see section 5.3.4.5 for a description of the Flow of Funds
- 2/ For the purpose of this analysis, the CRC Lease, the CONRAC Lease and Sublease, and the Indenture are assumed to take effect January 1, 2010
- 3/ CFC rate assumed to increase to \$4.50 per transaction day effective January 1, 2010
- 4/ CFC Revenues are remitted to the Authority by the Car Rental Companies under the CONRAC Sublease. Sublease Rental Payments are made by the Authority to MPC CONRAC LLC under the Sublease, and are in turn made by MPC CONRAC LLC to the Trustee, on behalf of the Authority, under the Lease.
- 5/ Per the Indenture, any CFC Revenues remaining after making all required deposits and credits will be deposited in the CONRAC Excess CFC Fund. Monies in the CONRAC Excess CFC Fund will be used first to make up any deficiencies in Funds or Accounts under the Indenture. Second to for the payment of Ground Rent. Third to reimburse Advanced (Contingent) Rent, and Fourth for any lawful purpose as determined by the Authority. The Authority is responsible for the payment of Ground Rent and the reimbursement of Advanced Rent only to the extent that remaining Net Rent Payments are available for such purpose. The Authority is not obligated to increase the CFC Rate to pay these amounts or include them in the calculation of the Rate Covenant.
- 6/ Per the CRC Lease, Car Rental Company Contingent Rent will be assessed if there is a deficit in any of the required funds under the Indenture after deposits and payments to the aforementioned costs and funds from Net Rent Payments and Interest Earnings
- 7/ Payment of Ground Rent is made from the CONRAC Excess CFC Fund to the extent that Remaining Net Rent Payments are available. The Authority is not required to increase the CFC Rate to pay such amounts or include these amounts in calculating compliance with the rate covenant.

Source: Ricardo & Associates, Inc., January 2010.  
Prepared by: Ricardo & Associates, Inc., January 2009

**Metropolitan Nashville Airport Authority**  
**Nashville International Airport**

**Table V-7**  
**Flow of Funds**  
(Fiscal Years Ending June 30)

	2010	2011	2012	2013	Projected					2017	2018	2019
<b>CONRAC Rental Payment Fund</b>												
Deposit: CFC Revenues and Interest Earnings	\$3,865,967	\$7,824,846	\$8,188,408	\$8,582,766	\$9,812,315	\$9,001,182	\$9,196,750	\$9,378,693	\$9,551,423	\$9,720,674		
Expend: Costs of Administration	100,000	103,000	106,000	109,000	112,000	115,000	118,000	122,000	126,000	130,000		
Transfer: CONRAC Bond Fund	-	-	5,928,290	6,054,024	6,183,403	6,309,303	6,442,027	6,579,553	6,725,301	6,732,351		
Transfer: CONRAC Bond Reserve Fund	-	-	-	-	-	-	-	-	-	-		
Transfer: CONRAC Coverage Fund	-	-	-	-	-	-	-	-	-	-		
Transfer: Construction and Other Costs Funded with CFCs	2,500,000	4,500,000	187,500	5,625	5,794	5,968	6,147	6,331	6,521	6,717		
Transfer: CONRAC Operations & Reserve Fund	-	-	800,000	600,000	600,000	600,000	600,000	-	-	-		
Transfer: CONRAC Renewal & Replacement Reserve Fund	-	-	800,000	600,000	600,000	600,000	600,000	-	-	-		
Transfer: CONRAC Discretionary Fund / CONRAC Major Maintenance Account	-	-	-	1,214,117	1,311,119	1,370,912	1,430,576	2,670,809	2,693,602	2,851,607		
Transfer: CONRAC Excess CFC Fund	1,265,967	3,221,846	766,618	-	-	-	-	-	-	-		
Deposit: Rental Car Contingent Rent	-	-	-	-	-	-	-	-	-	-		
<b>CONRAC Bond Fund</b>												
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Deposit: Transfer from CONRAC Rental Payment Fund	-	-	5,928,290	6,054,024	6,183,403	6,309,303	6,442,027	6,579,553	6,725,301	6,732,351		
Expend: Annual Debt Service	-	-	5,928,290	6,054,024	6,183,403	6,309,303	6,442,027	6,579,553	6,725,301	6,732,351		
Ending Balance	-	-	-	-	-	-	-	-	-	-		
<b>CONRAC Bond Reserve Fund</b>												
Beginning Balance	\$0	\$6,812,000	\$6,812,000	\$6,812,000	\$6,812,000	\$6,812,000	\$6,812,000	\$6,812,000	\$6,812,000	\$6,812,000		
Deposit: DSR Funded from Bond Proceeds	6,812,000	-	-	-	-	-	-	-	-	-		
Expend: DSR Funds	-	-	-	-	-	-	-	-	-	-		
Deposit: Transfer from CONRAC Rental Payment Fund	-	-	-	-	-	-	-	-	-	-		
Ending Balance	6,812,000	6,812,000	6,812,000	6,812,000	6,812,000	6,812,000	6,812,000	6,812,000	6,812,000	6,812,000		
<b>CONRAC Coverage Fund</b>												
Beginning Balance	\$0	\$1,728,897	\$1,728,897	\$1,728,897	\$1,728,897	\$1,728,897	\$1,728,897	\$1,728,897	\$1,728,897	\$1,728,897		
Deposit: Coverage Funded from Bond Proceeds	1,728,897	-	-	-	-	-	-	-	-	-		
Expend: Debt Service Coverage Funds	-	-	-	-	-	-	-	-	-	-		
Deposit: Transfer from CONRAC Rental Payment Fund	-	-	-	-	-	-	-	-	-	-		
Ending Balance	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897		
<b>CONRAC Operations &amp; Maintenance Reserve Fund</b>												
Beginning Balance	\$0	\$0	\$0	\$187,500	\$193,125	\$198,919	\$204,886	\$211,033	\$217,364	\$223,885		
Deposit: O&M Reserve funded from bond proceeds	-	-	-	-	-	-	-	-	-	-		
Expend: Reimbursable O&M costs	-	-	-	-	-	-	-	-	-	-		
Deposit: Transfer from CONRAC Rental Payment Fund	-	-	187,500	5,625	5,794	5,968	6,147	6,331	6,521	6,717		
Ending Balance	-	-	187,500	193,125	198,919	204,886	211,033	217,364	223,885	230,601		
<b>CONRAC Renewal &amp; Replacement Fund</b>												
Beginning Balance	\$0	\$0	\$0	\$600,000	\$1,200,000	\$1,800,000	\$2,400,000	\$2,400,000	\$2,400,000	\$2,400,000		
Deposit: Transfer from CONRAC Rental Payment Fund	-	-	600,000	600,000	600,000	600,000	-	-	-	-		
Expend: R&R Costs	-	-	600,000	600,000	600,000	600,000	-	-	-	-		
Ending Balance	-	-	600,000	1,200,000	1,800,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000		
<b>CONRAC Discretionary Fund / CONRAC Major Maintenance Fund</b>												
Beginning Balance	\$0	\$0	\$0	\$600,000	\$1,200,000	\$1,800,000	\$2,400,000	\$3,000,000	\$3,000,000	\$3,000,000		
Deposit: Major Maintenance Reserve funded from bond proceeds	-	-	-	-	-	-	-	-	-	-		
Expend: Major Maintenance costs	-	-	-	-	-	-	-	-	-	-		
Deposit: Transfer from CONRAC Rental Payment Fund	-	-	600,000	600,000	600,000	600,000	600,000	-	-	-		
Ending Balance	-	-	600,000	1,200,000	1,800,000	2,400,000	3,000,000	3,000,000	3,000,000	3,000,000		
<b>CONRAC Discretionary Fund / CONRAC Discretionary Account</b>												
Beginning Balance	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000		
Deposit: CONRAC Discretionary Account funded from bond proceeds	2,000,000	-	-	-	-	-	-	-	-	-		
Expend: Discretionary expenses	-	-	-	-	-	-	-	-	-	-		
Ending Balance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000		
<b>CONRAC Excess CFC Fund</b>												
Beginning Balance	\$0	\$1,265,967	\$1,265,967	\$1,782,584	\$2,496,701	\$2,607,820	\$2,742,731	\$2,900,228	\$4,259,764	\$5,602,756		
Expend: Reimbursement of Aggregate Contingent Rent	-	-	-	-	-	-	-	-	-	-		
Deposit: Transfer to CONRAC Rental Payment Fund	-	-	-	1,214,117	1,311,119	1,370,912	1,430,576	2,670,809	2,693,602	2,851,607		
Expend: Transfer from CONRAC Rental Payment Fund	1,265,967	-	766,618	500,000	1,200,000	1,236,000	1,273,080	1,311,272	1,350,611	1,391,129		
Expend: Transfer of Ground Rent Payment to CONRAC Ground Rental Account	-	-	250,000	-	-	-	-	-	-	-		
Ending Balance	\$1,265,967	\$1,265,967	\$1,782,584	\$2,496,701	\$2,607,820	\$2,742,731	\$2,900,228	\$4,259,764	\$5,602,756	\$7,063,234		

Source: Ricardo & Associates, Inc., December 2009.  
Prepared by: Ricardo & Associates, Inc., December 2009.

**Table V-8**

Debt Service Coverage  
(Fiscal Years Ending June 30)

	2010 <sup>1, 2/</sup>	2011	2012	2013	2014	2015	2016	2017	2018	2019
CFC Revenue	\$1,919,000	\$7,675,000	\$8,010,000	\$8,347,000	\$8,528,000	\$8,677,000	\$8,841,000	\$8,991,000	\$9,123,000	\$9,250,000
Interest earnings	27,967	149,846	178,408	235,766	284,315	324,182	355,750	387,693	428,423	470,674
Less: Cost of Administration	100,000	103,000	106,000	109,000	112,000	115,000	118,000	122,000	126,000	130,000
CFC Revenues and Interest Earnings	1,846,967	7,721,846	8,082,408	8,473,766	8,700,315	8,886,182	9,078,750	9,256,693	9,425,423	9,590,674
Debt Service Coverage Account	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897	1,728,897
Total Pledged Revenue	3,575,864	9,450,743	9,811,305	10,202,663	10,429,212	10,615,079	10,807,647	10,985,590	11,154,320	11,319,571
Total Debt Service payable from pledged revenue	-	-	5,928,290	6,054,024	6,183,403	6,309,303	6,442,027	6,579,553	6,725,301	6,732,351
<b>Coverage of Annual Debt Service provided by</b>										
Total Pledged Revenue (x)	-	-	1.65	1.69	1.69	1.68	1.68	1.67	1.66	1.68

Notes:

1/ CONRAC Facility assumed to open September 30, 2011

2/ Represents collections from January 1, 2010, upon the initiation of the Indenture.

Source: Ricordo & Associates, Inc., December 2009.

Prepared by: Ricordo & Associates, Inc., December 2009.

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## **APPENDIX B**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, LEASE AGREEMENT AND SUBLEASE AGREEMENT**

## **INDENTURE**

### **Defined Terms**

The following are definitions of certain terms used in the Indenture, Lease and Sublease:

“Additional Bonds” means any Bonds issued in accordance with the provision set forth under “Additional Bonds”.

“Additional Special Facilities” shall have the meaning set forth in the CRC Lease Agreements.

“Agreement Year” have the meaning set forth in any the CRC Lease Agreements.

“Airline Agreement” means the Authority’s Amended and Restated Lease Agreement, dated as of September 1, 1989, with various Signatory Lessee Airlines as defined therein, as amended and supplemented.

“Airport” means the Nashville International Airport, together with all related facilities, operated by the Authority.

“Bond” means any Bond authorized and Outstanding at any time under the Indenture and shall include any Series 2010 Bond and any Additional Bond.

“Bondholder” or “holder of a Bond” means the registered owner of any Bonds as shown on the books of registry of the Registrar.

“CFC” means the customer facility charge imposed pursuant to the CFC Resolution.

“CFC Resolution” means Resolution 2007-21, as amended and restated by Resolution 2008-15 and as further amended by Resolution 2009-14, of the Authority’s Board of Commissioners, as the same may be supplemented or amended.

“CFC Revenues” means the revenues collected by the RACs at the Airport and paid to or at the direction of the Authority as the result of the imposition of the CFC pursuant to the CFC Resolution.

“Concession Agreement” shall have the meaning set forth in the CRC Lease Agreements.

“Concessionaire” means any rental car company that is granted a Rental Car Concession, enters into a Concession Agreement or is otherwise granted a concession to operate on the Airport.

“CONRAC Bond Reserve Fund Requirement” means with respect to the Series 2010 Bonds, 10% of the par amount thereof, and with respect to any Additional Bonds, the CONRAC Bond Reserve Fund Requirement set forth in the Supplemental Indenture providing for the issuance thereof.

“CONRAC Facility” shall have the meaning set forth in the CRC Lease Agreements.

“CONRAC Site” shall have the meaning set forth in the CRC Lease Agreements.

“Construction Contract” means the General Contractor Construction Manager Contract, dated August 20, 2008 between the Authority and Austin Commercial, L.P., as the same may be duly supplemented, modified or amended from time to time or any construction contract for alterations, additions, expansions, renovations, remodeling, reconstruction, reequipping or changes to or completion



of the CONRAC Facility, including any Major Maintenance and any Additional Special Facilities, for which Bonds have been issued.

“Consultant” means an independent person or firm or corporation (i) not under the control of the Authority, and (ii) who shall have a widely known and favorable reputation for special skill, knowledge and experience in methods of the development, operation and management of airport car rental facilities of the approximate size and character as the CONRAC Facility.

“Contingent Rent” shall have the meaning set forth in the CRC Lease Agreements.

“Costs of CFC Administration” shall have the meaning set forth in the CRC Lease Agreements.

“CRC Lease Agreements” means the Initial CRC Lease Agreements, and any other lease agreement between the Authority and the RACs with respect to the CONRAC Facility, as the same may be duly supplemented, modified or amended from time to time.

“Deadline for Substantial Completion” shall have the meaning set forth in the CRC Lease Agreements.

“Debt Service” means with respect to any series of Bonds the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required to be deposited during such period or year in the CONRAC Bond Fund (i) to provide for the payment of interest on the Bonds of such series, except to the extent that such interest is to be paid from (x) amounts credited to any CONRAC Construction Interest Account for such series, (y) amounts credited to any CONRAC Interest Account for such series, or (z) any other amounts available for the payment of interest, (ii) to provide for the payment at maturity of any such Bonds of such series issued in serial form, and (iii) to provide for the retirement of any such Bonds of such series issued in term form. Such interest and principal installments shall be calculated on the assumption that no Bonds of such series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of principal installments for the Bonds of such series on the due date thereof or through operation of the CONRAC Term Bond Principal Account in the CONRAC Bond Fund. For the purposes of computing Debt Service with respect to a series of Bonds issued as Variable Rate Bonds or an Integrated Swap Agreement that provides for variable rate payments to be made by the Authority, the interest rate per annum thereon shall be determined as follows: (1) with respect to a series of Variable Rate Bonds or an Integrated Swap Agreement at the time of calculation then Outstanding or entered into, the interest rate shall be the higher of (i) the current interest rate per annum borne by or current variable rate payment payable under the series of Variable Rate Bonds or Integrated Swap Agreement or (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under such series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation, and (2) with respect to Variable Rate Bonds or an Integrated Swap Agreement then proposed to be issued or entered into, the interest rate per annum shall be assumed to be the higher of (i) the current interest rate per annum borne by or current variable rate payment payable under the series of Variable Rate Bonds or Integrated Swap Agreement, (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under such series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation, and (iii) the Revenue Bond Index; *provided, however*, that if the Authority enters into an Integrated Swap Agreement with respect to a series of Variable Rate Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon shall be determined as follows: (a) with respect to a series of Variable Rate Bonds at the time of calculation then Outstanding for which the Integrated Swap Agreement in effect, the interest rate shall be the sum of (i) the fixed interest rate established under the Integrated Swap Agreement and (ii) to the extent that variable rate payments under the Integrated Swap Agreement are

based on an interest index and not the Authority's actual variable rate on the variable Rate Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, which ever is higher, and (b) with respect to Variable Rate Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. If the principal and interest coming due with respect to any series of Bonds in any Fiscal Year exceeds by more than ten percent (10%) the amount coming due on all Bonds of such series Outstanding in any prior Fiscal Year, principal and interest payments on such series shall be calculated as if the principal of such series matures in annual installments resulting in approximately level debt service for all Bonds of such series Outstanding over the term of such series to maturity. With respect to any payment under any agreement referred to under "Hedge, Support and Other Financial Agreements" for which payments are payable from Net Rent Payments and secured by a lien on and pledge of Net Rent Payments on a parity with the lien on and pledge of the Net Rent Payments created for the payment and security of the Bonds, "Debt Service" shall include the full amount of any such payments.

"Facility Manager" shall have the meaning set forth in the CRC Lease Agreements.

"Final Completion" means final completion as provided in the Construction Contract.

"Financial Institution" means any issuer or issuers of the Support Facility, its successors or assigns.

"Fiscal Year" means the fiscal year of the Authority.

"Fuel Facility Management Agreement" means the agreement among the Sublessor, the RACs and the Fuel Facility Manager entered into in accordance with the CRC Lease Agreements.

"Fuel Facility Manager" shall have the meaning set forth the CRC Lease Agreements.

"General Contractor/Construction Manager" shall have the meaning set forth in the Construction Contract.

"Government Securities" means (i) any bonds or other obligations of the United States of America which, as to principal and interest, constitute direct obligations of or are guaranteed by the United States of America; (ii) any bonds, debentures, participation certificates, notes or other obligations of any agency or other corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof, the bonds, debentures, participation certificates, notes or other obligations of which are unconditionally guaranteed by the United States of America; and (iii) any certificates or other evidences of an ownership interest in obligations of the character described in clauses (i) and (ii) or in specific portions thereof, including, without limitation, portions consisting solely of the principal thereof or solely of the interest thereon.

"Ground Rent" means an amount equal to the Value of the Land for each Agreement Year.

"Ground Rent Payments" means (a) Land Rent Payments, and (b) amounts transferred to the Authority pursuant to "Second" under "INDENTURE - Funds and Accounts - *CONRAC Excess CFC Fund*".

"Guaranteed Maximum Price" shall have the meaning set forth in the Construction Contract.

“Hedge Agreement” means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

“Initial CRC Lease Agreements” means the CONRAC Facility Lease Agreements, between the Authority and the initial RAC signatories, as the same may be duly supplemented, modified or amended from time to time.

“Integrated Swap Agreement” means any interest rate swap agreement entered into by the Authority with respect to a series of Bonds having a notional amount equal to the principal amount of such series of Bonds, or any portion thereof, and pursuant to which the Authority agrees to make payments on the basis of (i) a fixed rate of interest or (ii) a variable rate of interest.

