

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Authority, interest on the Series 2025 Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. For a more detailed explanation of certain tax consequences under federal law which may result from the ownership of the Series 2025 Bonds, see the discussion under the heading "TAX MATTERS" herein. Under existing law, the Series 2025 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. See "TAX MATTERS" herein.



\$38,600,000
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
Subordinate Airport Revenue Bonds
Series 2025 (Non-AMT)

Dated: Date of Delivery**Due: June 1, 2055**

This Offering Circular relates to the issuance by the Metropolitan Knoxville Airport Authority (the "Authority") of \$38,600,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2025 (Non-AMT) (the "Series 2025 Bonds"). Capitalized terms not defined on the cover of this Offering Circular have the meanings ascribed to them in this Offering Circular.

The Series 2025 Bonds are being issued for the purposes of providing funds to: (a) finance a portion of the costs of a new parking garage at McGhee Tyson Airport, and (b) pay the costs of issuance of the Series 2025 Bonds, as described herein. See "PLAN OF FINANCE" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT." herein.

The Series 2025 Bonds will be issued under and pursuant to Resolution No. 25-01 adopted by the Board of Commissioners of the Authority (the "Board") on January 22, 2025 (the "Authorizing Resolution"), and a Trust Indenture dated as of June 1, 2025 (as the same may be amended from time to time, the "Bond Indenture"), between the Authority and U.S. Bank Trust Company, National Association, as Trustee ("the Trustee"), and related First Supplemental Trust Indenture dated as of June 1, 2025, between the Authority and the Trustee (as the same may be amended from time to time, the "Indenture Supplement," and collectively with the Bond Indenture herein referred to as the "Indenture").

The Series 2025 Bonds will initially bear interest at the Daily Rate, as more fully described herein, determined daily and payable on the fifth Business Day of each month, commencing July 8, 2025. The Daily Rate will be determined by Truist Securities, Inc., as Remarketing Agent, on the basis of prevailing financial market conditions, as described in the Indenture. Subject to the satisfaction of certain conditions in the Indenture, the Authority may from time to time change the method of determining the interest rate on the Series 2025 Bonds to a Daily, Weekly or Bank Rate, as more fully described herein under "THE SERIES 2025 BONDS – Interest on the Series 2025 Bonds – Conversion Option." The Trustee will serve as the registrar and paying agent for the Series 2025 Bonds.

While the Series 2025 Bonds bear interest at a Daily Rate or a Weekly Rate, the payment of principal of, interest on and purchase price (to the extent remarketing proceeds are unavailable therefor) for the Series 2025 Bonds will be supported by an irrevocable direct-pay letter of credit (the "Credit Facility") issued by Truist Bank (the "Credit Provider"), which Credit Facility is scheduled to expire on June 3, 2030 (unless terminated or extended pursuant to its terms). The Credit Facility may be terminated and/or a substitute credit facility provided in substitution for the Credit Facility in accordance with the Indenture. See "THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT."



The Series 2025 Bonds are special obligations of the Authority, payable solely from and secured by a lien upon and pledge of the Pledged Funds (as defined in the hereinafter defined Senior Bond Resolution), and the Series 2025 Bonds are issued on a subordinate basis to the Authority's Airport Revenue Bonds, Series 2024A (Non-AMT) (the "Series 2024A Bonds"), and its Airport Revenue Bonds, Series 2024B (Federally Taxable) (the "Series 2024B Bonds" and together with the Series 2024A Bonds, the "Series 2024 Bonds"), issued pursuant to Resolution No. 24-03 adopted by the Board on September 18, 2024 (as amended and supplemented from time to time, the "Master Senior Bond Resolution"), and as particularly supplemented by Resolution No. 24-05 adopted by the Board on September 18, 2024 (the "2024 Supplemental Resolution", and together with the Master Senior Bond Resolution, the "Senior Bond Resolution") and on a subordinate basis to the Authority's Airport Revenue Refunding Note, Series 2019 (the "Series 2019 Note") which has a parity lien under the Master Senior Bond Resolution with the Series 2024 Bonds. The Series 2024 Bonds, the Series 2019 Note, and any additional bonds issued under and pursuant to the terms of the Senior Bond Resolution are collectively referred to herein as the "Senior Bonds."

This Offering Circular generally describes and relates to the Series 2025 Bonds only while bearing interest at the Daily Rate or Weekly Rate. This Offering Circular is not intended to provide information regarding the Series 2025 Bonds after the date, if any, on which the Series 2025 Bonds are converted to bear interest at a rate other than the Daily Rate or Weekly Rate. Prospective purchasers of the Series 2025 Bonds bearing interest at rates other than the Daily Rate or Weekly Rate should not rely on this Offering Circular.

The Series 2025 Bonds bearing interest at the Daily Rate will be issuable as fully registered bonds in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof. The Series 2025 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York. New York ("DTC"). DTC will act as securities depository for the Series 2025 Bonds. Purchases will be made in book-entry only form, and no physical delivery of the Series 2025 Bonds will be made to Beneficial Owners (as herein defined). Payment of principal of and premium, if any, and interest on the Series 2025 Bonds will be made to Beneficial Owners by DTC through its Participants (as herein defined). As long as Cede & Co. is the registered owner of the Series 2025 Bonds, as nominee of DTC, references herein to the holders of the Series 2025 Bonds or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2025 Bonds. See "DESCRIPTION OF THE SERIES 2025 BONDS – General" and APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

The Series 2025 Bonds are subject to redemption, purchase, and tender as provided in the Indenture and as described herein.

THE SERIES 2025 BONDS SHALL NOT IN ANY MANNER OR TO ANY EXTENT CONSTITUTE OR BE A CHARGE UPON ANY MONEYS OR PROPERTY OF THE AUTHORITY NOT SPECIFICALLY PLEDGED THERETO UNDER THE INDENTURE, OR CONSTITUTE OR BE AN OBLIGATION OF THE CITY OF KNOXVILLE OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OF TENNESSEE OTHER THAN THE AUTHORITY AND SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE OWNERS OF THE SERIES 2025 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OR OUT OF ANY FUNDS OR RESOURCES OTHER THAN PLEDGED FUNDS. THE AUTHORITY HAS NO TAXING POWER.

The purchase and ownership of the Series 2005 Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Series 2025 Bonds. Investors are advised to read this Offering Circular in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS" herein.

The Series 2025 Bonds are being offered when, as, and if issued by the Authority and received by the Underwriter subject to prior sale and to withdrawal or modification of the offer without notice, and subject to the approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, in its capacity as Bond Counsel to the Authority. Bass, Berry & Sims PLC, Knoxville, Tennessee, has served as Disclosure Counsel to the Authority in connection with the Series 2025 Bonds. Certain legal matters in connection with the Series 2025 Bonds will be passed upon for the Underwriter by Moore & Van Allen PLLC, Charlotte, North Carolina, as Underwriter's Counsel. Certain legal matters will be passed upon for the Credit Provider by Moore & Van Allen PLLC, Charlotte, North Carolina, counsel to the Bank. PFM Financial Advisors LLC, Memphis, Tennessee, and Cumberland Securities Company, Inc., Knoxville, Tennessee, are serving as Co-Municipal Advisors to the Authority. The Series 2025 Bonds are expected to be delivered through the book-entry system of DTC on or about June 4, 2025.

Truist Securities

Date of Offering Circular: May 27, 2025.

MATURITY SCHEDULE

\$38,600,000

**Metropolitan Knoxville Airport Authority
Subordinate Airport Revenue Bonds
Series 2025 (Non-AMT)**

Initial Interest Period	Daily Period
Interest Payment Date	Fifth Business Day of each month, commencing July 8, 2025
Maturity Date	June 1, 2055
Remarketing Agent	Truist Securities, Inc.
Credit Enhancement	Irrevocable Direct-Pay Letter of Credit issued by Truist Bank
CUSIP¹	592174BL9
Price	100%

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriter or their agents or counsel assume responsibility for the selection, accuracy or uses of such numbers, and no representation is made as to their correctness on the applicable Series 2025 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2025 Bonds.

**METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
BOARD OF COMMISSIONERS**

Brian Simmons
Chair

Howard Vogel, *Vice Chair*

Charles Harr, *Secretary*

Joe Dawson, *Assistant Secretary*

Ursula Bailey

Caryn Hawthorne

Maribel Koella

Allison Page

Wes Stowers

MANAGEMENT OF THE AUTHORITY

President and Chief Executive Officer

Chief Operating Officer

Vice President of Planning and Development

Vice President of Finance

Vice President of Marketing & Air Service Development

Vice President of Public Relations

Vice President of Human Resources

Director of Public Safety

Patrick Wilson, A.A.E

Jeffrey Perry, C.M., A.C.E.

Bryan White, P.E., C.M.

Susan Gennoe, CPA, C.M.F.O.

James Evans, Jr.

Becky Huckaby, APR, Fellow PRSA, A.A.E.

Adrienne Washington, SPHR

Tom Aiken

AUTHORITY COUNSEL

Bass, Berry & Sims PLC

BOND AND DISCLOSURE COUNSEL

Bass, Berry & Sims PLC

CO-MUNICIPAL ADVISORS

PFM Financial Advisors LLC

Cumberland Securities Company, Inc.

TRUSTEE

U.S. Bank Trust Company,
National Association

AIRPORT CONSULTANT

Landrum & Brown Incorporated

U.S. Bank Trust Company, National Association, as Trustee, has not reviewed, provided or undertaken to determine the accuracy of any of the information contained in this Offering Circular and makes no representation or warranty, express or implied, as to any matters contained in this Offering Circular, including, but not limited to, (i) the accuracy or completeness of such information, (ii) the validity of the Series 2025 Bonds, or (iii) the tax-exempt status of the Series 2025 Bonds.

This Offering Circular does not constitute a contract between the Authority or the Underwriter and any one or more owners of the Series 2025 Bonds, nor does it constitute an offer to sell or the solicitation of an offer to buy the Series 2025 Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

No dealer, salesman or any other person has been authorized by the Authority to give any information or to make any representations, other than those contained in this Offering Circular, in connection with the offering of the Series 2025 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority or any other person. The information and expressions of opinion in this Offering Circular are subject to change without notice, and this Offering Circular speaks only as of its date. Neither the delivery of this Offering Circular nor any sale made hereunder will, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. Except as otherwise indicated, the information contained in this Offering Circular, including in the appendices attached hereto, has been obtained from representatives of the Authority, the Airport Consultant, the Underwriter and from public documents, records and other sources considered to be reliable.

The Underwriter have provided the following sentence for inclusion in this Offering Circular. The Underwriter have reviewed the information in this Offering Circular in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter do not guarantee the accuracy or completeness of such information.

The Series 2025 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2025 Bonds in accordance with applicable provisions of the securities laws of the states, if any, in which the Series 2025 Bonds have been registered or qualified and the exemption from registration or qualification in certain other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2025 Bonds or the accuracy or completeness of this Offering Circular. Any representation to the contrary may be a criminal offense.

In making an investment decision, investors must rely on their own examination of the Authority and the Airport, and the terms of the offering, including the merits and risks involved. The Series 2025 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Any representation to the contrary may be a criminal offense.

The order and placement of information in this Offering Circular, including the appendices attached hereto, are not an indication of relevance, materiality or relative importance, and this Offering Circular, including the appendices attached hereto, should be read in its entirety. The captions and headings in this Offering Circular are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Offering Circular.

References to website addresses presented herein, including the Authority's website or any other website containing information about the Authority, are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Offering Circular for any purpose including for purposes of Securities and Exchange Commission Rule 15c2-12.

The Credit Provider has not prepared or assisted in the preparation of this Offering Circular, including, without limitation, any financial information included herein or attached hereto, and the Credit Provider has no responsibility for the form and content of this Offering Circular or any information omitted herefrom, other than solely with respect to the information describing the Credit Provider in APPENDIX I – INFORMATION RELATING TO CREDIT PROVIDER and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Offering Circular or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing the Credit Provider in APPENDIX I – INFORMATION RELATING TO CREDIT PROVIDER. Accordingly, the Credit Provider disclaims responsibility for the other information in this Offering Circular or otherwise made in connection with the remarketing of the Series 2025 Bonds.

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OFFERING CIRCULAR

\$38,600,000
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS
SERIES 2025 (NON-AMT)

INTRODUCTION

General

The purpose of this Offering Circular, which includes the cover page, the inside cover pages, the table of contents and the appendices, is to provide information concerning the sale and delivery by the Metropolitan Knoxville Airport Authority (the “**Authority**”) of its \$38,600,000 Metropolitan Knoxville Airport Authority, Subordinate Airport Revenue Bonds, Series 2025 (Non-AMT) (the “**Series 2025 Bonds**”). Unless otherwise defined herein, capitalized terms used in this Offering Circular shall have the meanings set forth in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION” and APPENDIX D – “FORM OF INDENTURE.”

This Introduction is not a summary of this Offering Circular and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, the more complete and detailed information contained in the entire Offering Circular, including the inside cover pages and the appendices attached hereto, and the documents summarized or described herein. A full review should be made of the entire Offering Circular and of the documents summarized or described herein. The offering of the Series 2025 Bonds to potential investors is made only by means of the entire Offering Circular, including the appendices attached hereto.

Authorization for the Series 2025 Bonds

The Series 2025 Bonds are being issued pursuant to various provisions of law, including: (a) the Metropolitan Airport Authority Act, Tenn. Code Ann. §§ 42-4-101 *et seq.*, as amended (the “**Act**”); (b) the Local Government Public Obligations Act of 1986, Tenn. Code Ann. §§ 9-21-101 *et seq.*, as amended; and (c) Resolution No. 25-01 adopted by the Board of Commissioners of the Authority (the “**Board**”) on January 22, 2025 (as amended and supplemented from time to time, the “**Authorizing Resolution**”) and a Trust Indenture dated as of June 1, 2025 (as the same may be amended from time to time, the “Bond Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as Trustee (“the **Trustee**”), and related First Supplemental Trust Indenture dated as of June 1, 2025, between the Authority and the Trustee (as the same may be amended from time to time, the “**Indenture Supplement**,” and collectively with the Bond Indenture herein referred to as the “**Indenture**”). The Series 2025 Bonds are special obligations of the Authority, payable solely from and secured by a lien upon and pledge of the Pledged Funds (as defined in the hereinafter defined Senior Bond Resolution).

The Series 2025 Bonds Subordinate Indebtedness under the Indenture. The Series 2025 Bonds are issued on a subordinate basis to the Authority’s Airport Revenue Bonds, Series 2024A (Non-AMT) (the “**Series 2024A Bonds**”), and its Airport Revenue Bonds, Series 2024B (Federally Taxable) (the “**Series 2024B Bonds**”) and together with the Series 2024A Bonds, the “**Series 2024 Bonds**”), issued pursuant to Resolution No. 24-03 adopted by the Board on September 18, 2024 (as amended and supplemented from time to time, the “**Master Senior Bond Resolution**”), and as particularly supplemented by Resolution No. 24-05 adopted by the Board on September 18, 2024 (the “**2024 Supplemental Resolution**”, and together with the Master Senior Bond Resolution, the “**Senior Bond Resolution**”) and on a subordinate basis to the

Authority's Airport Revenue Refunding Note, Series 2019 (the "Series 2019 Note") which has a parity lien under the Master Senior Bond Resolution with the Series 2024 Bonds. The Series 2024 Bonds, the Series 2019 Note, and any additional bonds issued under and pursuant to the terms of the Senior Bond Resolution are collectively referred to herein as the "**Senior Bonds.**" **The Series 2025 Bonds are not Senior Bonds.**

The Authority, the Airport System and the Air Service Area

The Authority is a metropolitan airport authority created in 1978, pursuant to the Act, as a public and governmental body politic and corporate of the State of Tennessee (the "**State**"). The Authority was formed by and is an instrumentality of the City of Knoxville (the "**City**"). The principal purpose of the Authority is the management and operation of the "**Airport System**," which includes McGhee Tyson Airport (the "**Airport**" or "**TYS**"), the Knoxville Downtown Island Airport (the "**Downtown Island Airport**" or "**DKX**"), and any other airports or auxiliary fields that may be acquired or placed under the control of the Authority. The Authority's fiscal year ("**Fiscal Year**") currently begins on July 1 and ends on June 30 of the immediately subsequent year. See "THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY" and "MCGHEE TYSON AIRPORT."

The Airport is the primary commercial air service facility serving the Knoxville metropolitan area and the surrounding region and is relatively isolated from airport competition in the region. The geographical region that serves as an airport's primary air service catchment area is referred to herein as its "**Air Service Area.**" The Airport's Air Service Area is defined in the Report of the Airport Consultant (as defined herein) as the Knoxville-Morristown-Sevierville Combined Statistical Area ("**Knoxville CSA**"), that includes 13 counties in East Tennessee of Anderson, Blount (the Airport's location), Campbell, Cocke, Grainger, Hamblen, Jefferson, Knox, Loudon, Morgan, Roane, Sevier and Union Counties. See "MCGHEE TYSON AIRPORT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Plan of Finance

The Authority is constructing a new six-story parking garage that will provide an additional 3,500 parking spaces at the Airport, including 2,900 public parking spaces on levels two through six and 600 rental car ready/return spaces on the first level, (the "**New Parking Garage Project**"). The approximate estimated cost of the New Parking Garage Project is \$185.5 million. The proceeds of the Series 2025 Bonds will be applied to pay a portion of the cost of the New Parking Garage Project and costs of issuance of the Series 2025 Bonds. The Authority has previously issued on October 24, 2024, its Airport Revenue Bonds, Series 2024A (Non-AMT) and its Airport Revenue Bonds, Series 2024B (Federally Taxable) (collectively, the "**Series 2024 Bonds**") in the aggregate principal amount of \$109,245,000 to finance a majority of the cost of the New Parking Garage Project, as fixed rate bonds. See "– Capital Improvement Program," "PLAN OF FINANCE" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT" for additional information about the use of the proceeds of the Series 2025 Bonds and the other funding sources for the New Parking Garage Project. The Series 2025 Bonds are referred to in the REPORT OF THE AIRPORT CONSULTANT as the 2024C Bonds.

Description of the Series 2025 Bonds

The Series 2025 Bonds will initially bear interest at the Daily Rate, as more fully described herein, determined daily and payable on the fifth Business Day of each month, commencing July 8, 2025. The Daily Rate will be determined by Truist Securities, Inc., as Remarketing Agent, on the basis of prevailing financial market conditions, as described in the Indenture. Subject to the satisfaction of certain conditions in the Indenture, the Authority may from time to time change the method of determining the interest rate on the Series 2025 Bonds to a Daily, Weekly, Bank Rate or Index Rate, as more fully described herein

under “THE SERIES 2025 BONDS – Interest on the Series 2025 Bonds – Conversion Option.” The Trustee will serve as the registrar and paying agent for the Series 2025 Bonds.

The Series 2025 Bonds bearing interest at the Daily Rate will be issuable as fully registered bonds in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof. The Series 2025 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the Series 2025 Bonds. Purchases will be made in book-entry only form, and no physical delivery of the Series 2025 Bonds will be made to Beneficial Owners (as herein defined). Payment of principal of and premium, if any, and interest on the Series 2025 Bonds will be made to Beneficial Owners by DTC through its Participants (as herein defined). As long as Cede & Co. is the registered owner of the Series 2025 Bonds, as nominee of DTC, references herein to the holders of the Series 2025 Bonds or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2025 Bonds. See “DESCRIPTION OF THE SERIES 2025 BONDS – General” and APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.”

The Series 2025 Bonds are subject to mandatory tender for purchase and purchase at the options of the Owners thereof as more fully described under “DESCRIPTION OF THE SERIES 2025 BONDS – Mandatory Tender for Purchase of Series 2025 Bonds on Mandatory Purchase Date” and “– Demand Purchase Option.”

In order to provide for the remarketing of the Series 2025 Bonds under certain circumstances, the Authority and Truist Securities, Inc. (in such capacity, the “**Remarketing Agent**”) will enter into a Remarketing Agreement, dated as of June 1, 2025, with respect to the Series 2025 Bonds (the “**Remarketing Agreement**”).

The Series 2025 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described under “DESCRIPTION OF THE SERIES 2025 BONDS – Redemption Provisions.”

The Credit Facility

While the Series 2025 Bonds bear interest at a Daily Rate or a Weekly Rate, the payment of principal of, interest on and purchase price (to the extent remarketing proceeds are unavailable therefor) for the Series 2025 Bonds will be supported by an irrevocable direct-pay letter of credit (the “**Credit Facility**”) issued by Truist Bank (the “**Credit Provider**”), which Credit Facility is scheduled to expire on June 3, 2030 (unless terminated or extended pursuant to its terms). The Credit Facility may be terminated and/or a substitute credit facility provided in substitution for the Credit Facility in accordance with the Indenture. See “THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT” and APPENDIX J – FORM OF LETTER OF CREDIT.” See also “CERTAIN INVESTMENT CONSIDERATIONS – Considerations Related to Variable Rate Bonds and Credit Facilities.”

Security and Sources of Payment for the Series 2025 Bonds and Reimbursement Obligations

The Series 2025 Bonds (including without limitation, Pledged Bonds and Reimbursement Obligations, as each term is defined in the Indenture) are special obligations of the Authority, payable solely from and secured by a lien upon and pledge of the Pledged Funds (as defined in the Senior Bond Resolution) and the Series 2025 Bonds are issued on a subordinate basis to any Senior Bonds issued pursuant to the Senior Bond Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS – Pledge of Pledged Funds,” “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE,” APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION” and APPENDIX D – “FORM OF INDENTURE.”

THE SERIES 2025 BONDS SHALL NOT IN ANY MANNER OR TO ANY EXTENT CONSTITUTE OR BE A CHARGE UPON ANY MONEYS OR PROPERTY OF THE AUTHORITY NOT SPECIFICALLY PLEDGED THERETO UNDER THE INDENTURE, OR CONSTITUTE OR BE AN OBLIGATION OF THE CITY OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY AND SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE OWNERS OF THE SERIES 2025 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OR OUT OF ANY FUNDS OR RESOURCES OTHER THAN PLEDGED FUNDS. THE AUTHORITY HAS NO TAXING POWER.