“Integrated Swap Agreement Payments” means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an Integrated Swap Agreement not specifically made on the basis of interest rates.

“Interest Increment Amount” means, as of any particular date of computation and for any particular period or year, with respect to any Variable Rate Bonds the difference, if any, between the rate of interest per annum borne by Variable Rate Bonds in accordance with their terms as set forth in the Supplemental Indenture providing for the issuance thereof for all holders other than a Financial Institution and the rate such Variable Rate Bonds bear when such Variable Rate Bond are held by a Financial Institution.

“Land Rent” shall have the meaning set forth in the CRC Lease Agreements.

“Land Rent Payments” means any Land Rent paid to the Authority pursuant to the CRC Lease Agreements.

“Lease” means that certain Special Facility Lease Agreement, by and between the Authority and the Lessee, whereby the Authority has leased the CONRAC Facility and the CONRAC Site to the Lessee, as the same may be duly supplemented, modified or amended from time to time.

“Lessee” shall mean MPC CONRAC LLC, a Tennessee limited liability company.

“Major Maintenance” shall have the meaning set forth in the CRC Lease Agreements.

“Major Maintenance Requirement” means the amount estimated by the Consultant to be necessary to make Major Maintenance repairs and replacements at the times estimated in the Consultant’s report or the estimated cost of any Additional Special Facilities as such amount may be increased or decreased from time to time in an amount set forth in a report of the Consultant as necessary to pay estimated costs of Major Maintenance repairs and replacements or the estimated costs of Additional Special Facilities.

“Management Agreement” means the agreement between the Lessee and the Facility Manager entered into in accordance with the CRC Lease Agreements.

“Master Resolution” means the Authority’s Airport Improvement Revenue Bond Resolution, adopted August 15, 1991, as supplemented and amended.

“Net Rent Payments” means Sublease Rental Payments less the Ground Rent, Costs of CFC Administration, any other administrative or other expenses of the Airport properly attributable to the CONRAC Facility and the compensation of or any payments required to be made to the Trustee hereunder.

“Operating Reserve Requirement” means an amount estimated by the Consultant to be equal to three months Reimbursable O&M Costs as such requirement may be increased or decreased from time to time in an amount determined by the Authority to the extent that the Authority deems it necessary to provide additional reserves for Reimbursable O&M Costs.

“Opinion of Counsel” means a written opinion of counsel, who may be counsel to the Authority or counsel to the Lessee and who is acceptable to the Trustee.

“Partial Taking” shall have the meaning set forth in the CRC Lease Agreements.

“Paying Agent” means the Trustee for all Bonds or such additional Paying Agent as may be appointed hereunder.

“Qualified Investments” shall have the meaning set forth in the Master Resolution, which definition is hereby incorporated by reference as if fully set forth herein.

“R&R Requirement” means the amount set forth in the report of the Consultant as necessary to provide for payment of emergency non-recurring capital costs related to the CONRAC Facility as such requirement may be increased or decreased from time to time in an amount determined by the Authority to the extent that the Authority deems necessary to provide additional reserves for payment of emergency non-recurring capital costs related to the CONRAC Facility.

“RAC” shall have the meaning set forth in the CRC Lease Agreements.

“RAC Event of Default” means an Event of Default as defined in the CRC Lease Agreements.

“Record Date” means unless otherwise provided in a Supplemental Indenture with respect to a series of Bonds, the fifteenth day of the month (whether or not a business day) next preceding an Interest Payment Date.

“Reimbursable O&M Costs” shall have the meaning set forth in the CRC Lease Agreements.

“Remarketing Agent” means with respect to a series of Variable Rate Bonds the Remarketing Agent appointed by the Authority in the Supplemental Indenture providing for the issuance of the Bonds of such series and serving as such under the Remarketing Agreement for such series, including any successors or assigns.

“Remarketing Agreement” means with respect to any series of Variable Rate Bonds the agreement entered into by the Authority with a Remarketing Agent which provides for the purchase and remarketing of such Variable Rate Bonds, as such agreement may be supplemented and amended from time to time.

“Rental Car Concession” shall have the meaning set forth in the CRC Lease Agreements.

“Required Insurance” mean insurances with generally recognized responsible insurers against risks, accidents or casualties at least to the extent that similar insurance is usually carried in connection with properties similar to the CONRAC Facility.

“Revenue Bond Index” means the Revenue Bond Index of The Bond Buyer a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index.

“Signatory Lessee Airlines” shall have the meaning set forth in the Airline Agreement.

“Sublease” means that certain Special Facility Lease Agreement, by and between the Lessee and the Sublessee, whereby the Lessee has subleased the CONRAC Facility and the CONRAC Site to the Sublessee, as the same may be duly supplemented, modified or amended from time to time.

Sublease Rental Payments” means the sum of (a) CFC Revenues, (b) Ground Rent Payments, (c) Contingent Rent Payments, (d) any property insurance proceeds paid to the Sublessee that are derived from insurance obtained by the Facility Manager pursuant to the Management Agreement that are not applied to repair the CONRAC Facility, and (e) any condemnation proceeds received by the Sublessee as a result of a Total Taking or any condemnation proceeds received as a result of a Partial Taking that are not applied to repair or restore the CONRAC Facility. “Sublessee” means the Authority as the lessee under the Sublease.

“Subordinate Obligations” means and bonds, notes or other obligations issued described under “Subordinate Obligations”.

“Support Agreement” means any agreement entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

“Support Facility” means any instrument, contract or agreement entered into or obtained in connection with an issue of Variable Rate Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Bonds delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Indenture and discount, if any, incurred in remarketing such Bonds, and/or (ii) principal of and interest on all Bonds becoming due and payable during the term thereof.

“Total Taking” shall have the meaning set forth in the CRC Lease Agreements.

“Trust Estate” means Trust Estate as defined under “Pledge”.

“Value of the Land” shall have the meaning set forth the CRC Lease Agreements.

“Variable Rate Bonds” means any Bonds issued bearing interest at a rate or rates per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Bonds shall not be considered to be Variable Rate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate.

Any capitalized term not defined herein shall, to the extent such term is defined in the Sublease, have the meaning set forth in the Sublease.

### **Pledge**

The Bonds, including the Series 2010 Bonds and all Additional Bonds, are secured by a lien and charge on and pledge and assignment of the Net Rent Payments and a pledge and assignment of: (i) the Construction Contract, (ii) the CRC Lease Agreements, (iii) the Lease, (iv) the Sublease, (v) the proceeds of the Bonds; (vi) amounts on deposit in the Funds established hereunder, and (vii) all investment earnings on amounts held in the Funds established hereunder (the Net Rent Payments and items listed in (i), (ii), (iii), (iv), (v), (vi) and (vii) above are hereinafter referred to collectively as the "Trust Estate").

**The Bonds and the Authority's obligations hereunder shall not in any manner or to any extent constitute or be a charge on any moneys or other property of the Authority other than the Trust Estate or constitute or be an obligation of the Metropolitan Government of Nashville and Davidson County or of any other governmental entity of the State of Tennessee other than the Authority (to the extent provided herein). In particular, the Authority's obligations hereunder shall be limited solely to the Net Rent Payments and shall never be payable from "Airport Revenue" as defined in the Master Resolution, or "Gross Operating Income" as defined in the Airline Agreement and shall not be included in the rates, rentals and charges of the Signatory Airlines under the Airline Agreement.**

### **Additional Bonds**

The Authority may issue Additional Bonds for the purposes of paying costs of alterations, additions, expansions, renovations, remodeling, reconstruction, reequipping or changes to or completion of the CONRAC Facility, including any Major Maintenance and any Additional Special Facilities, upon delivery of the following to the Trustee:

- (i) A report of the Consultant to the effect that the projected CFC Revenues (together with investment earnings on the Funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of such Fiscal Year) for the three Fiscal Years following either the date of the issuance of such Additional Bonds or the date of final expenditure of any capitalized interest funded with the proceeds of such Additional Bonds, whichever is later, are expected, as of the end of each such Fiscal Year, to be at least equal to (A) 1.25 times the annual Debt Service on all Bonds (including such Additional Bonds) and (B) all other deposits required as described under "Flow of Funds", or
- (ii) A certificate of the Authority to the effect that the CFC Revenues for the immediately preceding Fiscal Year (together with investment earnings on the Funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of such Fiscal Year) were at least equal to (A) 1.25 times the maximum annual Debt Service on all Bonds Outstanding (including such Additional Bonds) and (B) all other deposits required as described under "Flow of Funds".

The Authority may at any time and from time to time issue one or more series of Additional Bonds hereunder without complying with the provisions set forth above for the purpose of completing the CONRAC Facility, in an amount not to exceed fifteen percent (15%) of the principal amount of the initial series of Bonds issued to finance the CONRAC Facility.

## **Variable Rate Bonds**

The Authority may issue Variable Rate Bonds under the Indenture.

## **Refunding Bonds**

The issuance of refunding Bonds shall be subject to delivery of the following to the Trustee:

- (i) Evidence of compliance with the provisions of paragraphs (i) or (ii) described under “Additional Bonds”, or
- (ii) Without complying with the provisions of paragraphs (i) or (ii) described under “Additional Bonds”, evidence that the amount required to be paid in any Fiscal Year after the delivery of such refunding Bonds for the principal of, interest and premium, if any, on the Bonds shall not be greater in any Fiscal Year after such delivery in which any of the Bonds not refunded shall remain Outstanding, than would have been the total amount required to be paid for the principal of, interest and premium, if any, on the Bonds for such Fiscal Year were such refunding Bonds not to be issued.

## **Subordinate Obligations**

The Authority may issue bonds, notes, certificates, warrants or other evidences of indebtedness for any purpose in connection with the CONRAC Facility payable as to principal and interest from the Trust Estate subject and subordinate, and secured by a lien and pledge on the Trust Estate junior and inferior, to the lien on and pledge of the Trust Estate herein created for the payment and security of the Bonds. There are no test in the Indenture for the issuance of subordinate lien obligations. Subordinate lien obligations, and any reserves established therefor, are payable prior to deposits to certain fund and accounts required to be funded under the Indenture. See “Flow of Funds”.

## **Hedge, Support and Other Financial Agreements**

The Authority may enter into Hedge Agreements, Support Agreements or other financial agreements under which payments (including, but not limited to, fees, charges, and expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from the Net Rent Payments and secured by a lien on and pledge of the Trust Estate on a parity with the lien on and pledge of the Trust Estate created for the payment and security of the Bonds; provided such payments shall meet the requirements described under “Additional Bonds”; provided, further, that Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds.

## **Flow of Funds**

All Sublease Rental Payments collected by or for the account of the Authority shall be deposited in the CONRAC Rental Payment Fund and, other than the CONRAC Ground Rental Payment Account, shall be used and applied at the following times, in the following amounts, for the following purposes and in the following order of priority:

First, there shall be transferred each month to the Authority an amount equal to the Costs of CFC Administration and administrative and other expenses of the Airport properly attributable to the CONRAC Facility and to the Trustee the compensation of or any payments required to be made to the Trustee hereunder.

Second, there shall be deposited each month into the CONRAC Bond Fund and the Accounts therein the amount required by the Indenture to be used for the purposes specified herein.

Third, there shall be deposited the amount, if any, required to be deposited in the CONRAC Bond Reserve Fund.

Fourth, there shall be deposited each month the amount required, if any, to be deposited in the CONRAC Coverage Fund.

Fifth, there shall be transferred to the CONRAC Construction Fund the CFC Revenues to be applied to the construction of the CONRAC Facility.

Sixth, there shall be transferred each month the amount required to pay debt service on Subordinate Obligations.

Seventh, there shall be transferred each month the amount, if any, required to be deposited in any reserve established for Subordinate Obligations.

Eighth, there shall be deposited each month the amount required, if any, to be deposited in the CONRAC Operation and Maintenance Reserve Fund.

Ninth, there shall be deposited each month the amount required, if any, to be deposited in the CONRAC Renewal and Replacement Fund.

Tenth, there shall be deposited each month the amount required, if any, to be deposited in the CONRAC Discretionary Fund.

Eleventh, after making all deposits and credits required as described in “First” through “Tenth”, all moneys remaining on deposit in the CONRAC Rental Payment Fund shall be deposited each month in the CONRAC Excess CFC Fund and shall be applied as provided under “Funds and Accounts - *CONRAC Excess CFC Fund*”.

## **Funds and Accounts**

*CONRAC Bond Fund and Accounts.* The CONRAC Bond Fund and all accounts therein will be held and administered by the Trustee. The moneys on deposit to the CONRAC Bond Fund shall be used solely for the payment of principal and interest and premium, if any, due upon the Bonds.

*CONRAC Bond Reserve Fund.* The CONRAC Bond Reserve Fund is held and administered by the Trustee. The CONRAC Bond Reserve Fund will be maintained in an amount equal to the CONRAC Bond Reserve Fund Requirement and will be disbursed by the Trustee solely for the purpose of paying principal of and interest on Bonds for the payment of which there shall be insufficient money in the CONRAC Bond Fund. The CONRAC Bond Reserve Fund Requirement shall be determined at the time of issuance of such series of Bonds, annually and such other time or times as the Authority shall determine.

Subject to the remaining provisions of this paragraph (i) if upon an optional valuation by the Trustee during a Fiscal Year the moneys on deposit in the CONRAC Bond Reserve Fund are less than the CONRAC Bond Reserve Fund Requirement, the amount of the deficiency shall be restored from the first available Net Rent Payments, the Trustee shall deposit an amount in the CONRAC Bond Reserve Fund



from Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the prior deposits set forth under "Flow of Funds" so that there shall then be on deposit in the CONRAC Bond Reserve Fund an amount equal to the CONRAC Bond Reserve Fund Requirement; (ii) if the deficiency in the CONRAC Bond Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on Bonds, then in each month, commencing with the month which follows the month in which such withdrawal is made from the CONRAC Bond Reserve Fund, the Trustee shall deposit from the Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the prior deposits set forth under "Flow of Funds" to the CONRAC Bond Reserve Fund at least an amount which, if the same amount were so deposited to the CONRAC Bond Reserve Fund in each month thereafter until the day which is thirty-six (36) months from the making of the first of such deposits, there shall be on deposit in the CONRAC Bond Reserve Fund on such day an amount not less than the CONRAC Bond Reserve Requirement; and (iii) if at any time and for so long as the moneys on deposit in the CONRAC Bond Reserve Fund are at least equal to the CONRAC Bond Reserve Fund Requirement, no further deposits shall be made to such Fund, and any amounts in excess of the CONRAC Bond Reserve Fund Requirement may be restored to the CONRAC Rental Payment Fund for use and application as the other moneys on deposit therein.

Whenever the total of the moneys on deposit in the CONRAC Bond Fund and the CONRAC Bond Reserve Fund which are not required for the payment of principal and interest and premium, if any, which has theretofore become due (whether by maturity or upon redemption or by purchase or by declaration, as hereinafter provided, or otherwise) on the Bonds, but is unpaid, is sufficient to retire at maturity, or to redeem prior to maturity in accordance with their respective terms, all of the Bonds then Outstanding, together with interest thereon to their maturity date or the date fixed for the redemption thereof, no further deposits need be made to the CONRAC Bond Fund or the CONRAC Bond Reserve Fund, and without further authorization or direction of the Board, the proper officers of the Authority shall call for redemption all Bonds which may be redeemed by their terms, on the next succeeding redemption date for which the required redemption notice may practicably be given, and shall apply such total to such retirement or redemption.

In lieu of the deposit of moneys in the CONRAC Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Trustee for the benefit of the holders of the Bonds or a letter of credit in an amount equal to the difference between the CONRAC Bond Reserve Fund Requirement and the amounts then on deposit in the CONRAC Bond Reserve Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the CONRAC Bond Reserve Fund and applied to the payment of the principal of or interest on any Bonds and such withdrawals cannot be made by amounts credited to the CONRAC Bond Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated at least "A" by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors, and the letter of credit itself shall be rated at least "A" by either such rating agency. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph, the Authority shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit funds into the CONRAC Bond Reserve Fund in accordance with clause (iii) of the second paragraph above, or a combination of such alternatives, as shall provide that the amount credited to the CONRAC Bond Reserve Fund equals the CONRAC Bond Reserve Fund Requirement.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the CONRAC Bond Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the Authority shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Rent Payments in the CONRAC Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another and such surety bond, insurance policy or letter of credit shall fully satisfy the CONRAC Bond Reserve Requirement notwithstanding such decrease in rating.