Airline Lease Agreements

The Authority has entered into substantially similar forms of Airline Lease and Use Agreements (the “**Existing Airline Lease Agreements**”) with the Signatory Airlines (as defined below), which expired on June 30, 2023. The Authority has elected to extend the Existing Airline Lease Agreements on a month-by-month basis while it negotiates a new agreement with the airlines. The Existing Airline Agreements establish, among other things, procedures for setting and adjusting Signatory Airline rentals, fees and charges to be collected for the use of Airport facilities. The Existing Airline Lease Agreements also govern airline use of certain Airport facilities, including the airfield, aircraft aprons, terminal building, including baggage claim, ticket counters and gate areas and permits the Signatory Airlines to lease space on an Exclusive Use, Preferential Use, and Common Use basis. Airlines that have executed the Existing Airline Lease Agreements for themselves and on behalf of their operating affiliates (collectively, the “**Signatory Airlines**”) accounted for essentially all of the enplaned passengers at the Airport in Fiscal Year 2024. See “SIGNATORY PASSENGER AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS – Existing and Proposed Signatory Passenger Airline Agreements” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE EXISTING AIRLINE LEASE AGREEMENT.”

Capital Improvement Program

The Authority maintains an ongoing process of identifying and evaluating the capital needs and improvements required for the Airport System. This process includes the development of a capital improvement program (“**CIP**”), which is approved annually but refined by the Authority on an on-going basis. The CIP covers a five-year planning horizon and identifies needed improvements to the Airport System facilities, along with anticipated funding sources.

For purposes of this Offering Circular, including the Report of the Airport Consultant, the Authority’s capital program is divided into the New Parking Garage Project (as described under “PLAN OF FINANCE – New Parking Garage Project”) and “Other CIP Projects” (as defined below). The New Parking Garage Project has a total estimated cost of approximately \$185.5 million. The majority of the New Parking Garage Project will be financed with the Series 2024 Bonds and the remaining costs of the New Parking Garage Project is expected to be financed with (i) proceeds of the Series 2025 Bonds, (ii) federal and State grants (approximately \$25.2 million), (iii) customer facility charges on car rentals on a pay-as-you-go basis (approximately \$12.0 million), and (iv) certain other available funds of the Authority (approximately \$6.0 million).

The Other CIP Projects have a total estimated cost of approximately \$384.5 million as described in the Report of the Airport Consultant, and are expected to be financed with (i) federal and State grants (approximately \$85.8 million), (ii) passenger facility charges on a pay-as-you-go basis (approximately \$23.2 million), (iii) customer facility charges on car rentals on a pay-as-you-go basis (approximately \$7.7

million), and (iv) certain other available moneys of the Authority (approximately \$267.8 million), which could include the proceeds of Additional Bonds to be issued in the future.

See “PLAN OF FINANCE,” “AUTHORITY CAPITAL PROGRAM” and APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT” for additional information on the CIP, the New Parking Garage Project and the Other CIP Projects and their expected funding sources.

Report of the Airport Consultant

In connection with the issuance of the Series 2024 Bonds, Landrum & Brown, Incorporated (the “**Airport Consultant**”), prepared a Report of the Airport, dated September 24, 2024 (the “Report on Airport Consultant”). In connection with the issuance of the Series 2025 Bonds, the Airport Consultant did not provide a new report, but did review the report and the information contained therein and provided the Authority with a letter confirming that issuance of the Series 2025 Bonds is consistent with the projections in the Report of the Airport Consultant and that the issuance of the Series 2025 Bonds does not change, in any material respect, the projections or conclusions in the Report of the Airport Consultant. . The Report of Airport Consultant and the above-referenced letter of the Airport Consultant are included as Appendix A. The Report of Airport Consultant among other things, provides information concerning the Airport System, describes the Authority’s capital improvement program, projects future levels of airline activity at and revenues of the Airport System and projects future debt service coverage levels. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the airline activity and financial projections contained therein. The Report of the Airport Consultant does not reflect the final debt service schedule of the Series 2024 Bonds or the Series 2025 Bonds, which are referred to as the Series 2024C Bonds in the Report of the Airport Consultant. See “REPORT OF THE AIRPORT CONSULTANT,” “CERTAIN INVESTMENT CONSIDERATIONS – Assumptions in the Report of the Airport Consultant” and APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Continuing Disclosure

The Authority will covenant for the benefit of the Owners and Beneficial Owners of the Series 2025 Bonds to provide, or cause to be provided, annually certain financial information and operating data concerning the Authority and the Airport and certain other obligated persons, and to provide, or cause to be provided, notices of certain enumerated events, to assist the Underwriter (as defined herein) in complying with Rule 15c2-12(b)(5)(i) of the Securities and Exchange Commission (the “**SEC**”). See “CONTINUING DISCLOSURE” and APPENDIX G – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Forward-Looking Statements

This Offering Circular, including the appendices hereto, contains statements relating to future results that are forward-looking statements. When used in this Offering Circular, words such as “plan,” “expect,” “estimate,” “budget,” “project,” “maintain,” “achieve,” “project,” “forecast,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “intend” or other similar expressions identify forward-looking statements. Statements contained in this Offering Circular which involve estimates, projections, forecasts, or other matters of opinion, whether or not expressly so described in this Offering Circular, are intended solely as such and are not to be construed as representations of fact. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Offering Circular are based on information available to the Authority and the Airport Consultant on the date hereof, are subject to change without notice and none of the Authority or the Airport Consultant assume any obligation to update any such forward-looking statements with new forward-looking statements. All forward-looking statements are expressly qualified in their entirety by the cautionary statements in this

section and elsewhere in the Offering Circular. It is important to note that the Authority's actual results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Offering Circular will prove to be accurate, and actual results, performance or achievements may differ materially from the expectations and projections and forecasts described in this Offering Circular.

In addition, references in this Offering Circular to Fiscal Year 2024 financial data are based on preliminary, unaudited financial information, which information is subject to change, including adjustments based upon the Existing Airline Lease Agreements.

Additional Information

Brief descriptions of the Series 2025 Bonds, the Indenture, the Existing Airline Lease Agreements and certain other documents are included in this Offering Circular and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. Information contained herein has been obtained from officers, employees and records of the Authority and from other sources believed to be reliable. The information herein is subject to change without notice, and the delivery of this Offering Circular will under no circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. This Offering Circular is not to be construed as a contract or agreement between the Authority or the Underwriter/Remarketing Agent and the purchasers or Owners of any of the Series 2025 Bonds.

The Authority maintains certain websites and social media accounts, the information on which is not part of this Offering Circular, has not and is not incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series 2025 Bonds.

PLAN OF FINANCE

Plan of Finance

Proceeds from the sale of the Series 2025 Bonds will be used to (a) finance a portion of the costs of the design, construction, improvement and equipping of the New Parking Garage Project and (b) pay the costs of issuance of the Series 2025 Bonds.

In addition to the proceeds of the Series 2025 Bonds, the Authority expects to finance a portion of the costs of the design, construction, improvement and equipping of the New Parking Garage Project with (i) proceeds of the Series 2024 Bonds (approximately \$116.8 million), (ii) federal and State grants (approximately \$25.2 million), (iii) customer facility charges on car rentals that are available to the Authority (approximately \$12.0 million), and (iv) certain other available funds of the Authority

(approximately \$6.0 million).

New Parking Garage Project

A portion of the proceeds of the Series 2025 Bonds will be used to finance a portion of costs of the design, construction, improvement and equipping of the New Parking Garage Project, a new parking garage at the Airport that will consist of a new six-story parking garage containing 3,500 parking spaces (2,900 public parking spaces and 600 rental car ready/return spaces).

The New Parking Garage Project will be delivered using the construction manager at-risk (“**CMAR**”) delivery method in which the construction manager acts as a consultant during the project design phase, and as the general contractor during the construction phase. For the New Parking Garage Project, the CMAR is Messer Construction and the lead designer/architect is Gresham Smith/MHM. The construction drawings for the New Parking Garage Project have been completed by Gresham Smith/MHM, and Gresham Smith/MHM will act as the Authority’s construction administrator throughout the project. The contract with Messer Construction was executed in December 2023, with construction beginning in November 2024, and final delivery scheduled for the spring of 2027. The contract with Messer Construction will be supplemented with an addendum providing for a guaranteed maximum price of \$164,718,296, including associated contingencies. The entire cost of the New Parking Garage Project, including design fees and other costs, is approximately \$185.5 million.

See “AUTHORITY CAPITAL PROGRAM” and APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT – 3. Airport Facilities and Capital Improvement Program – Authority Capital Program” for a further description of the New Parking Garage Project.

Estimated Uses of Proceeds of the Series 2025 Bonds

The following table sets forth the estimated uses of the proceeds of the Series 2025 Bonds.

	<u>Total</u>
Sources	
Par Amount	\$38,600,000
Total Sources	<u>\$38,600,000</u>
Uses	
Deposit to Series 2025 Subordinate Bond Construction Fund ¹	\$38,004,019
Costs of Issuance ²	<u>595,981</u>
Total Uses	<u>\$38,600,000</u>

¹ To be used to pay a portion of the costs of the New Parking Garage Project.

² Includes Underwriter's discount, legal fees, financial advisory fees, rating agency fees and other costs of issuance.

DESCRIPTION OF THE SERIES 2025 BONDS

General

The Series 2025 Bonds will initially bear interest at the Daily Rate, as more fully described herein, determined daily and payable on the fifth Business Day of each month, commencing July 8, 2025. The Daily Rate will be determined by Truist Securities, Inc., as Remarketing Agent, on the basis of prevailing financial market conditions, as described in the Indenture. Subject to the satisfaction of certain conditions in the Indenture, the Authority may from time to time change the method of determining the interest rate on the Series 2025 Bonds to a Daily, Weekly or Bank Rate, as more fully described herein. The Trustee will serve as the registrar and paying agent for the Series 2025 Bonds.

The Series 2025 Bonds bearing interest at the Daily Rate will be issuable as fully registered bonds in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof. The Series 2025 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York. New York ("DTC"). DTC will act as securities depository for the Series 2025 Bonds. Purchases will be made in book-entry only form, and no physical delivery of the Series 2025 Bonds will be made to Beneficial Owners (as herein defined). Payment of principal of and premium, if any, and interest on the Series 2025 Bonds will be made to Beneficial Owners by DTC through its Participants (as herein defined). As long as Cede & Co. is the registered owner of the Series 2025 Bonds, as nominee of DTC, references herein to the holders of the Series 2025 Bonds or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2025 Bonds. See APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM."

THE SERIES 2025 BONDS SHALL NOT IN ANY MANNER OR TO ANY EXTENT CONSTITUTE OR BE A CHARGE UPON ANY MONEYS OR PROPERTY OF THE AUTHORITY NOT SPECIFICALLY PLEDGED THERETO UNDER THE INDENTURE OR CONSTITUTE OR BE AN OBLIGATION OF THE CITY OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY AND SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE OWNERS OF THE SERIES 2025 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND

PAYMENT THEREOF OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OR OUT OF ANY FUNDS OR RESOURCES OTHER THAN PLEDGED FUNDS. THE AUTHORITY HAS NO TAXING POWER.

The following contains a brief summary of certain provisions of the Series 2025 Bonds and the Indenture. The forms of the Series 2025 Bonds and the Indenture included in “APPENDIX D – “FORM OF INDENTURE” should be consulted for a complete description.”