*CONRAC Coverage Fund.* The CONRAC Coverage Fund is held and administered by the Trustee. The CONRAC Coverage Fund will be funded upon issuance of the Series 2010 Bonds and maintained in an amount equal to twenty-five percent (25%) of maximum annual net Debt Service on all Bonds Outstanding for the then current Fiscal Year. If at any time the moneys on deposit in the CONRAC Coverage Fund are less than an amount equal to twenty-five percent (25%) of maximum annual net Debt Service on all Bonds Outstanding for the then current Fiscal Year, the Trustee, beginning with the first month following the month in which said deficiency occurs, shall deposit, on the first business day of each month, into the CONRAC Coverage Fund from the first available Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the prior deposits set forth under “Flow of Funds”, an amount such that there shall be on deposit in the CONRAC Coverage Fund an amount equal to twenty-five percent (25%) of maximum annual net Debt Service on all Bonds Outstanding for the Fiscal Year in which such deficiency occurred and such deficiency shall be remedied within 12 months of the date of such deficiency. The moneys on deposit in the CONRAC Coverage Fund shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Operation and Maintenance Reserve Fund.* The CONRAC Operation and Maintenance Reserve Fund is held and administered by the Trustee. The CONRAC Operation and Maintenance Reserve Fund shall be funded as provided below and thereafter maintained in an amount equal to the Operating Reserve Requirement. In each month, commencing with the first business day of the month following the Deadline for Substantial Completion and on the first business day of each month thereafter, the Trustee shall deposit to the CONRAC Operation and Maintenance Reserve Fund, from the first available Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the prior deposits set forth under “Flow of Funds”, an amount such that there shall be on deposit in the CONRAC Operation and Maintenance Reserve Fund within 12 months after the Deadline for Substantial Completion an amount equal to the Operating Reserve Requirement. If at any time during a Fiscal Year after the initial funding of the Operating Reserve Requirement, the moneys on deposit in the CONRAC Operation and Maintenance Reserve Fund are less than the Operating Reserve Requirement, the Trustee, beginning with the first month of the Fiscal Year following the month in which said deficiency occurs shall deposit, on the first business day of each month, into the CONRAC Operation and Maintenance Reserve Fund from first available Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the prior deposits set forth under “Flow of Funds”, an amount such that there shall be on deposit in the CONRAC Operation and Maintenance Reserve Fund the Operating Reserve Requirement within 12 months of the date of such deficiency. Moneys in the CONRAC Operation and Maintenance Reserve Fund shall be disbursed by the Trustee upon direction of the Authority or the Lessee for the purpose of paying Reimbursable O&M Costs in the event moneys paid to the Facility Manager pursuant to the CRC Lease Agreements shall be insufficient to pay the same when due, including the cost of Required Insurance. In the event the Facility Manager does not pay the cost of Required Insurance or the RACs do not pay the cost of Required Insurance to the Facility Manager as a Reimbursable O&M Cost, the Trustee shall, upon direction of the Authority or the Lessee, transfer to the Authority or the Lessee the cost of such Required Insurance from amounts on deposit in the CONRAC Operation and Maintenance Reserve Fund to pay such cost. The moneys on deposit in the CONRAC Operation and Maintenance

Reserve Fund shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Renewal and Replacement Fund.* The CONRAC Renewal and Replacement Fund will be held and administered by the Trustee hereunder so long as any of the Bonds are Outstanding. The CONRAC Renewal and Replacement Fund shall be funded as provided below and thereafter maintained in an amount equal to the R&R Requirement. In each month, commencing with the first business day of the month following the Deadline for Substantial Completion, and on the first business day of each month thereafter, the Trustee shall deposit to the CONRAC Renewal and Replacement Fund, from the first available Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the prior deposits set forth under “Flow of Funds”, an amount such that there shall be on deposit in the CONRAC Renewal and Replacement Fund the R&R Requirement within 60 months after the Deadline for Substantial Completion. If at any time during a Fiscal Year after the initial funding of the R&R Requirement, the moneys on deposit in the CONRAC Renewal and Replacement Fund are less than the R&R Requirement, the Trustee, beginning with the first month following the month in which said deficiency occurs shall deposit, on the first business day of each month, into the CONRAC Renewal and Replacement Fund from first available Net Rent Payments on deposit in the CONRAC Rental Payment Fund, after making the prior deposits set forth under “Flow of Funds”, an amount such that there shall be on deposit in the CONRAC Renewal and Replacement Fund the R&R Requirement within 12 months of the date of such deficiency. The moneys on deposit in the CONRAC Renewal and Replacement Fund shall be used solely for emergency non-recurring capital costs related to the CONRAC Facility as determined by the Authority. The moneys on deposit in the CONRAC Renewal and Replacement Fund shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Discretionary Fund.* The CONRAC Discretionary Fund, except for the CONRAC Discretionary Account, will be held and administered by the Trustee. In each month, the Trustee shall deposit to the CONRAC Discretionary Fund, from the first available Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making the prior deposits set forth under “Flow of Funds”, the amounts necessary to make the deposits required below.

The CONRAC Major Maintenance Account is established a separate account in the CONRAC Discretionary Fund. The CONRAC Major Maintenance Account will be funded as provided below and thereafter maintained in an amount equal to the Major Maintenance Requirement. In each month, commencing with the first business day of the month following the Deadline for Substantial Completion, and on the first business day of each month thereafter, the Trustee shall deposit to the CONRAC Major Maintenance Account an amount such that there shall be on deposit in the Major Maintenance Account the Major Maintenance Requirement within 60 months after the Deadline for Substantial Completion. If at any time during a Fiscal Year after the initial funding of the Major Maintenance Requirement, the moneys on deposit in the CONRAC Major Maintenance Account are less than the Major Maintenance Requirement, the Trustee, beginning with the first month following the month in which said deficiency occurs, shall deposit, on the first business day of each month, from the first available Net Rent Payments on deposit in the CONRAC Discretionary Fund into the CONRAC Major Maintenance Account, an amount such that there shall be on deposit in the CONRAC Major Maintenance Account the Major Maintenance Requirement within 12 months of the date of such deficiency or such other period of time as determined by the Authority as the period necessary such that the Major Maintenance Requirement will be available in the amounts and at the times estimated by the Consultant in establishing the Major Maintenance Requirement. The moneys on deposit in the CONRAC Major Maintenance Account shall be used solely for Major Maintenance repairs or replacements and the costs of Additional Special Facilities. The moneys deposited in the CONRAC Major Maintenance Account shall not be commingled with any other moneys of the Trustee and shall be used and applied only in the manner and for the purposes

hereinabove provided. The moneys on deposit in the CONRAC Major Maintenance Account shall be transferred to the CONRAC Rental Payment Fund in order to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

The moneys on deposit in the CONRAC Discretionary Fund (other than the CONRAC Discretionary Account) will be used and applied at the following times, in the following amounts, for the following purposes and in the following order of priority:

First, to make any deposits to the CONRAC Major Maintenance Account.

Second, to redeem Bonds or Subordinate Obligations as determined by the Authority.

Third, to deposit into the CONRAC Discretionary Account as provided in the following paragraph.

A separate CONRAC Discretionary Account is established in the CONRAC Discretionary Fund and will be held and administered by the Authority. The CONRAC Discretionary Account will be funded upon issuance of the Series 2010 Bonds in an amount to be determined by the Authority. After such initial funding the Authority shall have no further obligation to make any additional deposits into the CONRAC Discretionary Account. The Authority may direct the Trustee to deposit additional monies from the CONRAC Discretionary Fund into the CONRAC Discretionary Account, if the Authority determines that the CONRAC Discretionary Account balance is not sufficient to meet its needs for any purpose in connection with the CONRAC Facility or related administrative costs for which funding is not otherwise provided, including the Costs of CFC Administration and administrative and other expenses of the Airport properly attributable to the Consolidated Rental Car Facility and to the Trustee the compensation of or any payments required to be made to the Trustee hereunder. The moneys on deposit in the CONRAC Discretionary Account may be used by the Authority for any purpose in connection with the CONRAC Facility. The moneys on deposit in the CONRAC Discretionary Account shall be transferred to the CONRAC Rental Payment Fund only in the event necessary to make up any deficiency in the CONRAC Bond Fund or CONRAC Bond Reserve Fund.

*CONRAC Excess CFC Fund.* The CONRAC Excess CFC Fund will be held and administered by the Authority hereunder. The Trustee shall deposit in the CONRAC Excess CFC Fund all remaining Net Rent Payments on deposit in the CONRAC Rental Payment Fund after making after making the prior deposits set forth under “Flow of Funds”.

The moneys on deposit in the CONRAC Excess CFC Fund will be used and applied at the following times, in the following amounts, for the following purposes and in the following order of priority:

First, to make up any deficiencies in any Fund or Account established under the Indenture, including the CONRAC Construction Fund in the event such moneys are required to complete the CONRAC Facility.

Second, transfer to Authority not later than thirty (30) days prior to the commencement of each Agreement Year an amount equal to the Ground Rent.

Third, for any other lawful purpose as determined by the Authority.

Payments are required to be made from the CONRAC Excess CFC Fund pursuant to “Second” above only to the extent that remaining Net Rent Payments are available therefor. The Authority shall not

be required to increase the CFCs to pay such amounts or include such amounts for the purpose of the rate covenant. Amounts remaining in the CONRAC Excess CFC Fund at such time as there are no longer any Bonds are Outstanding shall be paid to the Lessee as an overpayment of rent under the Lease.

All Ground Rental Payments are deposited in the CONRAC Ground Rental Payment Account as received and shall be paid, to the extent received, to the Authority as a payment of Ground Rent when received.

## **Covenants**

Covenants in the Indenture include the following:

*Protection of Security.* The Authority shall not take any action in such manner or to such an extent as might prejudice the security or the payment of the Bonds according to the terms thereof. The Authority shall not take any action by which the rights, payment or security of the Bonds might be impaired or diminished.

*Amendment of Lease or Sublease.* The Authority shall not alter, amend, modify or rescind, or consent to the alteration, amendment, modification or rescission, in whole or in part, of the Lease, except that the Lease or Sublease (i) may be amended or supplemented, with the consent of the Trustee, to make any changes or corrections therein as to which the Authority and the Trustee shall have been advised by counsel (who may be counsel for either of them) that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error therein contained, or to insert therein such provisions clarifying matters or questions arising thereunder as are necessary or desirable; (ii) may be altered, amended or modified in any other way with the written consent of the Trustee, which consent may be given by the Trustee only if the Trustee shall have been advised by counsel (who may be counsel for the Authority or the Trustee) such alteration, amendment or modification would not impair the effectiveness of the Lease or Sublease to collect the Sublease Rental Payments, and would not materially adversely affect the rights and interest of the holders of the Bonds; and (iii) may be altered, amended or modified in any way with the written consent of the holders of fifty-one percent (51%) in aggregate principal amount of the Bonds; provided, however, that no amendment shall be made to the provisions described under "LEASE - Rent" and "SUBLEASE - Rent" without the consent of the holder of each Bond that may be affected thereby.

*CFCs; CFC Revenues.* So long as any Bonds are outstanding, the Authority will impose a CFC on the RACs and will not repeal the CFC Resolution or modify the CFC Resolution in any way that may adversely affect the holders of the Bonds. To the extent the Lease and Sublease are terminated, the Authority shall continue to collect CFC Revenues pursuant to the CFC Resolution and shall deposit all such CFC Revenues directly into the CONRAC Rental Payment Fund.

*Rate Covenant.* The Authority shall impose and prescribe, and shall revise the same from time to time whenever necessary, in each Fiscal Year the CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility so that Sublease Rental Payments shall be sufficient (i) to pay the principal of and interest and premium on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Ground Rent, Costs of CFC Administration and administrative and other expenses of the Airport properly attributable to the CONRAC Facility, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Sublease Rental Payments, and (iv) to carry out all provisions and covenants of the Indenture. Without limiting the provisions of the next preceding sentence, at all times and in any and all events such CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility shall be imposed, prescribed and adjusted which will

yield Net Rent Payments in each Fiscal Year (together with investment earnings on the Funds held under the Indenture and amounts on deposit in the CONRAC Coverage Fund, if any, at the beginning of such Fiscal Year) in an amount at least equal to one hundred twenty-five percent (125%) of Debt Service on all Bonds Outstanding in such Fiscal Year.

The failure to comply with the covenant in the next preceding paragraph shall not constitute an Event of Default under the Indenture if the Authority shall promptly (i) cause the Consultant to make a study for the purpose of making recommendations with respect to the CFC, Contingent Rent or other rents, charges or payments with respect to the CONRAC Facility in order to provide funds for all the payments and other requirements as specified in the next preceding paragraph; (ii) consider the recommendations of the Consultant; and (iii) take such action as the Authority, in its discretion, may deem necessary to comply with the preceding paragraph.

In the event that the rates, fees and charges imposed by the Authority are insufficient to produce Net Rent Payments (together with amounts on deposit in the CONRAC Coverage Fund) in amounts referred to in clause (i) in first paragraph above, the Authority shall implement the recommendations of the Consultant; provided that, in preparing its study and making its recommendations, the Consultant shall not make any recommendations that would require the Authority to violate or otherwise be in contravention of any state or federal law, regulation or mandate or any other agreement to which the Authority is a party.

*CRC Lease Agreements.* The Authority will use reasonable commercial efforts to enter into the CRC Lease Agreements with all RACs. The Authority shall enforce the terms and provisions of the CRC Lease Agreements, including, including, but not limited to, the provisions of the CRC Lease Agreements pertaining to the Contingent Rent and the insurance provisions of the CRC Lease Agreements. So long as any Bonds remain Outstanding, the Authority will not consent to or grant any modification of or amendment to the CRC Lease Agreements that would materially and adversely affect the security provided for the payment of the Bonds, or that would have the effect of materially reducing, altering or modifying the obligations and commitments of the RACs, or would materially minimize, reduce or lessen the rights of the Authority in the event of a default in the payment of CFC Revenues or Contingent Rent by the RACs under the CRC Lease Agreements. Upon the occurrence of a RAC Event of Default (and whether or not it elects to terminate such Car Rental Company's rights under the CRC Lease Agreements), the Authority shall, subject to the terms in CRC Lease Agreements, use reasonable commercial efforts to impose and collect from the RACs, Contingent Rent and other charges provided for in CRC Lease Agreements or by law in such amounts and under such terms and conditions as shall be sufficient, together with CFC Revenues and other available amounts, to pay and retire the Bonds and all interest thereon when and as due. It shall not constitute an Event of Default under this Indenture if the Authority does not enter into or renew a CRC Lease Agreement with any RAC, or enters into a CRC Lease Agreement with a RAC having terms and provisions that differ from the Initial CRC Lease Agreements, as the result of the failure or refusal of a RAC to enter into a CRC Lease Agreement or enter into a CRC Lease Agreement having terms and provisions substantially similar to the Initial CRC Lease Agreements.

*Construction Contract; Authority to Pursue Remedies Against General Contractor Construction Manager, Subcontractors and their Sureties.* The Authority shall enforce the terms and provisions of the Construction Contract, including, but not limited to, the insurance provisions of the Construction Contract. The Authority shall use its best efforts to cause the CONRAC Facility to be constructed and completed with the proceeds of the Bonds and Subordinate Obligations in accordance with the Construction Contract. In the event of breach or default by the General Contractor/Construction Manager or subcontractor under the Construction Contract, the Authority, to the extent permitted by law, will promptly proceed, either separately or in conjunction with others, to exhaust the remedies of the

Authority against the General Contractor/Construction Manager or subcontractor so in default and against each surety for the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing prior to the completion date shall be paid to the Trustee for deposit into the CONRAC Construction Fund. Any such amounts so recovered after the completion date shall be paid to the Trustee for deposit in the CONRAC Construction Fund only to the extent (if any) required to complete payments in full of the costs of construction and equipping (or reconstruction or re-equipping) of the CONRAC Facility and any balance of such amounts shall be paid to the Trustee for deposit into the CONRAC Rental Payment Fund.

*No Competing Facilities.* The Authority shall not build on or off the Airport, or allow to be built on the Airport, any facility that would compete with the CONRAC Facility.

*Concessionaires Must Use the CONRAC Facility.* The Authority will require each Concessionaire to enter into a CRC Lease Agreement and lease space in the CONRAC Facility to conduct all of its operations. The Authority will require any Concessionaire that locates any of its operations off-Airport because there is insufficient space in the CONRAC Facility, to pick up and drop off its customers at the CONRAC Facility.

*Consultant.* The Authority shall employ an independent firm or corporation having a national reputation for skill and experience in such work to perform any functions of the Consultant hereunder and under the Indenture.

## **Insurance**

The Lease and Sublease shall provide that the Lessee shall cause the Facility Manager to obtain the Required Insurance. In the event the Facility Manager does not pay the cost of such Required Insurance or the RACs do not pay the cost of such Required Insurance to the Facility Manager as a Reimbursable O&M Cost, the Trustee shall pay such costs to the Authority or Lessee from amounts on deposit in the CONRAC Operation and Maintenance Reserve Fund.

## **Damage or Destruction**

In the event the CONRAC Facility is damaged or destroyed by fire or other casualty and the Authority elects not to repair the CONRAC Facility and terminates the CRC Lease Agreements, the proceeds of any property insurance maintained by the Facility Manager shall be deposited in the CONRAC Rental Payment Fund and applied to redeem or defease Bonds.

## **Condemnation**

In the event of a Total Taking, any proceeds paid as the result of such Total Taking shall be deposited in the CONRAC Rental Payment Fund and applied to redeem or defease Bonds.

## **Supplemental Indentures Without Consent of Holders of Bonds**

The Authority and the Trustee, from time to time and at any time and without the consent or concurrence of the holder of any Bond, may enter into an indenture supplemental hereto (herein defined and referred to as a "Supplemental Indenture" or as an "indenture supplemental hereto") (i) to make any changes, modifications, amendments or deletions to the Indenture that may be required to permit the Indenture to be qualified under the Trust Indenture Act of 1939 of the United States of America; or (ii) if the provisions of such Supplemental Indenture shall not materially adversely affect the rights of the holders of the Bonds then Outstanding, for any one or more of the following purposes:

(a) To make any changes or corrections in the Indenture or any Supplemental Indenture as to which they shall have been advised by counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained herein or in any such indenture supplemental hereto, or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture or any Supplemental Indenture;

(d) To confirm as further assurance any lien, pledge, or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Indenture or any Supplemental Indenture;

(e) To grant to or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them; and

(f) To prescribe further limitations and restriction upon the incurring of other indebtedness payable from or secured by the Sublease Rental Payments.

(g) To change the provisions of the Indenture to reflect the terms and provisions of any CRC Lease Agreements that differ from the Initial CRC Lease Agreements.

Except for Supplemental Indentures providing for the issuance of Additional Bonds or required to permit the Indenture to be qualified under the Trust Indenture Act of 1939 of the United States of America, no indenture supplemental hereto shall be entered into unless the Authority shall deliver or cause to be delivered to the Trustee an Opinion of Counsel to the effect that: (i) the adoption of such Supplemental Indenture is permitted by this provision; (ii) the provisions of such Supplemental Indenture are not (except to the extent permitted in subparagraph (f) or (g) above) contrary to or inconsistent with the covenants or agreements of the Authority contained in the Indenture as originally adopted or as theretofore amended; and (iii) (except with respect to a change permitted by subparagraph (g) above) the provisions of such Supplemental Indenture do not adversely affect the rights of the holders of the Bonds then Outstanding.

### **Supplemental Indentures with Consent of Bondholders**

With the consent of the holders of not less than fifty-one percent (51%) of the principal amount of Outstanding Bonds, the Authority may, and the Trustee shall, from time to time and at any time, enter into a Supplemental Indenture in any respect not authorized as described under "Supplemental Indentures Without Consent of Holders of Bonds"; provided, however, that no such Supplemental Indenture shall (i) without the specific consent of the holder thereof, (a) extend the fixed maturity date for the payment of the principal of any Bond; (b) reduce the principal amount of any Bond; (c) reduce the rate or extend the time of payment of interest thereon; or (d) reduce any premium payable upon the redemption thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date; or (ii) without the consent of the holders of all Outstanding Bonds, (a) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby; (b) permit the creation of any mortgage or lien upon the CONRAC Facility or the CONRAC Site; (c) authorize the creation of any pledge of the Trust



Estate, or any lien thereon, prior, superior or equal to the pledge of and lien and charge thereon created hereby for the payment of the Bonds; (d) deprive any holder of the Bonds of the security afforded by the Indenture; (e) permit the release of the Lessee from its obligation to pay rental under the Lease or permit the release of the Sublessee from its obligation to pay rental under the Sublease; or (f) reduce the aforesaid percentage in principal amount of Outstanding Bonds required by this paragraph in order to consent to any modification of the Indenture pursuant to this paragraph, or reduce the percentage in principal amount of the Bonds required under “Covenants - *Amendment of Lease or Sublease*” to assent to or authorize modifications or amendments to the Lease or Sublease. A modification or amendment of the provisions of the Indenture with respect to the CONRAC Bond Fund shall not be deemed to be a change in the terms of payment; provided, however, that no such modification or amendment shall, except upon the consent of the holders of all Bonds then Outstanding affected thereby, reduce the amount or amounts required to be deposited in the CONRAC Bond Fund.

## **Events of Default**

*Events of Default.* Each of the following is hereby defined as and declared to be and shall constitute an “Event of Default”:

(a) If payment of the principal and premium, if any, (or the redemption price) of any Bond, whether at maturity or by proceedings for redemption (whether by optional redemption, mandatory redemption or by redemption from moneys deposited in the Bond Fund in respect of a sinking fund installment) or otherwise, or payment of any installment of interest on any Bond, shall not be made when the same shall become due and payable; or

(b) If the Authority shall fail in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture on the part of the Authority to be performed (other than as described in subparagraph (a) above), and such failure shall continue for sixty (60) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority by the Trustee, or to the Trustee and the Authority by the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding or any Bondholders’ Committee therefor; provided, that if any failure shall be such that it cannot be cured or corrected within such sixty (60) day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within said period and diligently pursued in the opinion of the Trustee, until the failure of performance is cured or corrected; or

(c) The occurrence and continuation of an event of default as defined in the Lease or the occurrence and continuation of an event of default as defined in the Sublease;

*Action by Trustee Upon Occurrence of Event of Default.* Upon the occurrence of an Event of Default and at any time thereafter while such Event of Default shall continue, then in every such case the Trustee (i) shall be authorized to proceed in its own name and as trustee of an express trust; (ii) may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal and interest on the Bonds; (iii) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Bonds allowed in any judicial proceeding relative to the Authority or the Bonds, the Indenture or the Lease; and (iv) may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall, proceed to protect and enforce (a) all rights of the Bondholders and the Trustee under and as permitted by the Indenture and the laws of the State of Tennessee, and (b) all rights of the Bondholders, the Trustee and, to the extent such rights have been assigned or reserved hereunder, the Authority under the Lease, by such means or appropriate judicial proceedings as shall be

suitable or deemed by it most effective in the premises, including any actions, suits or special proceedings at law or in equity or in bankruptcy or by a proceeding in the office of any board or officer having jurisdiction, or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Indenture or the Lease, or in aid or execution of any power granted in the Indenture or under the Lease or by law, or to enforce any other legal or equitable right or remedy vested in the holders of the Bonds or the Trustee by the Indenture or vested in the Trustee, the Authority or the holders of the Bonds by the Lease or by said laws. All rights of action (including the right to file proofs of claims) under the Indenture or under any of the Bonds or under the Lease or may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name and as trustee of an express trust without the necessity of joining as plaintiffs or defendants any holders of the Bonds, and any recovery of judgment shall be for the equal benefit of the holders of the Outstanding Bonds. Notwithstanding the foregoing, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

*Powers of Trustee with Respect to the CRC Lease Agreements.* If the Land Rent and Contingent Rent are not paid in full under the terms of the CRC Lease Agreements, or performance of any act or compliance with any covenant required of any RAC under any of the CRC Lease Agreements are not performed or complied with, and if the Authority shall not be taking such action as may be necessary for the collection of the sums so due and unpaid or performance of such act or compliance with such covenant, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all sums due and unpaid under such CRC Lease Agreements or performance of such act or compliance with such covenant, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against such RAC under the CRC Lease Agreements and collect in the manner provided by law out of the property of such RAC, wherever situated, any moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any RAC under the United States Bankruptcy Code, 11 U.S.C. Section 101, et seq., or any other applicable law, or in case of any other judicial proceedings relative to any RAC under any of the CRC Lease Agreements or to the creditors or property of such RAC, as the case may be, the Trustee, irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the power vested in it by the Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid under the CRC Lease Agreements, and file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Bondholders allowed in any such judicial proceedings relative to such RAC under the CRC Lease Agreements or to the creditors or property of such RAC, as the case may be, and to collect and receive any moneys or other property payable or deliverable on such claims, and to distribute in accordance with the provisions hereof all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf, and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee.

The Authority covenants and agrees to include in the CRC Lease Agreements (other than a sublease by operation of law) provisions granting thereunder to the Trustee the powers granted to the Trustee by this provision.

*Direction of Remedial Proceedings by the Bondholders.* Anything in the Indenture to the contrary notwithstanding, the holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds at the time Outstanding shall be authorized and empowered and have the right, by an instrument or concurrent instruments in writing delivered to the Trustee (a) to direct the time, method, and place of conducting any proceeding for any remedy to be taken by the Trustee hereunder or available to the Trustee hereunder or available to the holders of the Bonds, or exercising any trust or power conferred upon the Trustee hereunder or (b) on behalf of the holders of the Bonds then Outstanding, to consent to the waiver of any Event of Default or its consequences, and the Trustee hereunder shall waive any Event of Default and its consequences upon the written request of the holders of fifty-one percent (51%) in aggregate principal amount of Bonds at the time Outstanding; provided, however, that the Trustee may decline to follow any such direction or request if such Trustee shall reasonably determine on advice of legal counsel that the action so directed or requested cannot lawfully be taken.

*Bondholders' Committee.* In the event that a Trustee shall have failed or refused to comply with the written request or direction of the holders of the requisite principal amount of the Bonds Outstanding as to any action to be taken hereunder, the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding may call a meeting of the holders of the Bonds for the purpose of electing a Bondholders' Committee which shall serve as trustees for the holders of all the Bonds then Outstanding and be empowered to exercise in the name of the Bondholders' Committee as trustees, all the rights and powers conferred on either or both of the Trustee hereunder or any Bondholder.

## **Defeasance**

The term "Outstanding", when used with reference to any Bond, means a Bond theretofore authenticated by the Trustee, as provided in the Indenture, and delivered pursuant to the Indenture, except:

(a) a Bond that shall have been purchased by the Authority or the Lessee under the Sublease and surrendered to the Trustee for cancellation or shall otherwise be surrendered to the Trustee (or other Paying Agent, transfer agent or registrar) and be cancelled or subject to cancellation by any of them, or

(b) a Bond as to which payment of principal and redemption premium (if any) and interest to its due date (whether at maturity or upon redemption or by declaration, or otherwise) (i) shall have been made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee or other Paying Agent for such Bond, in trust and irrevocably setting aside exclusively for such payment, (1) moneys sufficient to make such payment, (2) Government Securities, maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment of principal, interest and premium (if any), or (3) a combination of both, and all necessary and proper fees, compensation and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which the deposit is made shall have been paid, or the payment thereof provided for, to the satisfaction of the Trustee and said Paying Agent.

Notwithstanding the foregoing, in the case of any Bond that by its terms may be redeemed prior to its stated maturity from moneys from any source, no deposit under clause (ii) of subparagraph (b) above shall constitute such discharge and satisfaction as aforesaid, until such Bond shall have been irrevocably called or designated for redemption or prepayment and proper notice of such redemption or

prepayment shall have been mailed to the holder of such Bond in accordance with the Indenture or provision satisfactory to the Trustee shall have been irrevocably made for the giving of such notice; provided that nothing shall require or be deemed to require the Authority to elect to redeem or prepay such Bonds, or, in the event the Authority elects to redeem or prepay such Bonds, shall require or be deemed to require the redemption or prepayment as of any particular date or dates.

Any moneys so deposited with the Trustee or Paying Agent may at the direction of the Authority with the consent of the Lessee be invested and reinvested in Government Securities, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Securities in the hands of the Trustee and any other Paying Agent that is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be deposited in the CONRAC Bond Fund as and when realized and collected, for use and application as are other moneys credited to that Fund.

### **Bond Insurer Provisions**

*Bond Insurer Deemed Holder.* So long as the Municipal Bond Insurance Policy shall remain in full force and effect, and so long the Bond Insurer is not in default thereunder, the Bond Insurer shall be deemed to be the sole holder of the Series 2010 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2010 Bonds are entitled to take pursuant to the Indenture, the Lease or the Sublease pertaining to (i) defaults and remedies, (ii) the duties and obligations of the Trustee, or (iii) any amendment, supplement, modification to, or waiver of, the Indenture, the Lease or the Sublease that requires the consent of the holders of the Series 2010 Bonds.

*Additional Bonds.* So long as the Municipal Bond Insurance Policy shall remain in full force and effect, and so long the Bond Insurer is not in default thereunder, the Authority may not issue Additional Bonds by complying with the provisions of clause (i) under "Additional Bonds." Additional Bonds may only be issued under upon complying with clause (ii) under "Additional Bonds," provided that for the purposes of clause (ii) under "Additional Bonds," CFC Revenues for the immediately preceding Fiscal Year may be calculated by multiplying the number of transaction days during such Fiscal Year by the CFC that is or will be in effect prior to or concurrently with the issuance of the Additional Bonds, including any increase in the CFC implemented after the close of such Fiscal Year as if such increase had been in effect at the beginning of such Fiscal Year.

## **LEASE**

### **Rental.**

Throughout the term of the Lease the Lessee shall pay to the Authority as rent hereunder to the extent received all Sublease Rental Payments on the 25th day of each month.

### **Use of the CONRAC Facility Site and CONRAC Facility**

Lessee shall sublease the CONRAC Facility and the CONRAC Facility Site to the Sublessee pursuant to the Sublease.

The Lessee shall enter into and enforce the terms and provisions of the Fuel Facility Management Agreement and the Management Agreement, including, but not limited to, the insurance provisions thereof.

## **Damage and Destruction; Condemnation**

In the event the CONRAC Facility is damaged or destroyed by fire or other casualty and the Sublessee elects not to repair the CONRAC Facility and terminates the CRC Lease Agreements, the Lease shall terminate. In the event of a Total Taking, the Lease shall terminate.

## **Default by Lessee**

The Lessee shall be in default under the Lease if during the term (or any renewal term) of the Lease (each of the following being sometimes referred to herein as an "event of default"):

(a) the Lessee shall fail to pay when due and owing any installment of rental payable and such failure shall continue unremedied for a period of ten (10) days after written notice thereof by the Trustee; or

(b) the Lessee shall fail to observe or perform any other of the Lessee's covenants, agreements or obligations hereunder (other than as described in clause (i) above) and such failure shall not be cured within thirty (30) days, or such additional time as is reasonably required, in the opinion of the Authority and the Trustee, to correct any such failure if the Lessee has instituted corrective action and is diligently pursuing the same, after the Authority, the Trustee, or to the extent permitted by the Indenture, the Bondholders shall have given to the Lessee written notice specifying therein where the Lessee has failed to observe or perform any such covenant, agreement or obligation; or

(c) there shall occur the dissolution of the Lessee, or the Lessee shall file and petition or institute any proceeding under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. (the "Bankruptcy Code"), either as such Bankruptcy Code now exists or under any amendment thereof which may hereafter be enacted, or under any act or acts, state or federal, dealing with, or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt, or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the Lessee asks or seeks or prays to be adjudicated a bankrupt, or to be discharged from all or any of the Lessee's debts or obligations, or offers to the Lessee's creditors to effect a composition or extension of time to pay the Lessee's debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of the Lessee's debts, or for any other similar relief, or any involuntary petition in bankruptcy is filed against the Lessee and the same is not stayed or discharged within ninety (90) days from such filing or any other petition or any other proceedings of the foregoing or similar kind or character is filed or instituted or taken against the Lessee, or a receiver of the business or of the property or assets of the Lessee shall be appointed by any court except appointed at the instance or request of the Authority, or the Lessee shall make a general assignment for the benefit of the Lessee's creditors; or

(d) there shall occur an Event of Default as defined under the Indenture; or

(e) there shall have occurred an event of default as defined under the Sublease.

## **Remedies of Authority**

If the Lessee shall be in default hereunder as aforesaid:

The Authority may take whatever action at law or in equity may appear necessary or desirable to collect the rent then due or thereafter to become due, or to enforce performance and observance at any obligation, agreement or covenant of the Lessee under the Lease.

Any amounts collected pursuant to action taken shall be paid to the Trustee and applied in accordance with the provisions of the Indenture, or, if there are then no Bonds Outstanding, to the Authority unless and until all sums owing hereunder by the Lessee to Authority shall have been paid in full, in which case such amounts shall be paid to the Lessee as an overpayment of rental.

## **SUBLEASE**

### **Rental**

Throughout the term of the Sublease, the Sublessee shall pay to the Sublessor as rent to the extent received all Sublease Rental Payments on the 25<sup>th</sup> day of each month.

The Sublessee's obligations under the Sublease shall be limited solely to the Sublease Rental Payments and shall never be payable from "Airport Revenue" as defined in the Authority's Airport Improvement Revenue Bond Resolution No. 91-09, adopted August 15, 1991, as supplemented and amended, or "Gross Operating Income" as defined in the Authority's Amended and Restated Lease Agreement, dated as of September 1, 1989, with various Signatory Sublessee Airlines as defined therein and shall not be included in the rates, rentals and charges of the Signatory Airlines under the Airline Agreement. The Sublessee's obligations under the Sublease shall not in any manner or to any extent constitute or be a charge on any moneys or other property of the Authority other than the Sublease Rental Payments or constitute or be an obligation of the Metropolitan Government of Nashville and Davidson County or of any other governmental entity of the State of Tennessee other than the Authority (to the extent provided herein).

### **Use of the CONRAC Facility and CONRAC Site**

Sublessee may use and occupy, or cause to be used or occupied, the CONRAC Facility and the CONRAC Facility Site in accordance with the provisions of the CRC Lease Agreements, which are incorporated herein by reference, and for such other use as the Authority may in its absolute discretion approve in writing.

Sublessor shall enter into and enforce the terms and provisions of the Fuel Facility Management Agreement and the Management Agreement, including, but not limited to, the insurance provisions thereof.

### **Maintain etc. Consolidated Rental Car Facility.**

Sublessee shall cause the RACs to perform all of their obligations under the under their respective CRC Lease Agreements, including, but not limited to, (a) pay for all utility services supplied to them in connection with the CONRAC Facility in accordance with their respective CRC Lease Agreements; (b) pay all taxes in connection with the CONRAC Facility and the CONRAC Facility Site in accordance with their respective CRC Lease Agreements; (c) maintain insurance in connection with the CONRAC Facility and the CONRAC Facility Site in accordance with their respective CRC Lease Agreements; and (d) comply with environmental laws in connection with the CONRAC Facility and the CONRAC Facility Site in accordance with their respective CRC Lease Agreements; and (e) enter into the Fuel Facility Management Agreement in connection with the CONRAC Facility in accordance with their respective CRC Lease Agreements.

### **Damage and Destruction; Condemnation.**

In the event the CONRAC Facility is damaged or destroyed by fire or other casualty and the Authority elects not to repair the CONRAC Facility and terminates the CRC Lease Agreements, the Sublease shall terminate. In the event of a Total Taking, the Sublease shall terminate.

### **Default by Sublessee**

The Sublessee shall be in default hereunder if during the term (or any renewal term) of the Sublease (each of the following being sometimes referred to herein as an “event of default”):

(i) the Sublessee shall fail to pay when due and owing any installment of rental payable and such failure shall continue unremedied for a period of ten (10) days after written notice thereof by the Trustee; or

(ii) the Sublessee shall fail to observe or perform any other of the Sublessee’s covenants, agreements or obligations hereunder (other than as described in clause (i) above) and such failure shall not be cured within thirty (30) days, or such additional time as is reasonably required, in the opinion of the Sublessor, to correct any such failure if the Sublessee has instituted corrective action and is diligently pursuing the same, after the Sublessor shall have given to the Sublessee written notice specifying therein where the Sublessee has failed to observe or perform any such covenant, agreement or obligation; or

(iii) there shall occur the dissolution of the Sublessee, or the Sublessee shall file and petition or institute any proceeding under the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. (the “Bankruptcy Code”), either as such Bankruptcy Code now exists or under any amendment thereof which may hereafter be enacted, or under any act or acts, state or federal, dealing with, or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt, or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the Sublessee asks or seeks or prays to be adjudicated a bankrupt, or to be discharged from all or any of the Sublessee’s debts or obligations, or offers to the Sublessee’s creditors to effect a composition or extension of time to pay the Sublessee’s debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of the Sublessee’s debts, or for any other similar relief, or any involuntary petition in bankruptcy is filed against the Sublessee and the same is not stayed or discharged within ninety (90) days from such filing or any other petition or any other proceedings of the foregoing or similar kind or character is filed or instituted or taken against the Sublessee, or a receiver of the business or of the property or assets of the Sublessee shall be appointed by any court, or the Sublessee shall make a general assignment for the benefit of the Sublessee’s creditors; or

(iv) there shall occur an Event of Default as defined under the Indenture; or

(v) there shall have occurred an event of default as defined under the Lease.

### **Remedies of Sublessor**

If the Sublessee shall be in default hereunder as aforesaid, the Sublessor may take whatever action at law or in equity may appear necessary or desirable to collect the rent then due or thereafter to become due, or to enforce performance and observance at any obligation, agreement or covenant of the Sublessee under the Sublease.

Any amounts collected shall be paid to the Trustee and applied in accordance with the provisions of the Indenture, or, if there are then no Bonds Outstanding, to the Sublessor unless and until all sums owing hereunder by the Sublessee to Sublessor shall have been paid in full, in which case such amounts shall be paid to the Sublessee as an overpayment of rental.



## **APPENDIX C**

### **SUMMARY OF CERTAIN PROVISIONS OF THE CFC ENABLING RESOLUTION, CRC LEASE AGREEMENTS AND CONCESSION AGREEMENTS**

## APPENDIX C

### **SUMMARY OF CERTAIN PROVISIONS OF THE CFC ENABLING RESOLUTION, CRC LEASE AGREEMENTS AND CONCESSION AGREEMENTS**

The following statements are brief summaries of certain provisions of the CFC Enabling Resolution and certain common provisions of the CRC Lease Agreements and Concession Agreements. These summaries do not purport to be complete. Reference is made to the actual CFC Enabling Resolution, the CRC Lease Agreements and the Concession Agreements for a full and complete statement of the provisions of the CFC Enabling Resolution, the CRC Lease Agreements and the Concession Agreements, respectively. Defined terms used in this Appendix C and not otherwise defined below shall have the meanings ascribed to them elsewhere in the Official Statement.

#### **I. CFC Enabling Resolution**

Pursuant to the CFC Enabling Resolution, the Authority has imposed the CFC in the amount of \$4.50 per transaction day and provided for the CFC proceeds to be used to pay, or to reimburse the Authority for, the costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the CONRAC Facility and other costs, fees and expenses that may be paid from CFC proceeds. The CFC Enabling Resolution provides that the CFC proceeds collected by on-Airport rental car companies shall remain the property of the Authority, and the Authority shall have the right to pledge the CFC proceeds as collateral security for the payment of any debt obligations incurred by the Authority in connection with the planning, design, construction, financing, maintenance and operation of the CONRAC Facility.