Interest on the Series 2025 Bonds

Interest Rate. Interest on the Series 2025 Bonds will be paid at the lesser of (a) a Daily Rate or a Weekly Rate as determined by the Remarketing Agent in the manner hereinafter described or (b) 12% per annum (or, if lesser, the maximum rate permitted by applicable law). Interest on the Series 2025 Bonds will initially be payable at the Daily Rate, as set forth in the Indenture. The Authority may change the interest rate determination method from time to time with respect to the Series 2025 Bonds. A change in the method, other than a change between the Daily Rate and the Weekly Rate, will result in the Series 2025 Bonds becoming subject to mandatory tender for purchase on the effective date of such change. When interest is payable at a Daily Rate or Weekly Rate, it will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be.

Interest Payment and Record Dates. Interest will accrue on the unpaid portion of the principal of the Series 2025 Bonds from the last date to which interest was paid or duly provided for or, if no interest has been paid or duly provided for, from the date of initial authentication and delivery of the Series 2025 Bonds, until the entire principal amount of the Series 2025 Bonds is paid or duly provided for. When interest is payable at the rate in the first column below, interest accrued during the period (an “**Accrual Period**”) shown in the second column will be paid on the date (an “**Interest Payment Date**”) in the third column to holders of record on the date (a “**Record Date**”) in the fourth column:

<u>TYPE OF INTEREST PERIOD</u>	<u>ACCRUAL PERIOD</u>	<u>INTEREST PAYMENT DATE</u>	<u>RECORD DATE</u>
Daily	Calendar Month	Fifth Business Day of the next month	Last Business Day of the Accrual Period
Weekly	First Wednesday of each Calendar Month through the first Tuesday of the next succeeding Calendar Month	First Wednesday of each month	Last Business Day before Interest Payment Date

Notwithstanding anything herein to the contrary, any date that is a Mandatory Purchase Date shall also be deemed to be an Interest Payment Date. If the Conversion Date does not coincide with the first day of the Accrual Period for the new Interest Period, then the first day of such Accrual Period shall be the Conversion Date, but all other terms and condition shall be as set forth in the above table.

Daily Period. Following the issuance of the Series 2025 Bonds in the Daily Rate on June 4, 2025, until the next following Conversion Date (the “Daily Period”), the Series 2025 Bonds shall bear interest at the Daily Rate, as hereinafter described.

The Daily Rate will be determined by the Remarketing Agent as follows: the interest rate for each day shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Series 2025 Bonds at a price of Par on such date. Upon determining the Daily Rate for each date, the Remarketing Agent shall notify the Trustee of such rate by telephone or such other manner as may be appropriate on the date of such determination, which notice shall be promptly confirmed in writing. Such notice shall be provided by not later than 10:30 A.M. New York City time on each Business Day for that Business Day. The Daily Rate for any non-Business Day will be the rate for the last day on which a rate was set.

The determination of the Daily Rate (absent manifest error) shall be conclusive and binding upon the Authority, the Trustee, the Credit Provider and the Owners of the Series 2025 Bonds. If for any reason the Remarketing Agent shall fail to establish the Daily Rate, the Series 2025 Bonds shall bear interest at the Daily Rate in effect on the last day for which a rate was set.

Weekly Period. From any Conversion Date after which the Series 2025 Bonds will bear interest at the Weekly Rate until the next following Conversion Date (the “**Weekly Period**”), the Series 2025 Bonds shall bear interest at the Weekly Rate, as hereinafter described.

The Weekly Rate will be determined by the Remarketing Agent on each Wednesday for the period beginning on such Wednesday and ending on the following Tuesday, as follows: the interest rate shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Series 2025 Bonds at a price of Par on such date. Upon determining the Weekly Rate, the Remarketing Agent shall notify the Trustee of such rate by telephone or such other manner as may be appropriate on the date of such determination, which notice shall be promptly confirmed in writing. Such notice shall be provided by not later than 2:00 P.M. New York City time. If any Wednesday is not a Business Day, then the Weekly Rate shall be established on the next preceding Business Day.

The determination of the Weekly Rate (absent manifest error) shall be conclusive and binding upon the Authority, the Trustee, the Credit Provider and the Owners of the Series 2025 Bonds. If for any reason the Remarketing Agent shall fail to establish the Weekly Rate, the Series 2025 Bonds shall bear interest at the Weekly Rate last in effect.

Conversion Option. The Authority shall have the option (the “**Conversion Option**”) to direct a change in the type of Interest Period with respect to the Series 2025 Bonds to another type of Interest Period by delivering to the Trustee, the Remarketing Agent and the Authority written instructions setting forth (a) the Conversion Date, (b) the new type of Interest Period and (c) whether such Interest Period will be a Credit Facility Period. If the new Interest Period will be a Credit Facility Period, such instructions will be accompanied by a Substitute Credit Facility, or by an amendment to the existing Credit Facility, providing for the payment of such additional interest and redemption premium (if any) on the Series 2025 Bonds as may be required. Such instructions shall be delivered at least 40 days prior to the first day of such Interest Period. With such instructions, the Authority shall furnish to the Trustee an opinion of Bond Counsel to the effect that such change in Interest Period will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2025 Bonds. In the event that the Authority fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, the Series 2025 Bonds shall continue in the Interest Period in place at the time of exercise of the Conversion Option.

Any change in the type of Interest Period must comply with the following: (i) the Conversion Date must be an Interest Payment Date for the Interest Period then in effect, (ii) no change in Interest Period

shall occur after an Event of Default shall have occurred and be continuing and (iii) following such change, the type of Interest Period shall be the same for all Series 2025 Bonds.

Mandatory Tender for Purchase of Series 2025 Bonds on Mandatory Purchase Date

Series 2025 Bonds shall be subject to mandatory tender by the Registered Owners thereof for purchase on (a) each Conversion Date other than a conversion between the Daily Period and the Weekly Period, (b) the Interest Payment Date immediately before the Credit Facility Termination Date, (c) the Interest Payment Date concurrent with the effective date of a Substitute Credit Facility, (d) the day immediately before the first day of an Index Period, (e) the day immediately before the first day of a Fixed Rate Period, (f) each Direct Placement Mandatory Purchase Date, and (g) following the occurrence of an “Event of Default” under a Credit Facility or receipt of notice from the Credit Provider that the Credit Provider has not been reimbursed for any drawing under the Credit Facility such that the amount of such drawing will not be reinstated, the third Business Day after the Trustee receives direction from the Credit Provider to call the Series 2025 Bonds for mandatory tender for purchase (each a “Mandatory Purchase Date”).

Except in the case of a mandatory purchase described in clause (g) in the preceding paragraph, the Trustee shall deliver or mail by first-class mail a notice in substantially the form required by the Indenture at least 15 days prior to the Mandatory Purchase Date. In the case of a mandatory purchase described in clause (g), the Trustee shall deliver such notice immediately upon receipt by the Credit Provider as directed to call the Bonds for mandatory tender for purchase.

Any notice given by the Trustee as provided above shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Registered Owner, shall not affect the proceeding for purchase as to any Registered Owner to whom proper notice is mailed.

On each Mandatory Purchase Date, Registered Owners of Series 2025 Bonds shall be required to tender their Series 2025 Bonds to the Trustee for purchase by 11:00 A.M. New York City time at a purchase price equal to 100% of the principal amount of the Series 2025 Bonds tendered or deemed tendered, and any Series 2025 Bonds not so tendered on the Mandatory Purchase Date, for which there has been irrevocably deposited in trust with the Trustee an amount of moneys sufficient to pay said purchase price of the untendered Series 2025 Bonds, shall be deemed to have been purchased pursuant to the Indenture. In the event of a failure by a Registered Owner of Series 2025 Bonds to tender its Series 2025 Bonds on or prior to the Mandatory Purchase Date by the requisite time, said Registered Owner shall not be entitled to any payment (including any interest to accrue subsequent to the Mandatory Purchase Date) other than said purchase price for such untendered Series 2025 Bonds, and any untendered Series 2025 Bonds shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment of said purchase price therefor.

Demand Purchase Option

Any Series 2025 Bond bearing interest at the Daily Rate or the Weekly Rate shall be purchased from the Registered Owners thereof on any Tender Date at a purchase price equal to 100% of the principal amount of the Series 2025 Bond tendered or deemed tendered, plus accrued and unpaid interest thereon to the date of purchase, upon:

While the Book-Entry System is not in effect:

delivery to the Trustee at its Principal Office and to the Remarketing Agent at its Principal Office of a written notice (said notice to be irrevocable and effective upon receipt) which (i) states the aggregate principal amount and Bond numbers of the Series 2025 Bonds to be purchased; and (ii) states the date on which the Series 2025 Bonds are to be purchased (the “**Tender Date**”); and (b) delivery to the Trustee at its Delivery Office at or prior to 11:00 A.M. New York City time on the date designated for purchase in the notice described in (a) above of the Series 2025 Bonds to be purchased, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank. Furthermore, such Tender Date shall not be prior to the seventh day next succeeding the date of delivery of the notice unless the Daily Period is in effect.

While the Book-Entry System is in effect:

delivery to the Trustee at its Principal Office and to the Remarketing Agent at its Principal Office of a written notice (said notice to be irrevocable and effective upon receipt) which (i) states the aggregate amount of the beneficial ownership interest of the Series 2025 Bond to be purchased; and (ii) states the date on which such beneficial interest is to be purchased (the “**Tender Date**”); and (b) delivery to the Securities Depository, at or prior to 11:00 A.M. New York City time on the same date as delivery of the notice referred to in (a) above, of a written notice irrevocably instructing it to transfer on the registration books of the Securities Depository the beneficial ownership interests in the Series 2025 Bond or portion thereof, to the account of the Trustee, for settlement on the purchase date on a “free delivery” basis with a copy of such notice delivered to the Trustee on the same date. Furthermore, such Tender Date shall not be prior to the seventh day next succeeding the date of delivery of the notice unless the Daily Period is in effect.

The notice demanding the purchase of the Series 2025 Bonds as described above must be delivered no later than 10:30 A.M. New York City time on the date such notice is provided in order to be effective.

“**Tender Date**” means (a) during any Daily Period, any Business Day, and (b) during any Weekly Period, the seventh day (unless such day is not a Business Day, in which case the next Business Day) following receipt by the Trustee of notice from the Registered Owner that such Registered Owner has elected to tender Series 2025 Bonds.

Funds for Purchase of Series 2025 Bonds

On the date Series 2025 Bonds are to be purchased pursuant to either the Mandatory Purchase provisions or the Demand Purchase Option provisions set forth above, the Series 2025 Bonds shall be purchased at the Purchase Price only from the funds listed below. Subject to the provisions of the Indenture, funds for the payment of the Purchase Price shall be derived from the following sources in the order of priority indicated:

(a) the proceeds of the sale of the Series 2025 Bonds which have been remarketed by the Remarketing Agent, which proceeds have been paid directly to the Trustee and which proceeds are on deposit with the Trustee prior to 12:00 noon New York City time on the Mandatory Purchase Date or the Tender Date, but, during any Credit Facility Period, only if such Series 2025 Bonds were purchased by an entity other than the Authority or an affiliate of the Authority;

(b) moneys drawn by the Trustee under the Credit Facility, during any Credit Facility Period, pursuant to the heading “THE CREDIT FACILITY – General” below; and

(c) any other moneys furnished to the Trustee and available for such purpose (which moneys are not required to be provided by the Authority).

Use of Money in the Subordinated Bond Fund

Except as otherwise provided in the Indenture, during any Credit Facility Period for the Series 2025 Bonds, moneys in the various accounts of the Subordinated Bond Fund created under the Indenture shall be used solely to reimburse the Credit Provider for drawings under the related Credit Facility and, at all other times, for the payment of the principal of, premium, if any, and interest on the Series 2025 Bonds and for the redemption of such Series 2025 Bonds. Subject to the provisions under the heading “THE CREDIT FACILITY – General” below, funds for such payments of the principal of and premium, if any, and interest on the Series 2025 Bonds shall be derived from the following sources in the order of priority indicated:

- (a) moneys drawn by the Trustee under the Credit Facility during any Credit Facility Period;
and
- (b) any moneys furnished to the Trustee and available for such purpose.

Redemption Provisions

Optional Redemption. During any Daily Period or Weekly Period, the Series 2025 Bonds are subject to redemption by the Authority, in whole at any time or in part on any Interest Payment Date, less than all of the Series 2025 Bonds to be selected by lot or in such other manner as the Trustee shall determine, at a redemption price of 100% of the Outstanding principal amount thereof plus accrued interest to (but not including) the redemption date.

On any Conversion Date, the Series 2025 Bonds are subject to redemption by the Authority, in whole or in part, less than all Series 2025 Bonds to be selected by lot or in such other manner as the Trustee shall determine, at a redemption price of 100% of the Outstanding principal amount thereof plus accrued interest to (but not including) the redemption date

Mandatory Redemption of the Series 2025 Bonds. On the first day of June in the years set forth below, the Series 2025 Bonds are subject to mandatory redemption at the price of Par plus accrued interest to the date of redemption without a premium and shall be redeemed, in whole in part, in Authorized Denominations and in the amount set forth below (the last amount in the column to be paid, rather than redeemed):

Redemption Date (June 1)	Principal Amount
2026	\$560,000
2027	610,000
2028	640,000
2029	675,000
2030	705,000
2031	740,000
2032	780,000
2033	820,000
2034	860,000
2035	900,000
2036	945,000
2037	995,000
2038	1,045,000
2039	1,095,000
2040	1,150,000
2041	1,210,000
2042	1,270,000
2043	1,330,000
2044	1,400,000
2045	1,470,000
2046	1,540,000
2047	1,620,000
2048	1,700,000
2049	1,785,000
2050	1,875,000
2051	1,970,000
2052	2,065,000
2053	2,170,000
2054	2,280,000
2055*	2,395,000

* Final Maturity.

Notice. In the event any of the Series 2025 Bonds or portions thereof are called for redemption as aforesaid, notice of the call for redemption, identifying the Series 2025 Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail at least 20 days but not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2025 Bond to be redeemed in whole or in part at the address shown on the registration books. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Registered Owner, shall not affect the proceeding for redemption as to any Registered Owner to whom proper notice is mailed. No further interest shall accrue on the principal of any Series 2025 Bond called for redemption after the date of redemption if moneys sufficient for such redemption have been deposited with the Trustee. Notwithstanding the foregoing, the notice requirements contained in the first sentence of this paragraph may be deemed satisfied with respect to a transferee of the Series 2025 Bond which has been purchased pursuant to the Demand Purchase Option after the Series 2025 Bond has

previously been called for redemption, notwithstanding the failure to satisfy the notice requirements of the first sentence of this paragraph with respect to such transferee, as more fully provided in the Indenture.

THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT

General

The Credit Facility for the Series 2025 Bonds will be a separate, irrevocable direct-pay letter of credit of the Credit Provider which will expire on June 3, 2030 (the “**Scheduled Termination Date**”), unless terminated earlier in accordance with its terms or unless renewed or extended, to pay to the Trustee, upon request and in accordance with the terms thereof, an amount sufficient to pay (i) the principal of the Series 2025 Bonds or the portion of the Purchase Price corresponding to the principal of the Series 2025 Bonds (at maturity or upon purchase or redemption prior to maturity) and (ii) 51 days’ accrued interest (at a maximum rate of 12% per annum) on the Series 2025 Bonds or that portion of the Purchase Price corresponding to the interest accrued thereon. The Authority has entered into the Reimbursement Agreement (the “**Reimbursement Agreement**”) with the Credit Provider pursuant to which the Credit Provider has agreed to issue the Credit Facility and the Authority has agreed, among other things, to reimburse the Credit Provider for draws on the Credit Facility.

During the term of a Credit Facility, the Trustee shall timely draw moneys under such Credit Facility in accordance with the terms thereof to pay when due (whether by reason of maturity, the occurrence of an Interest Payment Date, redemption, or otherwise) the principal of, premium, if any, and interest on the Series 2025 Bonds; and to the extent moneys representing the proceeds of the remarketing of the Series 2025 Bonds are not available therefor, to pay when due the Purchase Price of the Series 2025 Bonds.

In the event of a drawing under a Credit Facility to pay the Purchase Price of the Series 2025 Bonds upon a Mandatory Purchase Date relating to the issuance and delivery of a Substitute Credit Facility, the Trustee shall draw moneys under the Credit Facility in effect on and prior to such Mandatory Purchase Date and shall not draw upon the Substitute Credit Facility that will become effective on or after such Mandatory Purchase Date.

Notwithstanding any provision to the contrary which may be contained in the Indenture, (i) in computing the amount to be drawn under a Credit Facility on account of the payment of the principal or Purchase Price of, or premium, if any or interest on the Series 2025 Bonds, the Trustee shall exclude any such amounts in respect of any Series 2025 Bonds which are Pledged Series 2025 Bonds or Series 2025 Bonds registered in the name of the Authority or, to the best knowledge of the Trustee, any nominee for (or any person who owns such Bonds for the sole benefit of) the Authority on the date such payment is due, and (ii) amounts drawn by the Trustee under the Credit Facility shall not be applied to the payment of the principal or Purchase Price of, or premium, if any, or interest on, any Series 2025 Bonds which are Pledged Series 2025 Bonds or Series 2025 Bonds registered in the name of the Authority or, to the best knowledge of the Trustee, any nominee for (or any person who owns such Bonds for the sole benefit of) the Authority on the date such payment is due.

The available amount to be drawn under the Credit Facility will be reduced automatically by the amount of any drawing under the Credit Facility; provided, however, that the amount of any drawing on the Credit Facility to pay interest on the Series 2025 Bonds shall be automatically reinstated on the fifth (5th) calendar day following the date any such drawing to pay interest is honored if the Credit Provider has not sent a notice prior to such time that it has not been reimbursed for such interest drawing or that any event of default has occurred under the Reimbursement Agreement and, as a result thereof, the amount of

such interest drawing shall not be reinstated and the Credit Provider shall direct the Trustee to cause a mandatory tender of the Series 2025 Bonds.

For more information with respect to the Credit Provider, see “APPENDIX I – INFORMATION RELATING TO CREDIT PROVIDER.” A form of the Credit Facility is attached hereto as “APPENDIX J – FORM OF LETTER OF CREDIT.”.

Substitute Credit Facility

Pursuant to the Indenture, the Authority may provide for the delivery to the Trustee of a Substitute Credit Facility for the Series 2025 Bonds. The Authority shall furnish written notice to the Trustee, not less than 20 days prior to the Mandatory Purchase Date, (a) notifying the Trustee that the Authority is exercising its option to provide for the delivery of a Substitute Credit Facility to the Trustee, (b) setting forth the Mandatory Purchase Date in connection with the delivery of such Substitute Credit Facility, which shall in any event be an Interest Payment Date that is not less than two Business Days prior to the expiration date of the Credit Facility then in effect with respect to the Series 2025 Bonds, and (c) instructing the Trustee to furnish notice to the Bondholders regarding the Mandatory Purchase Date at least 15 days prior to the Mandatory Purchase Date, as more fully described in the Indenture. Any Substitute Credit Facility shall be delivered to the Trustee prior to the Mandatory Purchase Date and shall be effective on and after such Mandatory Purchase Date. On or before the date of such delivery of a Substitute Credit Facility to the Trustee, the Authority shall furnish to the Trustee (a) a written opinion of Bond Counsel stating that the delivery of such Substitute Credit Facility will not adversely affect the exclusion from gross income of interest on the Series 2025 Bonds for federal income tax purposes; and (b) a written opinion of counsel to the Substitute Credit Provider to the effect that the Substitute Credit Facility is a legal, valid, binding and enforceable obligation of the Substitute Credit Provider in accordance with its terms.

Reimbursement Agreement

The Authority makes various affirmative and negative covenants, representations and warranties in the Reimbursement Agreement, all of which are solely for the benefit of the Credit Provider. The Credit Provider may waive or amend any of such covenants, representations, and warranties and may add other covenants, representations, and warranties. The holders of the Series 2025 Bonds will have no rights or obligations as a result of such covenants, representations and warranties or any amendments or waivers thereof, and such covenants, representations and warranties or amendments or waivers may be made without the consent of the holders of the Series 2025 Bonds.

The Reimbursement Agreement sets forth a number of events of default, including, but not limited to, the failure of the Authority to reimburse the Credit Provider for any drawing under the Credit Facility.

Upon the occurrence of an event of default under the Reimbursement Agreement, and at any time thereafter unless and until such event of default has been waived by the Credit Provider or cured to the satisfaction of the Credit Provider, the Credit Provider shall be entitled to take any of the following actions without prejudice to the rights of the Credit Provider to enforce its claims against the Authority, except as otherwise specifically provided for in the Reimbursement Agreement:

(a) give written notice of the occurrence of an Event of Default to the Trustee, directing the Trustee to cause a mandatory purchase of the Bonds, thereby causing the Credit Facility to expire twenty (20) days thereafter;

(b) pursue any rights and remedies it may have under the Related Documents; and

- (c) pursue any other action available at law or in equity;

In no event may the Credit Provider accelerate the payment of principal of or interest on the Bonds or the related payment obligations due to a liquidity drawing or Mandatory Purchase drawing. Upon a Mandatory Purchase Drawing after an Event of Default, the Series 2025 Bonds, when held by the Bank will be repaid as provided in the Reimbursement Agreement.

“Related Documents” means the Indenture, the Series 2025 Bonds, the Senior Bond Resolution, the fee letter related to the Reimbursement Agreement, the Credit Facility, this Offering Circular, the Remarketing Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement and any other documents related to any of the foregoing or executed in connection therewith, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing permitted hereunder and thereunder.

So long as the Credit Facility is in effect and the Credit Provider has not lost any of its rights pursuant to the provisions of the Indenture, the Credit Provider has certain rights including the right to consent to any supplements or amendments to the Indenture on behalf of the owners of the Series 2025 Bonds. Any such amendments may be material.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS IN ADDITION TO CREDIT FACILITY

During the Daily Period or any Weekly Period, the primary sources of payment for the principal and Purchase Price of and interest on the Series 2025 Bonds will be the Credit Facility and remarketing proceeds of the Series 2025 Bonds, and the Series 2025 Bonds will also be payable from certain revenues of the Authority. Therefore brief descriptions of the security and source of payment for the Series 2025 Bonds (including without limitation, Pledged Bonds and Reimbursement Obligations), the flow of funds under the Senior Bond Resolution and the Indenture and certain other provisions of the Senior Bond Resolution and the Indenture are provided herein. The descriptions provided herein are qualified in their entirety by the applicable provisions of the Senior Bond Resolution and the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION” and APPENDIX D – “FORM OF INDENTURE.”