#### **II. Glossary of Defined Terms**

The following terms as used in this **Appendix C** shall be defined as follows (such definitions to be applicable equally to singular and plural nouns and verbs of any tense):

“**ACDBE**” shall mean a business entity, whether a sole proprietorship, partnership, corporation or other entity, of which at least 51% of the ownership thereof is owned and controlled by a “socially and economically disadvantaged individual” as such term is defined in the Airport and Airways Improvement Act of 1982, as amended, and the regulations promulgated pursuant thereto in 49 C.F.R. Part 23, as amended or modified from time to time. To qualify as an ACDBE, a business entity must meet the experience and economic guidelines for an “Airport Concession Disadvantaged Business Enterprise” set forth in 49 C.F.R. Part 23, as amended or modified from time to time, and must be certified by Authority as an ACDBE.

“**Additional Special Facilities**” shall mean any improvements after construction of the Project made to the CONRAC Facility or the CONRAC Facility site by Authority pursuant to the CRC Lease Agreements.

“**Advanced Rent**” shall mean, with respect to a CRC Lease Agreement, the aggregate of all Contingent Rent and Land Rent, if any, paid by a Concessionaire during the Lease Term of its CRC Lease Agreement.

“**Agreement Year**” shall mean, with respect to a CRC Lease Agreement, each successive 12 month period during the Lease Term thereof, beginning with the first day of the first full month to begin on or after the Opening Date.

“**Airport**” shall mean the Nashville International Airport, as it exists from time to time. The Airport specifically includes the CONRAC Facility site.

**“Airport Customer”** shall mean: (a) any person who comes to the Airport by any means of transportation and enters into a motor vehicle rental agreement with a Concessionaire at the Airport; and (b) any person who flies into the Airport and, within 24 hours thereafter, enters into a motor vehicle rental agreement with a Concessionaire at any of such Concessionaire’s rental car operations located within a three-mile radius of the boundaries of the Airport. The following are excluded from the definition of “Airport Customer”: (i) any person who flies into the Airport and enters into a motor vehicle rental agreement with a Concessionaire at any of such Concessionaire’s rental car operations located outside a three-mile radius of the boundaries of the Airport; (ii) any person who flies into the Airport and enters into a motor vehicle rental agreement with a Concessionaire at any of such Concessionaire’s rental car operations located inside a three-mile radius of the boundaries of the Airport if the rental transaction is more than 24 hours after flying into the Airport; and (iii) any person who does not arrive through the Airport and enters into a motor vehicle rental agreement with a Concessionaire at any of such Concessionaire’s rental car operations outside the boundaries of the Airport.

**“Airport Security Plan”** shall mean a program developed by Authority for the maintenance of the safety and security of the Airport and Persons using the Terminal or any other portion of the Airport premises, as it may be amended, modified or revised by Authority from time to time. The Airport Security Plan is a part of the Authority Standards.

**“Annual Shortfall”** shall mean either (i) for a past or the current Agreement Year, the amount by which Total Annual Costs for such Agreement Year exceeds the CFC proceeds actually received by Authority for such Agreement Year, or (b) for the current or a future Agreement Year, the amount by which Total Annual Costs for such Agreement Year are estimated by Authority to exceed the CFC proceeds to be received during such Agreement Year.

**“Applicable Laws”** shall mean all present and future applicable laws, ordinances, orders, directives, rules, codes and regulations of all Governmental Authorities and all present and future grant assurances provided by Authority to any Governmental Authority in connection with Authority’s ownership or operation of the Airport, as the same may be amended, modified or updated from time to time, and applicable decisional law (including judicial or administrative interpretations, orders and judgments).

**“Areas in Public View”** shall mean those portions of the Exclusive Use Areas (other than the Fuel Facilities therein) that are visible to the general public; provided, however, that under no circumstances shall the Areas in Public View include the car wash bays in the QTA Space, any fully or partially enclosed area utilized by a RAC for office and administrative purposes, and the restrooms located in the QTA Space.

**“Authority Resolution”** shall mean the CFC Enabling Resolution, together with all amendments and supplements thereto and all other resolutions adopted by Authority, pursuant to which Authority imposes the CFC or amends or adjusts the terms of the CFC, including the terms specifying the circumstances under which it is imposed or the manner in which CFC proceeds are remitted to Authority.

**“Authority Standards”** shall mean the rules, procedures and regulations promulgated by Authority from time to time for the orderly use of the Airport, as the same may be amended, modified or supplemented from time to time, and including, without limitation, the Airport Security Plan, Authority’s Tenant Design Standards, Authority’s mechanical, electrical, water and waste, and industrial waste and storm drainage standards, any other Authority requirements and/or standards for design and construction at the Airport, and the operating rules and regulations for the CONRAC Facility promulgated by Authority from time to time.

**“Bond Obligations”** shall mean any and all obligations of Authority under the Bonds (or any of them) and shall, without limiting the generality of the foregoing, include (i) all payments necessary to pay principal, interest and premium, if any, under the terms of the Bonds; (ii) all deposits required to be made to all debt service reserve funds required under the terms of the Bonds to satisfy all requirements therefor

under the Bonds; and (iii) all deposits required to be made to any coverage fund, operation and maintenance expense reserve fund, renewal and replacement reserve fund, Major Maintenance fund or account or other funds or accounts required under the terms of the Bonds to satisfy all requirements therefor under the Bonds.

**“Bonds”** shall mean debt obligations issued or incurred by Authority (whether in one or more series) for purposes of financing the design, construction or improvement of, or the addition to, the Project, and specifically including bonds and other debt instruments issued by Authority, any completion debt obligations that may be required, and any loans obtained by Authority from a Governmental Authority under the Transportation Infrastructure Finance and Innovation Act of 1998, as amended, 23 U.S.C. § 601, *et seq.*, or other Applicable Laws. The term “Bonds” shall include, without limitation, any indenture, resolution, loan agreement or any other document providing for the issuance of Bonds.

**“CFC”** shall mean the customer facility charge or charges imposed by Authority on rental car transactions occurring on or about the Airport, and required by Authority to be collected by the Concessionaires.

**“Commencement Date”** shall mean the date on which Authority turns over to a Concessionaire its Exclusive Use Premises.

**“Common Use Areas”** shall mean those portions of the CONRAC Facility and the CONRAC Facility site that are not included within either (i) the Exclusive Use Areas or (ii) any portion of the Reserved Area which is not utilized in the management and operation of the CONRAC Facility. For purposes of those obligations relating to the performance of Routine Maintenance and the determination of Reimbursable O&M Costs, the Common Use Areas shall also be understood to include the following: (i) the roof (both structure and covering/membrane), exterior walls, foundation and building structure of those portions of the CONRAC Facility otherwise falling within the Exclusive Use Areas; (ii) the pavements, canopies and other physical structures otherwise falling within the Exclusive Use Areas; (iii) the utilities systems (specifically including the storm drains and detention vaults) serving the CONRAC Facility or CONRAC Facility site up to the point of connection by a particular RAC in the portion of the Exclusive Use Areas leased to such RAC; (iv) any portion of the Reserved Area utilized in the management and operation of the CONRAC Facility; (v) the QTA Equipment; and (vi) the Fuel Facilities.

**“Concession Agreement Year”** shall mean, with respect to a Concession Agreement, each successive 12 month period during the Concession Term thereof, beginning with the first day of the first full month to begin on or after the Opening Date.

**“Concession Fee”** shall mean, with respect to a Concession Agreement, an amount equal to the greater of the following: (i) the Minimum Annual Guarantee for the applicable Concession Agreement Year thereunder; or (ii) the Percentage Fee for such Concession Agreement Year.

**“Concession Future Charges”** shall mean charges which, but for termination of a Concession Agreement, would have become due over the remainder of the Concession Term under such Concession Agreement.

**“Concession Term”** shall mean, with respect to a Concession Agreement, the period commencing on the Opening Date and, unless earlier terminated pursuant to the provisions of such Concession Agreement, extending for a period of 15 Concession Agreement Years thereunder.

**“Concession Termination Damages”** shall mean, with respect to a Concession Agreement, any payments and damages incurred because of a Concessionaire’s default under its Concession Agreement, including the reasonable and necessary costs of re-letting (including any tenant improvements reasonably required, renovations or repairs reasonably required, any advertising reasonably required, any leasing commissions reasonably required, and attorneys’ fees and costs reasonably required).

**“Concessionaire”** shall mean an On-Airport Rental Car Company that is a party to a CRC Lease Agreement and a Concession Agreement.

**“Consumer Price Index”** shall mean the index currently published by the United States Bureau of Labor Statistics (unadjusted for seasonal variation) entitled the “Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100” for the Nashville, Tennessee area. If, at any time when such index is needed, the “Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100” for the Nashville, Tennessee area is no longer published, the parties shall use such substituted index as is then generally recognized and accepted for similar determinations of purchasing power.

**“Contingent Rent”** shall mean, for a particular Agreement Year of a CRC Lease Agreement, the amount equal to the product of (i) the total square footage of the Exclusive Use Premises under such CRC Lease Agreement as then configured divided by the total square feet of the Exclusive Use Areas as then existing, multiplied by (ii) the amount of the Annual Shortfall for the applicable Agreement Year. The Contingent Rent so established by Authority shall be set such that Authority recovers from such Contingent Rent payments no more than the estimated Annual Shortfall during a 12 month period.

**“Costs of CFC Administration”** shall mean any and all costs incurred or paid by Authority in connection with the administration of the CFC, including bank charges, the cost of an independent rate consultant or third party reviewer of the CFC, the cost of an independent trustee responsible for the collection, handling and disbursement of CFC proceeds, the cost of CFC audits, and the cost of any insurance policies relating to the collection of the CFC required by the Bonds.

**“Costs of the Additional Special Facilities”** shall mean any and all costs incurred or paid by Authority in connection with the design, permitting and construction of any Additional Special Facilities, including design costs, permitting costs, capitalized interest for payment of interest on Bonds and Bond issuance and discount expenses, construction costs, costs associated with project management, contract administration or construction management, and a reasonable allocation of the administrative costs of Authority associated with the design and construction of the Additional Special Facilities.

**“Deadline for Substantial Completion”** shall mean the date identified by Authority for a Concessionaire’s substantial completion of its initial tenant improvements; provided, however, the Deadline for Substantial Completion shall not be before the date that is 90 days after the Commencement Date.

**“Default Rate”** shall mean an interest rate equal to the lesser of (i) 18% per annum or (ii) the maximum interest rate permitted by law to be charged by Applicable Laws.

**“Excess CFC Fund”** shall mean (i) so long as any Bonds are outstanding, any fund established under the Bonds into which Authority shall deposit Excess Customer Facility Charge Proceeds, or (ii) if no such fund is established under any outstanding Bonds or if no Bonds are outstanding, the account (which may be a book-entry) in which Authority accounts for Excess Customer Facility Charge Proceeds actually received by Authority.

**“Excess Customer Facility Charge Proceeds”** shall mean Unrestricted Customer Facility Charge Proceeds that Authority has not elected either (i) to reserve for anticipated maintenance or operating costs or expenses, or other costs, expenses, obligations, liabilities or claims, arising from or incurred or to be incurred with respect to the CONRAC Facility or the CONRAC Facility site, or (ii) to use to redeem or defease Bonds prior to their stated maturity or to take other action permitted by the terms of the Bonds.

**“Exclusive Use Areas”** shall mean the space within the Ready/Return Area, the Storage Area and the QTA Space of the CONRAC Facility that are leased to the RACs on an exclusive basis from time to time.

**“Exclusive Use Premises”** shall mean those portions of the Ready/Return Area, the QTA Space and the Storage Area leased to a Concessionaire on an exclusive basis under its CRC Lease Agreement.

**“Facility Manager”** shall mean the party retained to perform the Routine Maintenance pursuant to the CRC Lease Agreements.

**“Fuel Facilities”** shall mean (i) the specific improvements installed on or about the portion of the CONRAC Facility site as depicted in the CRC Lease Agreements for purposes of fueling rental car vehicles by the RACs; and (ii) all underground storage tanks, underground and aboveground piping, related underground and aboveground structures and equipment, including tank fill ports, fuel dispensers, spill containment structures, oil-water separators, storm water management systems, required network of monitoring wells, leak prevention and detection systems, and the surrounding areas used in connection with their operation, including areas of hazardous substance transfer, dispensing and containment systems, wherever located on the CONRAC Facility site from time to time, including the underground and aboveground piping, related underground and aboveground structures and equipment, including tank fill ports, fuel dispensers, spill containment structures, oil-water separators, storm water management systems and leak prevention and detection systems located within the Exclusive Use Areas from time to time.

**“Fuel Facility Management Agreement”** shall mean the agreement to be executed among CONRAC LLC, each of the RACs and the Fuel Facility Manager to provide for the operation, maintenance and repair of the Fuel Facilities.

**“Fuel Facility Manager”** shall mean the party retained to operate, and be financially responsible for, the Fuel Facilities pursuant to the CRC Lease Agreements.

**“Future Charges”** shall mean, with respect to a CRC Lease Agreement, the liability of the Concessionaire thereunder for all Land Rent and other amounts otherwise payable by such Concessionaire thereunder, or other charges which, but for termination of its CRC Lease Agreement, would have become due over the remainder of the Lease Term thereof.

**“Governmental Authorities”** shall mean federal, state and municipal governments, authorities and agencies and their respective agencies, departments, authorities and commissions. “Governmental Authorities” shall specifically include, without limitation, Authority, The Metropolitan Government of Nashville and Davidson County, the State of Tennessee, the United States Department of Transportation (and any successor agency, office or department thereof), the United States Federal Aviation Administration and the United States Transportation Security Administration (and any successor agency, office or department thereof).

**“Gross Revenues”** shall mean all consideration of any kind, whether cash, credit or in kind, received, derived and/or billed by a Concessionaire for: (a) all charges, including time and mileage charges and separately stated fees for rental of vehicles and other related or incidental services or merchandise, and any other items or services, made by or through such Concessionaire’s Rental Car Concession, regardless of where the vehicles or services are delivered to or returned; (b) all amounts charged to the customer for insurance offered by such Concessionaire incidental to the rental of vehicles, including personal accident insurance; (c) all charges attributable to any vehicle originally rented through such Concessionaire’s Rental Car Concession which is exchanged at any other location; (d) all proceeds from the long-term lease of vehicles through such Concessionaire’s Rental Car Concession; (e) all amounts charged to such Concessionaire’s customers and which are separately stated on the rental agreement as an optional charge for waiver by such Concessionaire of its right to recover from customer for damage to or loss of the vehicle rented; (f) all amounts charged by such Concessionaire for items of personal property (including mobile phones, child seats, ski racks, *etc.*); (g) all amounts charged to such Concessionaire’s customers at the commencement or the conclusion of the rental transaction for the cost of furnishing and/or replacing fuel provided by such Concessionaire; (h) all monies, fees or other consideration received from airlines, travel agents or other consolidators/organizers as part of any package and/or promotion that features such Concessionaire’s services, fees or rates as part of a package;

(i) intercity or drop charges; (j) any other amounts, whether “above the line” or “below the line” associated with any rental transaction; (k) all amounts charged by such Concessionaire, or anyone licensed on such Concessionaire’s behalf, to provide ancillary business services as provided in its CRC Lease Agreement; and (l) discounts given, or reductions in amounts charged, to such Concessionaire’s customers to compensate them for service- or equipment-related issues or problems in rental transactions with such Concessionaire through its Rental Car Concession; provided, however, Gross Revenues shall not include the following: (i) any federal, state, county or city sales or other similar taxes or surcharges that are levied on rental car or other ancillary business transactions, separately stated to and collected from a customer of such Concessionaire and paid in full by such Concessionaire to the taxing authority; (ii) any amounts received as insurance proceeds or otherwise for damage to vehicles or other property of such Concessionaire, or for loss, conversion or abandonment of such vehicles; (iii) revenue from the wholesale transfer of salvage vehicles; (iv) all non-revenue rentals to employees of such Concessionaire; (v) CFC proceeds; (vi) Recovery Fees; (vii) customary discounts given by such Concessionaire on sales or services to its own employees, if separately stated and limited in total amount to not more than 1% of its Gross Revenues per month, unless otherwise agreed by Authority; (viii) discounts, if separately stated, given by such Concessionaire on sales or services to employees of Authority, other air transportation company lessees in the Terminal, and other natural persons employed at the Airport who are in possession of a valid identification badge issued by Authority or an air transportation company; and (ix) amounts given as discounts to customers redeeming coupons issued by such Concessionaire. Gross Revenues for a transaction shall generally be determined by the total charges on the face of an Airport Customer’s receipt, less any charges specifically excluded in this definition of Gross Revenues. Anything not explicitly excluded from the definition of Gross Revenues shall be included within Gross Revenues.

“**Initial Lease Term**” shall mean, with respect to a CRC Lease Agreement, the period commencing on the Commencement Date and continuing through the expiration of the 15<sup>th</sup> Agreement Year thereafter.

“**Land Rent**” shall mean a Concessionaire’s Pro Rata Share of the Special Facility Ground Rent, if any, due for each Agreement Year or portion thereof.

“**Lease Term**” shall mean, with respect to a CRC Lease Agreement, the Initial Lease Term thereunder together with the Renewal Term thereunder if the Lease Term is extended therefor as provided therein.

“**Major Maintenance**” shall mean any repair or replacement in, of or to the CONRAC Facility or the CONRAC Facility site, or any portion of either that: (i) extends the useful life of a particular capital asset in or part of the CONRAC Facility or CONRAC Facility site by more than three years and costs more than \$100,000 (with such amount to be adjusted each Agreement Year by any increase in the Consumer Price Index); (ii) replaces a particular capital asset in or part of the CONRAC Facility or CONRAC Facility site that is otherwise at the end of its useful life with a total value in excess of \$100,000 (with such amount to be adjusted each Agreement Year by any increase in the Consumer Price Index); or (iii) is expected to cost, under bona fide estimates of the repair costs prepared by Authority, more than \$100,000 (with such amount to be adjusted each Agreement Year by any increase in the Consumer Price Index).

“**Market Share**” shall mean a particular RAC’s share of the total rental car market expected to be accommodated within the CONRAC Facility, where that share is calculated as the average of the RAC’s percentage of reported revenue and percentage of reported transactions over the most recent 12 month period available to Authority. For example, if a particular RAC accounted for 7% of the total revenue generated from rental car operations and 8% of the total number of transactions, the particular RAC’s market share would be 7.5%. Notwithstanding the foregoing, Authority shall be allowed to make adjustment to a particular RAC’s Market Share to account for significant growth/declines in revenue and/or reported transactions, but in no event will the Market Share be more than the highest percentage of

revenue and/or transactions or lower than the lowest percentage of revenue and/or transactions over the previous 12 months.