Pledge of Pledged Funds

The Series 2025 Bonds (including without limitation, Pledged Bonds and Reimbursement Obligations) are special obligations of the Authority payable solely from and secured by a subordinate lien upon and pledge of the Pledged Funds, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution, all in the manner and to the extent provided in the Indenture.

“**Pledged Funds**” is defined in the Senior Bond Resolution to mean (1) the Net Revenues, (2) Eligible CFC Revenues (pursuant to the Senior Bond Resolution and Indenture Supplement, the Authority identified all CFC Revenues as Eligible CFC Revenues), (3) Eligible PFC Revenues (but only if included in Pledged Funds as to a particular series of Bonds pursuant to a Supplemental Resolution; the Series 2025 Bonds will not be secured by Eligible PFC Revenues) (4) any Hedge Receipts, and (5) until applied in accordance with the provisions of the Senior Bond Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A)(i) moneys in the PFC Account and the PFC Capital Improvement Fund, (ii) moneys in the CFC Account and the CFC Capital Improvement Fund (but only to the extent not legally available to pay debt service on the Senior Bonds or Series 2025 Bonds), and (iii) moneys in the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be

required to pay the Operating Expenses in accordance with the terms of the Senior Bond Resolution, and (C) moneys on deposit in a subaccount of the Reserve Account to the extent moneys on deposit therein shall be pledged solely for the payment of the Series of Senior Bonds for which it was established in accordance with the provisions of the Senior Bond Resolution. A Supplemental Resolution may provide for additional items to be included as Pledged Funds for any Series of Senior Bonds or Subordinate Indebtedness, such as the Series 2025 Bonds.

“Net Revenues” is defined in the Senior Bond Resolution to mean Gross Revenues less Operating Expenses.

“Gross Revenues” is defined in the Master Bond Resolution to mean for any period all moneys paid or accrued for the use of and for services and facilities furnished by, or in connection with the ownership or operation of, the Airport System, or any part thereof or the leasing or use thereof, including, but not limited to (1) rentals, (2) concession fees, (3) use charges, (4) landing fees, (5) license and permit fees, (6) service fees and charges, (7) moneys from the sale of fuel, and or other merchandise, and (8) Investment Earnings; provided, however, that Gross Revenues shall not include (A) proceeds received from the sale of Senior Bonds, Subordinated Indebtedness (including the Series 2025 Bonds and any other obligations issued under the Indenture) or Special Purpose Facilities Bonds, (B) proceeds from the sale or taking by eminent domain of any part of the Airport System, (C) gifts or Government Grants, (D) any insurance proceeds received by the Authority (other than insurance proceeds paid as compensation for business interruption), (E) amounts received which are required to be paid to any other governmental body, (F) PFC Revenues, (G) CFC Revenues, (H) revenues from Special Purpose Facilities to the extent used to pay debt service on Special Purpose Facilities Bonds, (I) Released Revenues, and (H) any noise abatement charges received for disbursement to others.

“Operating Expenses” is defined in the Senior Bond Resolution to mean any and all costs incurred by the Authority in operating, maintaining and administering the Airport System, including, but not limited to, the general administrative and legal costs of the Authority related to operation, maintenance, management, security and development of the Airport System; costs associated with equipment, vehicles, supplies, materials, services and support for the operation, maintenance, management, security and development of the Airport System; any costs of litigation or a legal judgment against the Authority; all costs incurred in planning or applying for, obtaining, maintaining and defending permits; accounting, legal and engineering expenses; ordinary and current rentals of equipment or other property; refunds of moneys lawfully due to others; payments to pension, retirement, health and hospitalization funds; payments in lieu of taxes or similar payments required to be paid to other governmental entities; and fees for management of the Airport System or any portion thereof, all to the extent properly attributable to the Airport System; but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the Airport System, or any accruals required to be recognized with respect to pension, retirement, health and hospitalization funds that do not require or result in the expenditure of cash, or any provision for interest, depreciation, amortization or similar charges, or any loss resulting from the valuation of investment securities, Hedge Agreements at market value and any other loss that does not require or result in the expenditure of cash.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION – Definitions of Certain Terms” for a more complete definition of Revenues.

THE SERIES 2025 BONDS SHALL NOT IN ANY MANNER OR TO ANY EXTENT CONSTITUTE OR BE A CHARGE UPON ANY MONEYS OR PROPERTY OF THE AUTHORITY NOT SPECIFICALLY PLEDGED THERETO UNDER THE SENIOR BOND

RESOLUTION AND THE INDENTURE, OR CONSTITUTE OR BE AN OBLIGATION OF THE CITY OF KNOXVILLE OR OF ANY OTHER MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY AND SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE OWNERS OF THE SERIES 2025 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OR OUT OF ANY FUNDS OR RESOURCES OTHER THAN PLEDGED FUNDS. THE AUTHORITY HAS NO TAXING POWER.

Flow of Funds

The Senior Bond Resolution requires the Authority to establish and maintain the Revenue Fund and a Revenue Account, a CFC Account and a PFC Account within Revenue Fund. The Senior Bond Resolution provides that the Authority must promptly deposit all Gross Revenues into the Revenue Account, all CFC Revenues into the CFC Account and all PFC Revenues to the PFC Account.

***Revenue Account.* Moneys in the Revenue Account established under the Senior Bond Resolution are to be disbursed for the following purposes in the following order of priority:**

(1) *Operation and Maintenance Payment Account.* Moneys in the Revenue Account shall first be used each month to deposit in the Operation and Maintenance Payment Account such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Authority may transfer moneys from the Revenue Account or the Airport Surplus Fund or the Operation and Maintenance Reserve Account to the Operation and Maintenance Payment Account at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Payment Account for such purpose. Amounts in the Operation and Maintenance Payment Account shall be paid out from time to time by the Authority for Operating Expenses.

Subsequent to the payment described in (1), moneys on deposit in the Revenue Account shall be applied by the Authority on or before the 25th day of each month in the following order of priority:

(2) *Interest Account.* The Authority shall deposit or credit to the Interest Account the sum which, together with the balance in said Account including any moneys transferred from the PFC Account and/or the CFC Account to the Interest Account, shall equal the interest on all Senior Bonds Outstanding (except as to Capital Appreciation Bonds that are Senior Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts and Federal Subsidy Payments shall be deposited directly to the Interest Account upon receipt. With respect to interest on Senior Bonds which are subject to a Qualified Hedge Agreement, interest on such Senior Bonds during the term of the Qualified Hedge Agreement shall be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the Authority (a) for deposit with the Paying Agents to pay the interest on the Senior Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. Any Federal Subsidy Payments deposited to the Interest Account shall be deemed to have been applied to the payment of interest on the Federal Subsidy Bonds that are Senior Bonds to which such Federal Subsidy Payments relate.

(3) *Principal Account.* Commencing no later than the month which is one year prior to the first principal due date, the Authority shall next deposit into the Principal Account the sum which, together with the balance in said Account, including any moneys transferred from the PFC Account and/or the CFC Account to the Principal Account, shall equal the principal amounts on all Senior Bonds Outstanding due and unpaid and that portion of the principal next due which would

have accrued on such Senior Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) except for the Sinking Fund Installments to be deposited into the Term Bonds Redemption Account, in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Authority for deposit with the Paying Agents to pay the principal of the Senior Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds that are Senior Bonds shall be payable from the Principal Account in the years in which such Senior Bonds mature and monthly payments into the Principal Account on account of such Senior Bonds shall commence in the twelfth month immediately preceding the maturity date of such Senior Bonds.

(4) *Term Bonds Redemption Account.* Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account including any moneys transferred from the PFC Account and/or the CFC Account to the Term Bonds Redemption Account, shall equal the Sinking Fund Installments on all Senior Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Senior Bonds Outstanding next due which would have accrued on such Senior Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds that are Senior Bonds in the manner herein provided, and for no other purpose. Term Capital Appreciation Bonds that are Senior Bonds shall be payable from the Term Bonds Redemption Account in the years in which such Senior Bonds mature and monthly payments into the Terms Bonds Redemption Account on account of such Senior Bonds shall commence in the twelfth month immediately preceding the due date of the related Sinking Fund Installments. The Authority shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

(5) *Reserve Account.* There shall be deposited to the Reserve Account an amount which would enable the Authority to restore the funds on deposit in the Reserve Account (including any subaccounts therein) to an amount equal to the Reserve Account Requirement applicable thereto in the manner provided herein. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by decreased market value of the investments therein of more than 5% or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the Authority to the payment of the principal of or Redemption Price, if applicable, and interest on the Senior Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Airport Surplus Fund, the PFC Capital Improvement Fund, the CFC Capital Improvement Fund and the Operation and Maintenance Reserve Account for such purposes Airport Surplus Fund, PFC Capital Improvement Fund and Operation and Maintenance Reserve Account, respectively, shall be inadequate to fully provide for such insufficiency.

Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the Authority into the Revenue Account of the Revenue Fund. A Reserve Account has been created to secure the Series 2024 Bonds, but no Reserve Account shall secure the Series 2025 Bonds.

(6) *Subordinated Indebtedness.* There shall next be deposited by the Authority for the payment of any debt service on and other required deposits with respect to Subordinated Indebtedness (including the Series 2025 Bonds) incurred by the Authority in connection with Improvements to the Airport System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(7) *Operation and Maintenance Reserve Account.* There shall be deposited to the Operation and Maintenance Reserve Account an amount which would enable the Authority to restore the funds on deposit in the Operation and Maintenance Reserve Account to an amount equal to the Operation and Maintenance Reserve Requirement. The moneys in the Operation and Maintenance Reserve Account shall be applied by the Authority for the purpose of paying Operating Expenses to the extent the amounts in the Operation and Maintenance Payment Account are insufficient therefor; provided, however, that on or prior to each principal and interest payment date for the Senior Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Operation and Maintenance Reserve Account shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Senior Bonds coming due, but only to the extent moneys transferred from the Airport Surplus Fund, the PFC Capital Improvement Fund and the CFC Capital Improvement Fund for such purpose pursuant to the Airport Surplus Fund and the PFC Capital Improvement Fund shall not be adequate to fully provide for such insufficiency.

(8) *Airport Surplus Fund.* The balance of any moneys remaining in the Revenue Account shall be deposited in the Airport Surplus Fund and applied for any lawful purpose relating to the Airport System. Moneys in the Airport Surplus Fund shall be applied to the payment, on or prior to each principal and interest payment date for the Senior Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Senior Bonds coming due.

CFC Account. Moneys in the CFC Account shall be applied on or before the 25th day of each month in the following order of priority.

Debt Service. The Authority shall deposit or credit to the Interest Account, the Principal Account and the Term Bonds Redemption Account such amounts as it shall determine pursuant to its Annual Budget and which are Eligible CFC Revenues.

CFC Capital Improvement Fund. The remainder of moneys in the CFC Account shall be deposited into the CFC Capital Improvement Fund and shall be utilized in accordance with the terms of the CFC Capital Improvement Fund.

PFC Account. Moneys in the PFC Account shall be applied on or before the 25th day of each month in the following order of priority.

Debt Service. The Authority shall deposit or credit to the Interest Account, the Principal Account and the Term Bonds Redemption Account such amounts as it shall determine pursuant to its Annual Budget and which are Eligible PFC Revenues.