**“Minimum Annual Guarantee”** shall mean, with respect to a Concession Agreement, (i) the amount specified therein as the Minimum Annual Guarantee for the first full Concession Agreement Year thereunder, and (b) for the second and each subsequent Concession Agreement Year thereunder, an amount equal to 85% of the Concession Fee due for the immediately preceding full Concession Agreement Year.

**“New Entrant”** shall mean any rental car company that does not have a Rental Car Concession at the time such determination is made.

**“O&M Deposit”** shall mean, with respect to a CRC Lease Agreement, an amount equal to 25% of the Concessionaire’s estimated aggregate Pro Rata Share of Reimbursable O&M Costs for each Agreement Year (or, for the first Agreement Year, the period commencing on the Deadline for Substantial Completion through the end of such first Agreement Year).

**“Opening Date”** shall mean the date identified by Authority for the public opening of, and commencement of all rental car operations from, the CONRAC Facility; provided, however, the Opening Date shall not, unless otherwise agreed by the parties, be less than 30 days following the Deadline for Substantial Completion.

**“Partial Taking”** shall mean (i) in a Concession Agreement, a condemnation or taking by exercise of the power of eminent domain by, or a conveyance in lieu thereof to, a Governmental Authority (other than Authority) of any part of the Terminal Premises thereunder that does not constitute a Total Taking under such Concession Agreement, and (ii) in a CRC Lease Agreement, a condemnation or taking by exercise of the power of eminent domain by, or a conveyance in lieu thereof to, a Governmental Authority (other than Authority) of any part of the Premises thereunder that does not constitute a Total Taking under such CRC Lease Agreement.

**“Per-Square-Foot Value”** shall mean (a) for the third Agreement Year under the CRC Lease Agreements, the amount of \$2.05, and (b) for each Agreement Year thereunder commencing with the fourth Agreement Year and continuing for each Agreement Year thereafter through the expiration of the Lease Term of the applicable CRC Lease Agreement, the sum of (i) the Per-Square-Foot Value for the immediately preceding Agreement Year plus (ii) the product of (A) the Per-Square-Foot Value for the immediately preceding Agreement Year multiplied by (B) the percentage increase in the Consumer Price Index during the most recent preceding period of twelve (12) months for which the data to compute the change in the Consumer Price Index is available; provided, however, notwithstanding the actual change in the Consumer Price Index, the Per-Square-Foot Value for each Agreement Year commencing with the fourth Agreement Year and continuing for each Agreement Year thereafter through the expiration of the applicable Lease Term shall increase by a minimum of one percent 1% and a maximum of 5% over the Per-Square-Foot Value for the immediately preceding Agreement Year.

**“Percentage Fee”** shall mean, with respect to a Concession Agreement Year under a Concession Agreement, a percentage fee equal to Required Percentage of its Gross Revenues for such Concession Agreement Year.

**“Person”** shall mean an individual, partnership, corporation, company, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

**“Premises”** shall mean, with respect to a CRC Lease Agreement, the Exclusive Use Premises as described thereunder, together with the right of the Concessionaire thereunder to use the Fuel Facilities, the QTA Equipment and Common Use Areas as set forth in such CRC Lease Agreement.

**“Pro Rata Share”** shall mean the percentage determined by dividing (i) the total square footage of a Concessionaire’s Exclusive Use Premises as then existing by (ii) the total square footage of the



Exclusive Use Areas leased to all RACs as then existing in the CONRAC Facility, all of which space may be measured by Authority in any reasonable and uniform manner. The Pro Rata Share may vary from time to time, but will not be readjusted by Authority more frequently than annually. For purposes of determining the total amount of Exclusive Use Areas leased (but without in any manner releasing, waiving or otherwise absolving any potential claims for damages against any Concessionaire upon an “Event of Default” as defined under its CRC Lease Agreement), (i) space for which a lease expires or earlier terminates shall be treated as leased until the first full month following the date on which the lease expires or is earlier terminated, and (ii) a lease rejected in bankruptcy shall be treated as terminating on the date the bankruptcy petition was filed.

“**Project**” shall mean the installation and construction of the CONRAC Facility on the CONRAC Facility site.

“**QTA Equipment**” shall mean all equipment supplied by Authority in the QTA Space and used in connection with car washing and cleaning activities, including, without limitation, car washes and all associated equipment, the vacuums, and all fluid and/or compressed air dispensing systems; provided, however, that QTA Equipment shall not include any portion of the Fuel Facilities.

“**QTA Space**” shall mean the quick turnaround areas located in the designated portions of the CONRAC Facility to be utilized by the RACs for purposes of car washing, cleaning and fueling activities.

“**RAC**” shall mean a Person engaged in the business of renting motor vehicles that holds a Rental Car Concession to engage in such business at the Airport. A CRC Lease Agreement provides that the Concessionaire thereunder is one of the RACs.

“**Ready/Return Area**” shall mean those areas located in the designated portions of the CONRAC Facility to be utilized by the RACs for purposes of stacking, staging, returning and delivering rental vehicles.

“**Recovery Fee**” shall mean a separate statement of and charge for the Concession Fee of a Concessionaire on the customer invoices or rental agreements of such Concessionaire.

“**Reimbursable O&M Costs**” shall mean the following: (i) the actual costs incurred by the Facility Manager, Authority or CONRAC LLC in performing Routine Maintenance under the CRC Lease Agreements (including a reasonable allocation of Authority administrative costs but excluding any such costs paid solely by a Concessionaire pursuant to its CRC Lease Agreement), and specifically including the cost of the Facility Manager and associated support staff that are responsible for supervising the operation and management of the CONRAC Facility and CONRAC Facility site (specifically including ensuring a Concessionaire’s compliance with the obligations imposed by its CRC Lease Agreement); (ii) the property (including boiler and machinery, if purchased) and liability insurance costs incurred by the Facility Manager, Authority or CONRAC LLC with respect to the CONRAC Facility and CONRAC Facility site (including Additional Special Facilities, if any); (iii) except to the extent attributable to any individual RAC, any taxes paid by Authority but are payable by a Concessionaire under its CRC Lease Agreement; (iv) the utilities costs for the CONRAC Facility and CONRAC Facility site (except for the utilities costs incurred with respect to a RAC’s vehicle cleaning equipment, the booths or stations of the RACs located in the Ready/Return Area, and any portion of the Reserved Area that is not utilized in connection with the management and operation of the CONRAC Facility or the CONRAC Facility site); (v) internal costs (including staff time) of Authority incurred in connection with the administration of the CFC or the administration of the Bonds; (vi) internal costs (including staff time) of CONRAC LLC incurred in connection with the performance by CONRAC LLC of any duties or obligations under any agreement with the Facility Manager or the Fuel Facility Manager; (vii) the fees and costs payable by CONRAC LLC to the Facility Manager; and (viii) any other cost or expense incurred by Authority or CONRAC LLC in connection with the RACs’ operations on or occupation of the CONRAC Facility and CONRAC Facility site, together with any Additional Special Facilities, if any.

**“Renewal Term”** shall mean, with respect to a CRC Lease Agreement, the five Agreement Year period commencing upon the expiration of the Initial Lease Term thereof.

**“Rent”** shall mean Land Rent, Contingent Rent, Reimbursable O&M Costs and all other fees, costs and other amounts (other than CFC proceeds) payable from a Concessionaire under its CRC Lease Agreement, collectively.

**“Rental Car Concession”** shall mean the right to operate a rental car concession at the Airport from the Terminal Counter Areas on a nonexclusive basis for the purpose of arranging rental services for motor vehicles.

**“Required Percentage”** shall mean, with respect to a Concession Agreement, (a) 10% for each Concession Agreement Year through and including the 10<sup>th</sup> Concession Agreement Year thereunder, and (b) 11% for each Concession Agreement Year thereunder commencing with the 11<sup>th</sup> Agreement Year and continuing through the expiration or earlier termination of the Concession Term thereof.

**“Reserved Area”** shall mean those portions of the CONRAC Facility reserved to Authority for its use from time to time.

**“Routine Maintenance”** shall mean the following: (i) the regular maintenance and repair of the structural components of the CONRAC Facility, including the roof (both structure and covering/membrane), exterior walls, foundation and building structure, required to keep and maintain such structural components in good order, condition and repair; (ii) the regular maintenance and repair of the Common Use Areas (but specifically excluding the Fuel Facilities and any vehicle cleaning equipment of a RAC, the responsibility for which shall belong to the Fuel Facility Manager and the applicable RAC, respectively), and the Areas in Public View, including snow and ice removal and the pressure washing, resurfacing and repair of roadways and sidewalks included therein and the maintenance and repair of escalators and moving sidewalks, required to keep and maintain the Common Use Areas (other than the Fuel Facilities located therein) in good order, condition and repair; (iii) the maintenance and repair of the Reserved Area; and (iv) the repair and maintenance of the QTA Equipment; provided, however, Routine Maintenance shall not include any repairs, replacements or other actions that constitute Major Maintenance.

**“Security Amount”** means, with respect to a CRC Lease Agreement, an amount for each Agreement Year thereunder equal to the sum of (i) an amount equal to 50% of the Minimum Annual Guarantee of the Concessionaire thereunder for such Agreement Year plus (ii) an amount equal to three monthly installments of the Terminal Counter Rent due under such Concessionaire’s Concession Agreement.

**“Special Facility Ground Rent”** shall mean the “Ground Rent” (as such term is defined in the Sublease Agreement) due from Authority to CONRAC LLC under the Sublease Agreement; provided, however, that, for purposes of the CRC Lease Agreements, the Special Facility Ground Rent for any Agreement Year shall in no event exceed the amount equal to (i) the Value of the Land for such Agreement Year minus (ii) the amount from the Excess CFC Fund transferred, not later than 30 days prior to the commencement of such Agreement Year, to the payment of the “Ground Rent” (as such term is defined in the Sublease Agreement) due from Authority to CONRAC LLC under the Special Facility Sublease for such Agreement Year.

**“Storage Area”** shall mean those designated portions of the CONRAC Facility to be utilized by the RACs for purposes of storing vehicles.

**“Tenant Design Standards”** shall mean the standards, established by Authority from time to time, to specify the aesthetic qualities and the design, construction and materials requirements for tenants of the Airport and its facilities, as amended, modified and revised from time to time.

**“Terminal”** shall mean the interconnected facilities at the Airport, existing or under construction as of the date of the Concession Agreements, known individually as Concourse A, Concourse B,

Concourse C and Concourse D, along with all user movement areas, public areas and baggage claim areas therein and interconnecting facilities and all future expansions thereto.

**“Terminal Common Area”** shall mean each area within the Terminal that is accessible to the public and not subject to exclusive occupancy by a tenant of the Terminal under a lease with Authority, including, without limitation, any common corridor, hall, passageway, walkway, entrance, exit, aisle, stairway, elevator, escalator, seating or waiting area and restroom.

**“Terminal Counter Areas”** shall mean the areas of the Terminal leased to the RACs on an exclusive basis from time to time.

**“Terminal Counter Rent”** shall mean, with respect to a Concession Agreement, the rent due for each Concession Agreement Year thereunder in an amount equal to the product of \$36.00 multiplied by the number of square feet included within the Terminal Counter Space leased pursuant to such Concession Agreement.

**“Terminal Counter Space”** shall mean, with respect to a Concession Agreement, the area within the Terminal leased to the Concessionaire thereunder pursuant to such Concession Agreement.

**“Terminal Premises”** shall mean, with respect to a Concession Agreement, the Terminal Counter Space leased thereunder and the non-exclusive right and privilege, for the benefit of the Concessionaire thereunder to use the Terminal Common Areas in common with other tenants and occupants of the Terminal during the Concession Term thereof and to use the Airport roadways as they may exist from time to time.

**“Termination Damages”** shall mean, with respect to a CRC Lease Agreement, any payments and damages incurred because of a Concessionaire’s default under its CRC Lease Agreement, including the reasonable and necessary costs of re-letting (including any tenant improvements reasonably required, renovations or repairs reasonably required, any advertising reasonably required, any leasing commissions reasonably required, and attorneys’ fees and costs reasonably required).

**“Total Annual Costs”** shall mean an amount for any Agreement Year equal to the sum of the following for such Agreement Year: (i) all payments necessary to satisfy the Bond Obligations due during such Agreement Year; (ii) the Costs of CFC Administration for such Agreement Year; (iii) the Costs of any Additional Special Facilities due during such Agreement Year to the extent not funded through reserves maintained under the Bonds; and (iv) the costs of Major Maintenance incurred during such Agreement Year to the extent not funded through reserves maintained under the Bonds.

**“Total Taking”** shall mean (a) in a Concession Agreement, a condemnation or taking by exercise of the power of eminent domain by, or a conveyance in lieu thereof to, a Governmental Authority (other than Authority) of (i) all of the Terminal Premises, (ii) 50% or more of the square footage of the Terminal Counter Space as described in such Concession Agreement, or (iii) such a substantial portion of the Terminal Common Areas so as to render not less than 50% of the square footage of such Terminal Counter Space untenable or inaccessible to passengers at the Airport, and (b) in a CRC Lease Agreement, a condemnation or taking by exercise of the power of eminent domain by, or a conveyance in lieu thereof to, a Governmental Authority (other than Authority) of (i) all of the Premises, (ii) 50% or more of the square footage of the Exclusive Use Premises as described in such CRC Lease Agreement, or (iii) such a substantial portion of the Common Use Areas so as to render not less than 50% of the square footage of such Exclusive Use Premises untenable or inaccessible to Concessionaire.

**“Unrestricted Customer Facility Charge Proceeds”** shall mean proceeds of the CFC the use of which is (i) not subject to or restricted by the terms of the Bonds or the Bond Obligations, (ii) totally within the sole discretionary control of Authority, and (iii) not previously committed to any specific uses or purposes under the Bonds.

**“Value of the Land”** shall mean the following: (a) for the first Agreement Year under the CRC Lease Agreements, the “Value of the Land” shall equal \$250,000; (b) for the second Agreement Year

thereunder, the “Value of the Land” shall equal \$500,000; and (c) for each Agreement Year commencing with the third Agreement Year thereunder and continuing for each Agreement Year thereafter, the “Value of the Land” shall equal the product of (i) the square footage of the CONRAC Facility site (which is agreed to be 625,109 as of January 4, 2010) multiplied by (ii) the Per-Square-Foot Value as determined therein from time to time.

### **III. CRC Lease Agreements**

#### **Leased Premises**

Pursuant to its CRC Lease Agreement, a Concessionaire leases a portion of the CONRAC Facility for its exclusive use, together with an undivided, non-exclusive interest in and to the Fuel Facilities in common with the other RACs, and a non-exclusive right and privilege to use the Common Use Areas in common with other tenants and occupants of the CONRAC Facility during the Lease Term thereof and to use the Airport roadways as they may exist from time to time.

Authority shall have the right to modify a Concessionaire’s Exclusive Use Premises in conjunction with a reallocation among all RACS of the Exclusive Use Areas. Effective upon the expiration of each period of 30 months during the Lease Term, Authority may reallocate the Ready/Return Area and the Storage Area among the RACs in the event the Market Share of any one RAC has either increased or decreased by at least 10% when compared to such RAC’s Market Share for the first full Agreement Year. In addition, in the event that a RAC’s right to lease portions of the Exclusive Use Areas under its lease with Authority is terminated (whether by default, in bankruptcy or otherwise), Authority may reallocate the vacated space within the Exclusive Use Areas among the then-remaining RACs or lease such vacated space to a New Entrant on rental terms not more favorable than the Rent provided in a CRC Lease Agreement. After the completion of each period of five Agreement Years, Authority may reallocate the QTA Space among the RACs, effective as of the commencement of the first Agreement Year after such period of five Agreement Years, on the basis of a formula determined by Authority at that time.

#### **CRC Lease Agreement Term**

A CRC Lease Agreement provides that it is effective and binding between Authority and the Concessionaire thereunder upon the date thereof. The initial term of the CRC Lease Agreement will expire at the end of the 15<sup>th</sup> Agreement Year. The Concessionaire shall have the option to extend the term of the CRC Lease Agreement for one additional Renewal Term.

#### **Collection and Remittance of CFC Proceeds**

Pursuant to the Authority Resolution and the CRC Lease Agreements, the Concessionaires shall collect the CFC on all vehicle rental transactions with Airport Customers. In its CRC Lease Agreement, the Concessionaire thereunder agrees that (i) proceeds of the CFC are not income, revenue or any other asset of such Concessionaire; (ii) such Concessionaire has no ownership or property interest in such CFC proceeds; and (iii) such Concessionaire waives any claim to a possessory or ownership interest in the CFC proceeds. Furthermore, the Concessionaire agrees that it holds and will hold such CFC proceeds in trust for the benefit of Authority and that Authority (or a trustee on its behalf) has complete possessory and ownership rights to such CFC proceeds.

#### **Land Rent**

To the extent that Special Facility Ground Rent is not paid from the application of funds pursuant to the Indenture, the CRC Lease Agreement requires the Concessionaire thereunder to pay Land Rent in an amount equal to its Pro Rata Share of the portion of the unpaid Special Facility Ground Rent. Any Land Rent due for an Agreement Year shall be paid to Authority (or to a trustee designated by Authority to

receive the Land Rent) in equal monthly installments in advance on the first day of each and every month during the Lease Term. Prior to commencement of each Agreement Year, Authority shall provide to such Concessionaire a statement specifying the Land Rent due for such Agreement Year. Authority shall reasonably endeavor to provide this notice not less than 20 days prior to the commencement of each Agreement Year.

### **Contingent Rent**

The CRC Lease Agreements grant to Authority the right to charge Contingent Rent in the event that (i) Authority determines an Annual Shortfall existed, exists or will exist for an Agreement Year, and (ii) Authority has established the CFC at a rate of not less than \$5.00 per transaction day. For any particular Agreement Year, the Contingent Rent due from the Concessionaire under its CRC Lease Agreement shall be an amount equal to the product of (a) the total square footage of its Exclusive Use Premises as then configured divided by the total square feet of the Exclusive Use Areas, multiplied by (b) the amount of the Annual Shortfall for the applicable Agreement Year. The Contingent Rent so charged with respect to an Agreement Year shall be payable in 12 equal, consecutive monthly installments.