PFC Capital Improvement Fund. The remainder of moneys in the PFC Account shall be deposited into the PFC Capital Improvement Fund and shall be utilized in accordance with the terms of the PFC Capital Improvement Fund.

Rate Covenant

The Authority has covenanted in the Senior Bond Resolution that for the Fiscal Year commencing July 1, 2025 and for each Fiscal Year thereafter, the Authority shall fix, establish, maintain and collect such rates, fees, rentals and charges for the services and facilities of the Airport System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year:

(a) Net Revenues, together with the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount, equal to at least 125% of the Debt Service (which does not include debt service on the Series 2025 Bonds) becoming due in such Fiscal Year; and

(b) the Net Revenues, together with Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution or Supplemental Indenture) and CFC Revenues, shall be adequate at all times to pay in such Fiscal Year at least 100% of (1) the Debt Service becoming due in such Fiscal Year, (2) any amounts required by the terms of the Master Bond Resolution to be deposited in the Reserve Account or with any Authority of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (3) any amounts required by the terms of the Senior Bond Resolution to be deposited in the Operation and Maintenance Reserve Account in such Fiscal Year, and (4) any Subordinated Indebtedness (including the Series 2025 Bonds) coming due in said Fiscal Year to the extent the Authority reasonably expects to pay such Subordinated Indebtedness from Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Indenture) or CFC Revenues or to the extent such Subordinated Indebtedness is paid from Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Indenture) or CFC Revenues.

When calculating Debt Service for purposes of clauses (a) and (b) above, Debt Service shall be reduced by the amount of principal and/or interest paid with Eligible PFC Revenues that have not been included in Pledged Funds pursuant to a Supplemental Resolution.

“Transfer Amount” is defined in the Senior Bond Resolution to mean the sum of (A) amounts on deposit in the Airport Surplus Fund on the last day of the Fiscal Year, to the extent such amounts are not restricted to other uses, plus (B) amounts paid from the Airport Surplus Fund during such Fiscal Year toward Operating Expenses and Debt Service, minus (C) amounts deposited into the Airport Surplus Fund in such Fiscal Year. For purposes of clause (a) above, the amount of any Transfer Amount taken into account shall not exceed 25% of Debt Service becoming due in such Fiscal Year.

Such rates, fees, rentals and other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution or Supplemental Indenture), CFC Revenues and the Transfer Amount for the purposes provided therefor by the Senior Bond Resolution.

If, for any Fiscal Year, after receipt of the Annual Audit for such Fiscal Year, the actual Net Revenues, together with the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount for such Fiscal Year were not sufficient to meet the coverage requirements set forth in clauses (a) and (b) above, the Authority shall cause an Airport Consultant to review its rates, fees, rentals, charges, income, Gross Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Authority may promptly seek to comply with the coverage requirements set forth in clauses (a) and (b) above. The Authority shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements for the current and future Fiscal Years. So long as the Authority implements such recommendations within 120 days of the receipt thereof, the Authority's failure to meet the coverage requirements in clauses (a) and (b) based upon actual Net Revenues, together with the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount for any Fiscal Year shall not be considered an Event of Default under the Senior Bond Resolution.

Reserve Account

THERE IS NO RESERVE ACCOUNT SECURING THE SERIES 2025 BONDS. Pursuant to the Master Bond Resolution, the Authority has established a Reserve Account to secure Senior Bonds (the "**Reserve Account**"). Upon the issuance of any Series of Senior Bonds under the terms, limitations and conditions as provided under the Senior Bond Resolution, the Authority shall fund the Reserve Account in an amount at least equal to the Reserve Account Requirement to the extent such Series of Senior Bonds are to be secured by the Reserve Account or any subaccount therein; provided, however, nothing in the Senior Bond Resolution shall be construed to require the Authority to fund the Reserve Account or any subaccount for any Series of Senior Bonds. Upon the adoption of the Supplemental Resolution authorizing the issuance of a Series of Senior Bonds, the Authority shall determine whether such Series of Senior Bonds shall be secured by the Reserve Account or any subaccount therein and, if the Authority determines that the Series of Senior Bonds will be secured by a separate subaccount therein, the Authority shall also establish the Reserve Account Requirement applicable thereto. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Senior Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of Senior Bonds, which shall not exceed 36 months. The Authority's Series 2024 Bonds are secured by the Reserve Account.

Additional Subordinated Indebtedness

Pursuant to the Senior Bond Resolution and the Indenture, the Authority may issue one or more additional obligations constituting Subordinate Indebtedness under the Senior Bond Resolution.

Additional Senior Bonds

Pursuant to the Senior Bond Resolution, the Authority may issue one or more Series of Additional Bonds that are Senior Bonds for any one or more of the following purposes: (i) financing or refinancing Costs of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Senior Bonds or of any Subordinated Indebtedness (including the Series 2025 Bonds) of the Authority.

No Additional Bonds that are Senior Bonds shall be issued unless the following conditions are complied with:

- (a) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Authority shall certify that it is current in all deposits into the various funds,

accounts and subaccounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution have been deposited or made and it has complied with the covenants and agreements of the Senior Bond Resolution.

(b) There shall have been filed with the Authority

(i) a certificate of the Finance Officer setting forth for the last complete Fiscal Year or a period of 12 consecutive months of the 24 months most recently concluded prior to the issuance of the Additional Bonds (the “**12-Month Period**”) (1) Gross Revenues received by the Authority during the 12-Month Period; (2) the Operating Expenses incurred during the 12-Month Period; (3) the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues received during the 12 Month Period; (4) the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued; (5) that Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues received by the Authority during the 12-Month Period were in an amount at least equal to 125% of the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued; and (6) that Net Revenues, the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues received by the Authority during the 12-Month Period were in an amount equal to at least (a) 100% of the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued, (b) 100% of any amounts required by the terms of the Senior Bond Resolution to be deposited in the Reserve Account or with the Authority of any Reserve Account Letter of Credit or Reserve Account Insurance Policy during the 12-Month Period, and (c) 100% of any Subordinated Indebtedness (including the Series 2025 Bonds) coming due during the 12 months immediately succeeding the issuance of the proposed Additional Bonds to the extent the Authority reasonably expects such Subordinated Indebtedness to be paid from Net Revenues, Eligible PFC Revenues or CFC Revenues; or

(ii) a certificate prepared by an Airport Consultant showing that:

(1) the rate covenant set forth in Senior Bond Resolution (see “– Rate Covenant” above) was met for the last complete Fiscal Year immediately prior to the date of issuance of the Additional Bonds (not including that proposed Additional Bonds); and

(2) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Additional Bonds during which no interest on such Series of Additional Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Additional Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Additional Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues, are equal to at least 125% of the Debt Service becoming due in each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Additional Bonds (calculated as if the proposed Series of Additional Bonds were then Outstanding).

(c) With respect to Additional Bonds that are issued to complete a Project, the Authorized Authority Representative shall have filed with the Finance Officer a certificate

demonstrating that the proceeds of such Additional Bonds to be issued (net of issuance costs and any discounts) will be not more than 10% of the original Cost of such Project for the completion of which such Additional Bonds are then being issued. If the Authorized Authority Representative files such certificate with the Finance Officer, the conditions of paragraph (b) above shall not apply to the issuance of such Additional Bonds.

(d) For the purpose of determining Debt Service under the Senior Bond Resolution for purposes of issuing Additional Bonds, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(e) For the purpose of determining the Debt Service under the Senior Bond Resolution for purposes of issuing Additional Bonds, the interest rate on Outstanding Variable Rate Bonds (not subject to a Qualified Hedge Agreement) shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the highest of (a) the actual rate of interest borne by such Variable Rate Bonds on the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the higher of (a) the actual rate of interest borne by the Variable Rate Bonds on the date of sale, and (b) the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(f) Additional Bonds shall be deemed to have been issued pursuant to the Senior Bond Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Senior Bond Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Senior Bond Resolution. Except as provided in the Senior Bond Resolution, all Senior Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Senior Bonds over any other.

(g) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of paragraph (b) above shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in Maximum Annual Debt Service. The conditions of paragraph (b) above shall apply to Additional Bonds issued to refund Subordinated Indebtedness (including the Series 2025 Bonds) and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph (g).

Use of CFCs to Pay Debt Service

On February 1, 2020, the Authority began requiring the rental car companies at the Airport to charge a customer facility charge (“**Customer Facility Charge**” or “**CFC**”) to be used to fund the planning, design/engineering, construction of new car rental facilities and/or improvements to the existing car rental facilities, including any associated infrastructure costs or payment of any Authority debt service incurred to finance these costs or ongoing maintenance of rental car facilities. The CFC was initially \$4.00 per transaction day and subsequently increased to \$5.50 on July 1, 2023.

Although federal law does not restrict the use of CFCs, the resolution of the Authority adopted on November 20, 2019, as amended on May 18, 2022 and July 19, 2023 (as amended, the “**CFC Resolution**”) restricts the use of CFC revenue to pay or reimburse the Authority’s cost of the construction of new and ancillary rental car facilities and services, including roads and utilities necessary for the service and

operation of any new or ancillary rental car facilities for use by the car rental operators; to pay or reimburse the Authority's cost of the replacement of or remodeling of existing airport rental car facilities, to pay or reimburse the Authority's costs for financing, planning, designing, managing, constructing and improving the Airport's rental car facilities; to fund debt service for the foregoing improvements; to fund the ongoing cost of the maintenance of the rental car facilities at the Airport to the extent the Authority (as opposed to a car rental operator) is responsible therefor; and for such other related purposes that the Authority deems necessary and appropriate, including the establishment of reasonable reserves for each of the foregoing. The Authority is currently using CFC revenues on a pay-as-you-go basis to fund eligible repairs and replacement of rental car facilities at the Airport. The Authority expects to use approximately \$19.7 million of CFCs on a pay-as-you-go basis to fund a portion of the costs of the rental car components of the New Parking Garage Project (approximately \$12.0 million of previously collected CFCs) and the costs of certain other rental car service facilities rehabilitation projects (approximately \$7.7 million of CFCs to be collected in the future). Additionally, the Authority expects to use CFCs to pay a portion of the debt service on the Series 2024 Bonds (primarily the taxable Series 2024B Bonds), which portion will fund the rental car components of the New Parking Garage Project. It is not expected that the CFCs will be applied to pay debt service on the Series 2025 Bonds.

Permitted Investments

Moneys and funds held by the Authority under the Senior Bond Resolution and the Indenture will be invested in Authorized Investments, subject to any restrictions set forth in the Senior Bond Resolution and the Indenture and subject to restrictions imposed upon the Authority by the Act. Moneys and funds held by the Paying Agent under the Senior Bond Resolution, including moneys in the respective Construction Fund, the PFC Capital Improvement Fund, the CFC Capital Improvement Fund, the Operation and Maintenance Fund, the Airport Surplus Fund, the Revenue Fund and the Sinking Fund (other than the Reserve Account) and moneys and funds held by the Trustee under the Indenture, including moneys in the respective Subordinated Bond Fund, may be invested as directed by the Authority in Authorized Investments, subject to the restrictions set forth in the Senior Bond Resolution and the Indenture and subject to restrictions imposed upon the Authority by the Act. All investments shall be valued at cost; provided, however, that the amounts on deposit in the Reserve Account shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the Authority on an annual basis as of September 30 of each year.