### **Reimbursement of Advanced Rent**

In the event that the Concessionaire pays any Contingent Rent or Land Rent under its CRC Lease Agreement, Authority agrees to reimburse the Advanced Rent to such Concessionaire (without interest) from amounts contained in the Excess CFC Fund in such amounts and at such times as Authority shall determine on or before the date that is five years after the date on which no Bond Obligations exist or remain outstanding and unsatisfied; provided, however, that in making such determinations, Authority may consider such matters and circumstances as Authority shall elect, including any Bonds and Bond Obligations then existing, the balance of the Excess CFC Fund, the amount of the Advanced Rent and the amounts of similar obligations owed to other Concessionaires, the amount of aggregate CFC proceeds collected and projected to be collected, and the condition of the CONRAC Facility and the CONRAC Facility site. Furthermore, Authority shall not, in any event or under any circumstances, be liable or obligated to pay for the reimbursement of any Advanced Rent from any funds or assets of Authority other than from the Excess CFC Fund, and any such reimbursement from the Excess CFC Fund shall be at such times and in such amounts as Authority shall determine as provided by the terms of the CRC Lease Agreements. Under its CRC Lease Agreement, the Concessionaire thereunder also grants to Authority the right to off-set any amounts owed by such Concessionaire to Authority upon the expiration or earlier termination of the Lease Term thereof (including any damages resulting from an "Event of Default" as defined under its CRC Lease Agreement) against any reimbursement of Advanced Rent to such Concessionaire by Authority.

### **Routine Maintenance**

CONRAC LLC shall retain the Facility Manager to manage, and to cause the performance of, the Routine Maintenance of the CONRAC Facility.

### **Reimbursable O&M Costs**

A Concessionaire shall, commencing on the Deadline for Substantial Completion, and continuing thereafter throughout the Lease Term of its CRC Lease Agreement, pay to the Facility Manager, on the first day of each and every month, a monthly installment of such Concessionaire's anticipated Pro Rata Share of the Reimbursable O&M Costs for the Agreement Year in which such month occurs. In the event that the total of the monthly payments made by such Concessionaire for such Agreement Year (including amounts drawn against its O&M Deposit) is less than such Concessionaire's actual Pro Rata Share of Reimbursable O&M Costs, the Concessionaire shall pay the difference within 30 days after receipt of

such statement from the Facility Manager. Commencing on the Deadline for Substantial Completion and continuing thereafter throughout the Lease Term, such Concessionaire shall cause the O&M Deposit to be maintained with the Facility Manager, and the Facility Manager shall be entitled to use the O&M Deposit for the payment of the Concessionaire's Pro Rata Share of Reimbursable O&M Costs during an Agreement Year to the extent that the Concessionaire's monthly payments of its Pro Rata Share of estimated Reimbursable O&M Costs are less than the amount required during such Agreement Year.

### **Major Maintenance**

Authority shall have the obligation to undertake all Major Maintenance that the CONRAC Facility or the CONRAC Facility site may require; provided, however, that Authority shall have the right to elect to require the RACs, through the Fuel Facility Manager or otherwise as required by Authority, to complete any Major Maintenance that the Fuel Facilities may require, and, in the event of such election by Authority, Authority shall pay or reimburse the costs and expenses of such Major Maintenance of the Fuel Facilities on the same terms and conditions as provided in the CRC Lease Agreements for Major Maintenance of the remainder of the CONRAC Facility or the CONRAC Facility site. To the extent that the cost of any Major Maintenance is not funded through reserves maintained under the Bonds, the cost of any Major Maintenance during any Agreement Year (including a reasonable charge for Authority's administrative cost) shall be included within the Total Annual Costs for such Agreement Year.

### **Other Financial Obligations**

A Concessionaire shall, upon execution of its CRC Lease Agreement, obtain and deliver to Authority one of the following to secure the Concessionaire's full performance of its CRC Lease Agreement and such Concessionaire's Concession Agreement: (i) a good and sufficient irrevocable stand-by letter of credit in the form required by the CRC Lease Agreement in a stated amount equal to the Security Amount, or (ii) a good and sufficient surety bond in the form required by the CRC Lease Agreement equal to 125% of the Security Amount. The form, provisions and nature of such letter of credit or surety bond, and the identity of the issuer thereof, shall at all times be subject to Authority's approval and shall remain in place at all times throughout the Lease Term thereof and any holdover period.

### **Fuel Facilities**

The CRC Lease Agreements provide that CONRAC LLC and each of the RACs shall contract with the Fuel Facility Manager to operate, maintain and repair the Fuel Facilities. The identity of the Fuel Facility Manager and the terms of such agreement with the Fuel Facility Manager shall specifically be subject to Authority's approval, which Authority shall not unreasonably withhold so long as such proposed Fuel Facility Manager meets the qualifications specified in the CRC Lease Agreements. Except for Authority's obligation to cause the completion of any Major Maintenance that the Fuel Facilities may require, the Concessionaires, through the Fuel Facility Manager, shall be entirely responsible for the proper operation, maintenance, repair and use of the Fuel Facilities and the fees, costs and expenses associated therewith. Under its CRC Lease Agreement, the Concessionaire thereunder agrees that it shall not allow the release, spill, discharge, leak, emission, injection, escape, migration or dumping in, on, about, from or adjacent to the Premises (including storm drains, sanitary sewer system, surface waters, soils, underground waters or air) of any hazardous substance or other deleterious substance in any manner that could be a detriment to the Premises or in violation of any Authority Standards, applicable environmental permits or environmental plans relating to the CONRAC Facility or the CONRAC Facility site, or environmental laws. If there is any apparent overlap or conflict between the requirements of the Facility Manager and Fuel Facility Manager, Authority shall determine the party to be primarily responsible.

The CRC Lease Agreements also provide that the RACs shall cause the Fuel Facility Manager to provide to Authority, continually throughout the Lease Term, either (i) an irrevocable stand-by letter of credit in the form required by the CRC Lease Agreements in the amount equal to \$1,000,000 (provided, however, that such amount shall increase by 10% over the previously existing amount thereof upon the commencement of each of the sixth and eleventh Agreement Years and the commencement of the Renewal Term); or (ii) a pollution liability insurance policy on an occurrence basis providing single limit coverage in an amount of not less than \$2,000,000 per occurrence (any deductibles or self-insured retentions for this insurance coverage that exceed \$100,000 must be disclosed to, and receive the prior approval of, Authority and CONRAC LLC), and otherwise satisfying the requirements of the CRC Lease Agreements.

### **Indemnification and Insurance**

Under the terms of its CRC Lease Agreement, the Concessionaire thereunder shall have the obligation to defend, indemnify and hold Authority and CONRAC LLC, and their respective commissioners, members, managers, officers, agents and employees, harmless from any and all loss, damages, expenses, attorneys' fees, consultants' fees, court costs and other costs for or from: (i) anything arising from the condition of such Concessionaire's Exclusive Use Premises or out of the use or occupancy of the Premises by such Concessionaire or any subtenant, licensee, invitee or concessionaire of such Concessionaire; (ii) any accident, injury, death or damage to any Person however caused in or about the Premises or upon the sidewalks adjacent to the Premises and arising from the negligent act or omission of such Concessionaire or any subtenant, licensee, invitee or concessionaire of such Concessionaire or any of their respective officers, agents, employees, guests or invitees; (iii) any fault or negligence of such Concessionaire or any subtenant, licensee, invitee or concessionaire of such Concessionaire or any of their respective officers, agents, employees, guests or invitees; (iv) any failure on such Concessionaire's part to comply with any of the covenants, terms and conditions contained in its CRC Lease Agreement; or (v) any damage to the CONRAC or the CONRAC Facility site arising from the installation or construction of such Concessionaire's improvements. In addition, the Concessionaire's CRC Lease Agreement requires it to obtain and maintain certain insurance coverages, including, without limitation, insurance coverages for commercial general liability claims, automobile liability claims, workers compensation claims, and damage to the Concessionaire's improvements, vehicle cleaning equipment, trade fixtures, business equipment, furnishings and other personal property. The insurers providing such insurance policies, as well as the terms and amounts of such insurance policies themselves, must satisfy the requirements set forth in such Concessionaire's CRC Lease Agreement.

### **Casualty**

In the event that the Premises of a Concessionaire or the larger CONRAC Facility of which such Premises are a part are damaged by fire or other casualty, and if the damage can be repaired within 30 days from the date of the occurrence (with repair work and the preparations therefor to be done during regular working hours on regular work days), the Premises (but excluding such Concessionaire's improvements, furniture, fixtures and equipment) shall be repaired with due diligence by Authority, and in the meantime, the Land Rent shall be abated in the same proportion that any untenable portion of the Exclusive Use Premises bears to the entire Exclusive Use Premises, for the period from the occurrence of the damage to the completion of the repairs. In the event that such Premises or the larger CONRAC Facility of which such Premises are a part are completely destroyed by fire or other casualty, or damaged to such an extent that the damage cannot be repaired within 30 days of the occurrence, Authority shall have the option to terminate such Concessionaire's CRC Lease Agreement by notice to the Concessionaire within 30 days after the occurrence of any such damage, and such termination shall be effective as of any date not more than 60 days after the occurrence. If Authority shall elect to continue such CRC Lease Agreement in effect, it shall commence and prosecute with due diligence any work necessary to restore or repair such Premises (but excluding such Concessionaire's improvements, furniture, fixtures and equipment). For the

period from the occurrence of any damage to such Premises to the date of completion of the repairs to the Premises (or to the date of termination of such CRC Lease Agreement if Authority elects not to repair the Premises), the Land Rent shall be abated in the same proportion that any untenable portion of the Exclusive Use Premises bears to the entire Exclusive Use Premises.

In the event that the Concessionaire's Premises or the larger CONRAC Facility of which such Premises are a part are damaged or destroyed by fire or other casualty, such Concessionaire shall, at its sole cost and expense, be responsible, without regard to the cause of loss, for the repair, restoration and replacement of such Concessionaire's improvements, furniture, fixtures and equipment.

### **Condemnation**

In the event a Total Taking occurs during the Lease Term of a Concessionaire's CRC Lease Agreement, then the Lease Term thereof shall cease and terminate on the date that title vests in the Governmental Authority pursuant to such Total Taking. All proceeds paid as a result of such Total Taking shall be the sole property of Authority.

In the event a Partial Taking occurs during the Lease Term of a Concessionaire's CRC Lease Agreement, then such CRC Lease Agreement shall terminate as to the portion of the Premises thereunder so taken but shall continue in full force and effect as to the remainder of such Premises. In the event of a Partial Taking, Authority shall, promptly after Authority's receipt of the net proceeds paid as a result of such Partial Taking, repair or restore the portion of the Premises not so taken so that an architectural unit reasonably appropriate for the continued use and occupancy by such Concessionaire is completed; provided, however, Authority shall have no obligation to repair or restore any damage to such Concessionaire's improvements, furniture, fixtures and equipment. During the period of repair and restoration, the Land Rent shall be abated proportionately to the extent and during the time in which a portion of the Exclusive Use Premises is rendered untenable.

### **Events of Default**

For purposes of a CRC Lease Agreement, the term "Event of Default" shall mean the occurrence of any of the following events: (i) the vacating or abandonment of its Exclusive Use Premises by the Concessionaire thereunder for a period of 48 hours; (ii) the failure by such Concessionaire to collect and remit the proceeds of the CFC as required by its CRC Lease Agreement; (iii) the failure by such Concessionaire to make any payment of Rent, fees or any other amount required by its CRC Lease Agreement when due (other than as described in items (ii) or (iv) under this caption) and such failure continues for 10 days after a notice of default is deemed to be received by such Concessionaire in accordance with the provisions of its CRC Lease Agreement; (iv) the failure by such Concessionaire to make any payment to the Fuel Facility Manager required by its CRC Lease Agreement or any agreement with the Fuel Facility Manager (including, without limitation, the Fuel Facility Management Agreement) to which such Concessionaire is a party when due and such failure continues for five days after a notice of default is deemed to be received by such Concessionaire in accordance with its CRC Lease Agreement; (v) the failure by such Concessionaire to observe or perform the covenants, conditions and agreements to be observed or performed by such Concessionaire with respect to environmental compliance in its CRC Lease Agreement and such failure continues for 10 days after a notice of default is deemed to be received by such Concessionaire in accordance with its CRC Lease Agreement; (vi) the failure by such Concessionaire to observe or perform the covenants, conditions and agreements to be observed or performed by such Concessionaire in the provisions of its CRC Lease Agreement relating to indemnification and the maintenance of required insurance coverages; (vii) the failure by such Concessionaire to observe or perform any covenant, condition or agreement to be observed or performed by such Concessionaire in its CRC Lease Agreement (other than as described in items (i), (ii), (iii), (iv), (v), (vi), (viii), (ix), (x) and (xi) under this caption) and such failure continues for 30 days after a notice of



default is deemed to be received by such Concessionaire in accordance with its CRC Lease Agreement; (viii) the failure by such Concessionaire to observe or perform any covenant, condition or agreement to be observed or performed by such Concessionaire in any agreement with the Fuel Facility Manager to which such Concessionaire is a party (other than as described in item (iv) under this caption) and such failure continues for 10 days after a notice of default is deemed to be received by such Concessionaire in accordance with its CRC Lease Agreement; (ix) the discovery by Authority that any financial or background statement provided to Authority by such Concessionaire or any successor, grantee or assign of such Concessionaire was materially false; (x) the filing by or against such Concessionaire of a petition in bankruptcy, such Concessionaire's being adjudged bankrupt or insolvent by any court, a receiver of the property of such Concessionaire being appointed in any proceeding brought by or against such Concessionaire, such Concessionaire's making an assignment for the benefit of creditors or any proceeding being commenced to foreclose any lien on such Concessionaire's interest in the Premises or on any personal property kept or maintained on the Premises by such Concessionaire; and (xi) the occurrence of an "Event of Default" as such term is defined in such Concessionaire's Concession Agreement.

### **Remedies**

In addition to, and not in lieu or to the exclusion of, any other remedies provided in a CRC Lease Agreement or to any other remedies available to Authority or CONRAC LLC at law or in equity, Authority, whenever any "Event of Default" as defined in the CRC Lease Agreement is continuing thereunder, shall have the right to terminate a CRC Lease Agreement and all of the Concessionaire's rights thereunder (without further notice to such Concessionaire being required) and to recover from such Concessionaire all unpaid Rent, unremitted CFC proceeds, any other amount otherwise payable by such Concessionaire, and the Termination Damages, together with interest on all Termination Damages at the Default Rate from the date such Termination Damages are incurred by Authority until paid by such Concessionaire. In addition to the Termination Damages, and notwithstanding termination and re-entry, such Concessionaire's liability for Future Charges will not be extinguished and Concessionaire agrees that Authority will be entitled, upon termination for default, to collect as additional damages, (i) an amount equal to the Future Charges, less the amount of actual rent and fees, if any, which Authority receives during the remainder of the Lease Term from others to whom the such Premises may be leased, either in an accelerated lump-sum payment discounted to net present value or in monthly installments; or (ii) an amount equal to the Future Charges less the aggregate fair rental value of such Premises over the remaining Lease Term, reduced to net present value.

### **Additional CRC Lease Agreement Provisions**

A CRC Lease Agreement also contains provision, among others, relating to (i) the right of Authority to develop and construct Additional Special Facilities relating to the CONRAC Facility, (ii) the ability of the Concessionaire thereunder to assign or sublease the Premises, (iii) the issuance of Bonds relating to the financing of the CONRAC Facility and related special facilities and the potential necessity of amendments to such CRC Lease Agreement to accommodate requests or requirements by rating agencies assigning ratings to such Bonds, (iv) the obligation of the Concessionaire thereunder to comply with applicable legal requirements and Authority Standards, (v) alterations and improvements by such Concessionaire within the Premises, (vi) the liability of such Concessionaire for all license fees and all taxes payable for, or on account of, such Concessionaire's Rental Car Concession, all taxes on such Concessionaire's property, and such Concessionaire's proportionate share of all taxes, charges and assessments levied on the land, the buildings, any improvements, fixtures and equipment and all other real or personal property constituting or located within or upon the Premises.

#### **IV. CONCESSION AGREEMENTS**

##### **Grant of Concession**

Pursuant to a Concession Agreement, Authority awards and grants to the Concessionaire thereunder the right to operate a Rental Car Concession at the Airport during the Concession Term thereof on a nonexclusive basis for the purpose of arranging rental vehicle and related services for Airport Customers where such services are furnished by or on behalf of such Concessionaire. A Concession Agreement is effective and binding between the parties thereto as of the date first signed by Authority and the Concessionaire thereunder; provided, however, that the Concession Term thereof shall commence on the Opening Date and, unless earlier terminated pursuant to the provisions of such Concession Agreement, shall extend for a period of 15 Concession Agreement Years. The Concessionaire thereunder shall have the right to operate a Rental Car Concession within the Premises during the term of its CRC Lease Agreement only for as long as such Concessionaire is a party to a Concession Agreement; provided, however, the expiration or termination of a Concession Agreement with Authority shall not affect, impair or terminate such Concessionaire's obligations under its CRC Lease Agreement. A Concessionaire agrees in its Concession Agreement not to violate applicable legal requirements or any of the covenants, agreements, provisions and conditions of its Concession Agreement, and the Concessionaire specifically agrees to comply with all present or future Authority Standards.

Pursuant to the terms of its CRC Lease Agreement, the Concessionaire thereunder has agreed to collect, and to remit to Authority, the CFCs. In the event of the expiration or earlier termination of its CRC Lease Agreement while its Concession Agreement remains in effect, the Concessionaire thereunder agrees to continue the collection and remittance of the CFCs in accordance with the requirements of Authority and to enter into any additional documentation required by Authority to evidence such obligation to collect and remit the CFCs. A Concession Agreement further provides that the Concessionaire thereunder shall pay the Terminal Counter Rent for its Terminal Counter Space and the Concession Fee imposed thereunder.

##### **Concession Fee**

For the concession rights and privileges granted in its Concession Agreement, the Concessionaire thereunder agrees to pay the Concession Fee imposed by its Concession Agreement. The Concessionaire shall pay a monthly installment of the Minimum Annual Guarantee thereunder equal to one-twelfth of the Minimum Annual Guarantee for the Concession Agreement Year in which such month occurs. On or before the 20<sup>th</sup> day of each month, commencing with the second full month of the first Concession Agreement Year and ending with the month following the final month of the Concession Term, such Concessionaire shall remit to Authority the difference, if any, between the monthly installment of such Minimum Annual Guarantee paid for the preceding month and the Percentage Fee due for such preceding month. Pursuant to its Concession Agreement, the Concessionaire thereunder shall include a separate statement of and charge for the Recovery Fee on its customer invoices or rental agreements.

A Concessionaire's obligation to pay monthly installments of the Minimum Annual Guarantee (but not the obligation of the Concessionaire to pay the Percentage Fee) under its Concession Agreement may be abated, commencing with the calendar month following the calendar month in which one of the following occurs and ending with the calendar month following the calendar month in which such circumstance no longer exists: (i) the number of passengers deplaning on scheduled airline flights at the Airport during any calendar month shall be less than 70% of the number of such deplaning passengers in the same calendar month of the first Agreement Year; or (ii) such Concessionaire demonstrates to Authority, in a manner that Authority determines to be satisfactory, that such Concessionaire's Gross Revenues have materially diminished during a period of at least 30 consecutive days and Authority determines that the operation of such Concessionaire's Rental Car Concession at the Airport has been adversely affected for such period.

by a circumstance for which such Concessionaire is not responsible (other than a labor dispute involving such Concessionaire).

### **Terminal Counters**

Pursuant to its Concession Agreement, the Concessionaire thereunder leases its Terminal Counter Space within the Terminal that such Concessionaire utilizes for its customer service counter at the rate of \$36.00 per square foot. The Concessionaire shall construct, equip and install, or cause to be constructed, equipped and installed, its initial capital improvements in its Terminal Counter Space in accordance with plans and specifications submitted to and approved by Authority, free and clear of all liens, encumbrances and security interests. The Concessionaire agrees to provide at its own expense such janitorial, toilet and cleaning services and supplies as may be necessary or required in the operation and maintenance of its Terminal Counter Space to keep such Terminal Counter Space in a clean, neat, orderly, sanitary and attractive condition.

After the completion of each period of five Concession Agreement Years, Authority may reallocate the Terminal Counter Areas among the RACs, effective as of the commencement of the first Concession Agreement Year after such period of five Concession Agreement Years, on the basis of a formula determined by Authority at that time. In the event that a Concessionaire's right to lease portions of the Terminal Counter Areas under its agreement with Authority is terminated (whether by default, in bankruptcy or otherwise), Authority may determine to reallocate the vacated space within the Terminal Counter Areas among the remaining RACs, to lease such vacated space to a New Entrant or to lease such vacated space to a new tenant of the Terminal. In determining how to reallocate such vacated space in the Terminal Counter Areas, Authority may consider such information and circumstances as it deems relevant.

### **Casualty**

If all or any portion of the Terminal Premises under a Concession Agreement is partially damaged by fire, explosion, the elements, act(s) of war or terrorism or other casualty, but the Concessionaire's Terminal Counter Space is not rendered untenable or inaccessible to patrons of the Airport, such damage will be repaired with due diligence by Authority at its own cost and expense and there shall be no abatement of payments to Authority; provided, however, (i) if the damage is caused by the act or omission of such Concessionaire or any of its officers, contractors, subcontractors, agents, representatives or employees, such Concessionaire shall be responsible at its expense for making the necessary repairs and restorations to the Terminal Premises as approved by Authority; and (ii) Authority shall have no obligation to repair or restore any damage to the capital improvements of such Concessionaire.

If all or any portion of the Terminal Premises under a Concession Agreement is damaged by fire, explosion, the elements, act(s) of war or terrorism, or other casualty, and such damage shall be so extensive as to render part or all of the Concessionaire's Terminal Counter Space untenable or inaccessible to patrons of the Airport, but such damage is capable of being repaired and restored within 120 days, such damage shall be repaired and restored with due diligence by Authority at its own cost and expense and the Terminal Counter Rent for such period shall be reduced in proportion to the portion of the Terminal Counter Space rendered untenable or inaccessible, from the time of such damage until such time as the Terminal Premises are fully restored and certified by Authority's engineers as ready for occupancy; provided, however, (i) if the damage is caused by the act or omission of such Concessionaire or its officers, contractors, subcontractors, agents, representatives or employees, there shall be no abatement in the Terminal Counter Rent and such Concessionaire shall be responsible at its expense for making the necessary repairs and restorations to the Terminal Premises as approved by Authority; and (ii) Authority shall have no obligation to repair or restore any damage to the capital improvements of such Concessionaire.

In the event the Terminal Premises under a Concession Agreement are completely destroyed by fire, explosion, the elements, act(s) of war or terrorism or other casualty or are so damaged that they are untenable and cannot be replaced except after more than 120 days, Authority shall be under no

obligation to repair and restore the Terminal Premises, and the obligation of the Concessionaire thereunder to pay Terminal Counter Rent shall abate as of the date of such damage or destruction until such time as the Terminal Premises are fully restored or until Authority provides substitute facilities, reasonably acceptable to such Concessionaire, for use by such Concessionaire; provided, however, (i) if the damage is caused by the act or omission of such Concessionaire or its officers, contractors, subcontractors, agents, representatives or employees, there shall be no abatement in Terminal Counter Rent and such Concessionaire shall be responsible at its expense for making the necessary repairs and restorations to the Terminal Premises as approved by Authority; and (ii) in the event that Authority elects to repair and restore the Terminal Premises, Authority shall have no obligation to repair or restore any damage to the capital improvements of such Concessionaire.

### **Condemnation**

In the event a Total Taking occurs during the Concession Term of a Concession Agreement, then such Concession Term shall cease and terminate on the date that title vests in the Governmental Authority pursuant to such Total Taking.

In the event a Partial Taking occurs during the Concession Term of a Concession Agreement, then such Concession Agreement shall terminate as to the portion of the Terminal Premises thereunder so taken but shall continue in full force and effect as to the remainder of such Terminal Premises. In the event of a Partial Taking, Authority shall, promptly after Authority's receipt of the net proceeds paid as a result of such Partial Taking, repair or restore the portion of the Terminal Premises not so taken so that an architectural unit reasonably appropriate for the continued use and occupancy by the Concessionaire thereunder is completed; provided, however, Authority shall have no obligation to repair or restore any damage to the capital improvements of such Concessionaire, and Authority shall make any net proceeds paid as a result of such Partial Taking that are specifically awarded with respect to such Concessionaire's capital improvements available to such Concessionaire for such repair and restoration. The Concessionaire thereunder shall promptly repair and restore such Concessionaire's capital improvements affected by such Partial Taking. During the period of repair and restoration, the Terminal Counter Rent shall be abated proportionately to the extent and during the time in which portions of such Concessionaire's Terminal Counter Space are rendered untenable.

### **Events of Default**

For purposes of a Concession Agreement, the term "Event of Default" shall mean the occurrence of any of the following events: (i) the vacating or abandonment of its Terminal Counter Space by the Concessionaire thereunder for a period of 48 hours; (ii) the failure by such Concessionaire to collect and remit the proceeds of the CFC as required by its CRC Lease Agreement when due; (iii) the failure by such Concessionaire to make any payment of Concession Fees, Terminal Counter Rent or any other amount required by its Concession Agreement when due (other than as described in item (ii) under this caption) and such failure continues for 10 days after a notice of default is deemed to be received by such Concessionaire in accordance with the provisions of its Concession Agreement; (iv) the failure by such Concessionaire to observe or perform the covenants, conditions and agreements to be observed or performed by such Concessionaire with respect to environmental protection and such failure continues for 10 days after a notice of default is deemed to be received by such Concessionaire in accordance with its Concession Agreement; (v) the failure by such Concessionaire to observe or perform the covenants, conditions and agreements to be observed or performed by such Concessionaire in the provisions of its Concession Agreement relating to indemnification and the maintenance of required insurance coverages; (vi) the failure by such Concessionaire to observe or perform any covenant, condition or agreement to be observed or performed by such Concessionaire in its Concession Agreement (other than as described in items (i), (ii), (iii), (iv), (v), (vii), (viii) and (ix) under this caption) and such failure continues for 30 days after a notice of default is deemed to be received by such Concessionaire in accordance with its Concession Agreement; (vii) the discovery by Authority that any financial or background statement provided to Authority by such Concessionaire or any successor, grantee or assign of such Concessionaire

was materially false; (viii) the filing by or against such Concessionaire of a petition in bankruptcy, such Concessionaire's being adjudged bankrupt or insolvent by any court, a receiver of the property of such Concessionaire being appointed in any proceeding brought by or against such Concessionaire, such Concessionaire's making an assignment for the benefit of creditors or any proceeding being commenced to foreclose any mortgage or other lien on such Concessionaire's interest in the Terminal Premises or on any personal property kept or maintained on the Terminal Premises by such Concessionaire; and (ix) the occurrence of an "Event of Default" as such term is defined in such Concessionaire's CRC Lease Agreement.

### **Remedies**

In addition to, and not in lieu or to the exclusion of, any other remedies provided in a Concession Agreement or to any other remedies available to Authority at law or in equity, Authority, whenever any "Event of Default" as defined in such Concession Agreement is continuing thereunder, shall have the right to terminate such Concession Agreement and all of the Concessionaire's rights thereunder (without further notice to such Concessionaire) and to recover from such Concessionaire all unpaid Concession Fees, Terminal Counter Rent, any other amount otherwise payable by such Concessionaire, and the Concession Termination Damages, together with interest on all Concession Termination Damages at the Default Rate, from the date such Concession Termination Damages are incurred by Authority until paid by such Concessionaire. In addition to the Concession Termination Damages, and notwithstanding termination and re-entry, such Concessionaire's liability for Concession Future Charges will not be extinguished and such Concessionaire agrees that Authority will be entitled, upon termination for default, to collect, as additional damages, (i) an amount equal to the Concession Future Charges less the amount of actual rent and fees, if any, which Authority receives during the remainder of the Concession Term thereof from others to whom the Terminal Counter Space may be leased, either in an accelerated lump-sum payment discounted to net present value or in monthly installments; or (ii) the aggregate fair value of the Terminal Counter Rent over the remaining Concession Term reduced to net present value.

Authority may terminate a Concession Agreement upon the termination of the Concessionaire's CRC Lease Agreement as a result of an "Event of Default" as defined and described in such Concessionaire's CRC Lease Agreement.

### **ACDBE Participation**

A Concession Agreement is a revenue-producing contract awarded to the Concessionaire thereunder and will result in the provision of goods and services to passengers, patrons and tenants at the Airport. Federal law and regulations impose ACDBE goals upon the performance of a Concession Agreement by the Concessionaire thereunder, and Authority encourages such Concessionaire voluntarily to strive to include significant involvement with minority business enterprises in operations under its Concession Agreement. Authority established a goal of 8.4% ACDBE participation for the Concession Agreement.

### **Indemnification and Insurance**

A Concession Agreement obligates the Concessionaire thereunder to obtain and keep in force, at its sole cost and expense, during the Concession Term thereof the various types of insurance, in the amounts specified and in the forms required thereunder, including the following: (i) commercial general liability insurance, (ii) automobile liability insurance, (iii) property insurance (with respect to its capital improvements, trade fixtures, business equipment, furnishings and other personal property on or about its Terminal Premises), and (iv) workers compensation insurance. Such Concessionaire also agrees to defend, fully indemnify, and hold entirely free and harmless Authority and its commissioners, officers, agents and employees from any and all loss, damages, expenses, attorneys' fees, consultants' fees, court costs and other costs for or from: (a) anything arising from the condition of such Concessionaire's Terminal Counter Space or out of the use or occupancy of its Terminal Premises by such Concessionaire or any subtenant, licensee, invitee or concessionaire of such Concessionaire; (b) any accident, injury,

death or damage to any Person however caused in or about its Terminal Premises or upon the sidewalks adjacent to its Terminal Premises and arising from the negligent act or omission of such Concessionaire or any subtenant, licensee, invitee or concessionaire of such Concessionaire or any of their respective officers, agents, employees, guests or invitees; (c) any fault or negligence by such Concessionaire or any subtenant, licensee, invitee or concessionaire of such Concessionaire or any of their respective officers, agents, employees, guests or invitees; or (d) any failure on such Concessionaire's part to comply with any of the covenants, terms and conditions contained in its Concession Agreement.

**Additional Concession Agreement Provisions**

A Concession Agreement also contains provision relating to (i) the ability of the Concessionaire thereunder to assign or sublease its Terminal Premises, (ii) standards of operation for such Concessionaire, (iii) alterations and improvements by such Concessionaire, and (iv) the liability of such Concessionaire for all taxes and assessments applicable to or resulting from such Concessionaire's Rental Car Concession operations.

## **APPENDIX D**

### **FORM OF OPINION OF BOND COUNSEL**

February 11, 2010

Board of Commissioners  
Metropolitan Nashville Airport  
Authority  
Nashville Metropolitan Airport  
Nashville, Tennessee

Ladies and Gentlemen:

METROPOLITAN NASHVILLE AIRPORT AUTHORITY  
SPECIAL FACILITY REVENUE BONDS  
(MPC CONRAC LLC PROJECT), SERIES 2010  
\$66,300,000

At your request we have examined into the validity of Sixty-Six Million and Three Hundred Thousand Dollars (\$66,300,000) principal amount of Special Facility Revenue Bonds (MPC CONRAC LLC Project), Series 2010 (the "Series 2010 Bonds") of the Metropolitan Nashville Airport Authority (the "Authority"). The Series 2010 Bonds are issued in fully registered form; are dated their date of delivery; are of the denomination of \$5,000 or any integral multiple thereof; are numbered consecutively from R-1 upwards, bear interest payable July 1, 2010 and semi-annually each January 1 and July 1 at the rates per annum set forth in the schedule below; and mature and become payable as to principal on July 1 in each of the years and in the principal amounts as follows:

<u>Year</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Year</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2012	\$ 1,580,000	2.247%	2019	\$ 2,840,000	5.387%
2013	1,745,000	3.170	2020	3,000,000	5.537
2014	1,905,000	3.728	2021	3,175,000	5.787
2015	2,090,000	4.128	2022	3,365,000	5.937
2016	2,285,000	4.466	2023	3,575,000	6.087
2017	2,480,000	4.816	2024	3,800,000	6.187



2018	2,695,000	5.137	2029	31,765,000	6.793
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The Series 2010 Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2010 Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and pursuant to an Indenture (the "Indenture"), dated as of February 1, 2010, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). We have examined the Constitution and statutes of the State of Tennessee and certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2010 Bonds, an executed copy of the Indenture, an executed copy of the Special Facility Lease Agreement (the "Lease Agreement"), dated as of February 1, 2010, between the Authority and MPC CONRAC LLC (the "Company") and an executed copy of the Special Facility Sublease Agreement (the "Sublease Agreement"), dated as of February 1, 2010, between the Company and the Authority. We have also examined a specimen Series 2010 Bond.

In our opinion:

1. The Series 2010 Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and constitute valid and binding special obligations of the Authority enforceable against the Authority in accordance with their terms, secured solely by the Trust Estate, as defined in the Indenture, and payable solely from the Net Rent Payments, as defined in the Indenture.

2. The Indenture has been duly authorized, executed and delivered by the Authority; the provisions of the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms; and the holders of the Series 2010 Bonds are entitled to the security and benefits of the Indenture.

3. The Lease Agreement and Sublease Agreement have been duly authorized, executed and delivered by, and constitute valid and binding agreements of, the Authority and the Company enforceable against the Authority and the Company in accordance with their respective terms.

4. Interest on the Series 2010 Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

5. Under existing statutes, the Series 2010 Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

We express no opinion regarding other federal or state tax consequences arising with respect to the Series 2010 Bonds or the federal or state tax consequences of any actions taken with respect to the Series 2010 Bonds pursuant to the Indenture after the date hereof. We have rendered our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010 Bonds, or under state and local tax law.

It is to be understood that the rights of the holders of the Series 2010 Bonds under the Indenture and under the Series 2010 Bonds and the rights of the parties under the Indenture, the Lease and the enforceability of such rights may be subject to the exercise of judicial discretion, the sovereign police powers of the State of Tennessee and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2010 Bonds and express herein no opinion relating thereto.

Very truly yours,

## **APPENDIX E**

### **INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK ENTRY SYSTEM**

## INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

**The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2010 Bonds, payments of principal of and premium, if any and interest on the Series 2010 Bonds to The Depository Trust Company, New York, New York (“DTC”), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Series 2010 Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.**

DTC will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will

not receive certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010 Bond certificates will be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.**

**Neither the Authority nor the Trustee has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2010 Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Series 2010 Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Series 2010 Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.**

**So long as Cede & Co. is the registered owner of the Series 2010 Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Series 2010 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Series 2010 Bonds for all purposes under the Agreement of Trust.**

**The Authority may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2010 Bonds without the consent of Beneficial Owners or Bondholders.**

## **APPENDIX F**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”) dated as of \_\_\_\_, 2010 is being provided in connection with the issuance by The Metropolitan Nashville Airport Authority (the “Issuer”) of its \$66,300,000 original principal amount of Special Facility Revenue Bonds (MPC CONRAC LLC Project), Series 2010 (the “Bonds”). The Bonds were issued pursuant to an Indenture, dated as of February 1, 2010, between the Authority and U.S. Bank National Association, as trustee (the “Indenture”). Capitalized terms used in this Certificate which are not otherwise defined in the Indenture shall have the respective meanings specified above or in Article IV hereof.

### ARTICLE I The Undertaking

Section 1.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with fiscal year 2010, by no later than six (6) months after the end of the respective fiscal year, to MSRB.

The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to MSRB.

Section 1.4. Material Event Notices. If a Material Event occurs, the Issuer shall provide, in a timely manner, notice of such Material Event to MSRB.

Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Certificate without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.



## ARTICLE II Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Material Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. Transmission of Information and Notices. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. The Issuer's current fiscal year is July 1 - June 30, and the Issuer shall promptly notify the MSRB of each change in its fiscal year.

Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

## ARTICLE III Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Certificate shall be effective upon the issuance of the Bonds.

(b) The Issuer's obligations under this Certificate shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Certificate, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel, addressed to the Issuer, to the effect that those portions of the Rule which require this Certificate, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause

(4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel) and acceptable to the Issuer, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Certificate pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds as in effect on the date of this Certificate, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate, (2) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that performance by the Issuer under this Certificate as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

In addition to subsections (a) and (b) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b) The holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Certificate. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Certificate shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

#### ARTICLE IV Definitions

Section 4.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

"Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the Issuer, for each fiscal year of the Issuer, as follows:

To the extent not included in or with the Audited Financial Statements, the Annual Report shall include (in a similar format as set forth in the Official Statement delivered with respect to the Bonds in the case of item 1) the following information:

1. "Annual Enplanement Activity" as shown on page 28 ;
2. The amount of the Customer Facility Charge then in effect,
3. the total revenues generated by the Customer Facility Charges for the prior fiscal year;
4. the Issuer's calculation of the resulting debt service coverage for such period;

and (ii) the information regarding amendments to this Certificate required pursuant to Sections 3.2(c) and (d) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

“Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law a regulation describing such accounting principles, or other description thereof.

“Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

“GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

“Material Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of Bondholders;
- (viii) Bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Official Statement” means “final official statement”, as defined in paragraph (f)(3) of the Rule.

“Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

“SEC” means the United States Securities and Exchange Commission.

“Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Authority as of the \_\_\_\_ day of \_\_\_\_, 2010.

THE METROPOLITAN NASHVILLE AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Raul Regalado  
President  
The Metropolitan Nashville Airport  
Authority

## **APPENDIX G**

### **SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.  
(FORMERLY KNOWN AS FINANCIAL  
SECURITY ASSURANCE INC.)

By \_\_\_\_\_  
Authorized Officer

(212) 826-0100