Events of Default and Remedies; No Acceleration

Each of the Senior Bond Resolution and the Indenture constitutes a contract between the Authority and the owners from time to time of the Series 2025 Bonds, and the pledge, covenants, and agreements of the Authority set forth in the Senior Bond Resolution and the Indenture are for the equal benefit, protection, and security of the owners of the Series 2025 Bonds with respect to the Pledged Funds, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution.

There is no right to acceleration of payments to bondholders in the event of a default under the Senior Bond Resolution and/or the Indenture. Upon any such event of default, the realization of value from the pledge of the Pledged Funds to secure the payment of the Series 2025 Bonds would depend upon the exercise of various remedies specified by the Senior Bond Resolution, the Indenture and laws of Tennessee. These remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights or remedies with respect to the Series 2025 Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "CERTAIN INVESTMENT CONSIDERATIONS – Enforceability of Remedies; Limitation on Remedies"

herein and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Defaults and Remedies” and APPENDIX D – “FORM OF INDENTURE.

THE TRUSTEE

U.S. Bank Trust Company, National Association, Nashville, Tennessee, is the Trustee under the Indenture. A successor trustee may be appointed in accordance with the terms of the Indenture. The principal corporate trust office of the Trustee is located at Global Corporate Trust Department, 333 Commerce Street, 9th Floor, Nashville TN 37201, Attention: Connie M. Jaco. The Trustee is also the registrar and paying agent for the Series 2025 Bonds.

THE REMARKETING AGENT

General

Truist Securities, Inc. will serve as the Remarketing Agent for the Series 2025 Bonds under a Remarketing Agreement. A successor Remarketing Agent may be appointed with respect to the Series 2025 Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. Truist Securities, Inc. is affiliated with Truist Bank, the initial Credit Provider.

The Remarketing Agent agrees to perform those duties set forth in the Remarketing Agreement subject to the terms and conditions provided therein.

Compensation Paid by Authority

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing the Series 2025 Bonds that are optionally or mandatorily tendered by the owners thereof, subject to the terms of the Remarketing Agreement and as further described in this Offering Circular. The Remarketing Agent is appointed by the Authority, and the Authority pays the Remarketing Agent for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Series 2025 Bonds.

Purchase of Series 2025 Bonds for Its Own Account

The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2025 Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered bonds for its own inventory for various reasons, including for the purpose of remarketing bonds successfully (i.e., because there are otherwise not enough buyers to purchase such bonds). The Remarketing Agent is not obligated, however, to purchase bonds, including the Series 2025 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2025 Bonds by routinely purchasing and selling the Series 2025 Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at, above or below par. The Remarketing Agent is not required to make a market in the Series 2025 Bonds. If the Remarketing Agent purchases the Series 2025 Bonds for its own account, it may offer those Series 2025 Bonds at a discount to par to some investors. The Remarketing Agent may also sell any Series 2025 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2025 Bonds. The purchase of the Series 2025 Bonds by the Remarketing Agent may create the appearance that there is a greater third-party demand for the Series 2025 Bonds in the market than is actually the case. The above-described practices may also reduce the supply of Series 2025 Bonds that may be tendered in a remarketing.

Offering at Different Prices

The Remarketing Agent is required with respect to the Series 2025 Bonds to determine (i) during each Daily Period, on each Business Day by 10:30 A.M. New York City time, and (ii) during each Weekly Period, by 2:00 P.M. New York City time, on Wednesday of each week during the Weekly Period, or if such day is not a Business Day, then on the next preceding Business Day, the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2025 Bonds at par plus accrued interest, if any, on the date the rate becomes effective. The applicable interest rate will reflect, among other factors, the level of market demand for the Series 2025 Bonds (including whether the Remarketing Agent is willing to purchase the Series 2025 Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its reasonable best efforts to sell applicable tendered bonds at par, plus accrued interest. There may or may not be Series 2025 Bonds tendered and remarketed on a rate determination date. As an owner of the Series 2025 Bonds, the Remarketing Agent may sell the Series 2025 Bonds at varying prices, including at a discount to par, to different investors on such interest rate determination date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series 2025 Bonds at the remarketing price.

Possible Limited Ability to Sell Outside of Tender Process

While the Remarketing Agent may buy and sell the Series 2025 Bonds, it is not obligated to do so and may cease doing so at any time without notice. Investors who purchase the Series 2025 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2025 Bonds other than by tendering, through the Trustee, the Series 2025 Bonds in accordance with the tender process.

In addition, the Credit Provider may fail to purchase tendered Series 2025 Bonds even when it is obligated to do so. Following a failure to purchase the Series 2025 Bonds, it is not certain that a secondary market for the Series 2025 Bonds will develop.

Removal of Remarketing Agent

Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Outstanding Series 2019A Note

On June 27, 2019, the Authority issued its Airport Revenue Refunding Note, Series 2019A (the “**Series 2019A Note**”), in an aggregate principal amount of \$39,570,000. The Series 2019A Note was purchased by BB&T Community Holdings Co. (the “**2019A Note Purchaser**”), pursuant to the Credit Agreement, dated as of June 27, 2019 (the “**2019A Credit Agreement**”), between the Authority and the 2019A Note Purchaser. As of September 1, 2024, the Series 2019A Note was outstanding in the aggregate principal amount of \$11,900,000 and has a final maturity date of June 1, 2028. The Series 2019A Note and the Authority’s other obligations under the 2019A Credit Agreement are secured by a lien on and pledge of Pledged Funds on parity with the Series 2024A/B Bonds and are expected to be paid in substantial part with Eligible PFC Revenue. The Series 2025 Bonds are subordinated to the Series 2019A Note, the Senior Bonds and any debt issued on parity with the Senior Bonds.

Debt Service Requirements - Senior

The following table sets forth the senior debt service requirements for the Series 2019A Note and the Series 2024A/B Bonds.

Metropolitan Knoxville Airport Authority Senior Debt Service Requirements

Fiscal Year	Series 2019A Note ³	Series 2024A Bonds		Series 2024B Bonds		Total Senior Debt Service
		Principal	Interest	Principal	Interest ¹	
2025	\$302,260 ²	—	\$2,104,237	—	—	\$2,406,497
2026	302,260 ²	—	3,490,900	—	—	3,793,160
2027	6,190,353	—	3,490,900	\$710,000	\$2,005,278	12,396,531
2028	6,140,292	\$1,235,000	3,490,900	740,000	2,102,002	13,708,194
2029	—	1,300,000	3,429,150	770,000	2,069,035	7,568,185
2030	—	1,360,000	3,364,150	810,000	2,033,962	7,568,112
2031	—	1,435,000	3,296,150	845,000	1,996,078	7,572,228
2032	—	1,505,000	3,224,400	885,000	1,956,135	7,570,535
2033	—	1,580,000	3,149,150	930,000	1,912,956	7,572,106
2034	—	1,655,000	3,070,150	975,000	1,867,349	7,567,499
2035	—	1,745,000	2,987,400	1,020,000	1,819,291	7,571,691
2036	—	1,825,000	2,900,150	1,075,000	1,768,301	7,568,451
2037	—	1,915,000	2,808,900	1,130,000	1,713,702	7,567,602
2038	—	2,015,000	2,713,150	1,185,000	1,655,744	7,568,894
2039	—	2,115,000	2,612,400	1,250,000	1,594,373	7,571,773
2040	—	2,220,000	2,506,650	1,315,000	1,529,011	7,570,661
2041	—	2,335,000	2,395,650	1,380,000	1,460,434	7,571,084
2042	—	2,445,000	2,278,900	1,455,000	1,388,467	7,567,367
2043	—	2,570,000	2,156,650	1,530,000	1,312,588	7,569,238
2044	—	2,700,000	2,028,150	1,610,000	1,232,799	7,570,949
2045	—	2,830,000	1,893,150	1,695,000	1,148,837	7,566,987
2046	—	2,980,000	1,744,575	1,785,000	1,058,748	7,568,323
2047	—	3,135,000	1,588,125	1,880,000	963,875	7,567,000
2048	—	3,300,000	1,423,538	1,980,000	863,953	7,567,491
2049	—	3,480,000	1,250,288	2,080,000	758,716	7,569,004
2050	—	3,660,000	1,067,588	2,195,000	648,164	7,570,752
2051	—	3,855,000	875,438	2,310,000	531,500	7,571,938
2052	—	4,060,000	673,050	2,430,000	408,724	7,571,774
2053	—	4,270,000	459,900	2,560,000	279,569	7,569,469
2054	—	4,490,000	235,725	2,700,000	143,505	7,569,230
Total	<u>\$12,935,165</u>	<u>\$68,015,000</u>	<u>\$68,709,464</u>	<u>\$41,230,000</u>	<u>\$38,223,096</u>	<u>\$229,112,725</u>

¹ Net of interest to be paid with a portion of the proceeds of the Series 2024B Bonds through June 1, 2026.

² The Authority previously prepaid the principal due on the Series 2019A Note in Fiscal Year 2025 (\$5,690,000) and Fiscal Year 2026 (\$5,750,000)

³ Principal and Interest Payments

Source: Metropolitan Knoxville Airport Authority

Future Additional Bonds

The Authority has not identified approximately \$227.0 million of the funding sources for the Other CIP Projects, consisting of the Airfield Projects, the Terminal Projects and the Downtown Island Airport Projects (which are currently estimated to cost in aggregate \$347.0 million and are the primary costs in the Authority's \$384.5 million capital improvement program). Over the next several years, the Authority

expects to determine how it will finance these projects. The Authority could decide to fund a portion of these projects with the proceeds of Additional Bonds.

THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

General

The Authority is a metropolitan airport authority created in 1978, pursuant to the provisions of the Act. The Authority was formed by and is an instrumentality of the City. The principal purpose of the Authority is the management and operation of the Airport System, which includes the Airport, the Downtown Island Airport and any other airports or auxiliary fields that may be acquired or placed under the control of the Authority. 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.

Located just 12 miles from downtown Knoxville, the Airport lies in Blount County on 2,755 acres and provides employment, either through the Authority itself or tenants and concessionaires, for approximately 3,000 people. The Airport is the third largest airport in the State and is classified as a small-hub airport by the Federal Aviation Administration (the “FAA”). As of June 30, 2024, the Airport was served by 6 major and 9 regional passenger airlines. The Airport exceeded 1.5 million enplaned passengers for Fiscal Year 2024. As of June 2024, the Airport averaged 61.2 daily departures connecting to 30 nonstop destinations. The Airport is also home to Tennessee Air National Guard’s 134th Air Refueling Wing.

The Authority also owns and operates the Downtown Island Airport, a 179.5-acre facility which is a general aviation airport and serves the needs of corporate and private aircraft users. The Downtown Island Airport is located approximately 3 miles from downtown Knoxville. The Downtown Island Airport, which opened in 1930, has a single runway that is 3,500 feet long, a terminal building, four flight training schools, one aircraft maintenance facility and other hangar space for corporate and general aviation aircraft. The Downtown Island Airport also provides hangar space for the aviation fleet of the Knox County Sheriff’s department.

Board of Commissioners

The Authority is governed by the Board. The Board serves without compensation. The Board consists of nine members who are appointed by the Mayor of the City. All appointments are confirmed by the City Council of the City, and such appointments are for seven-year terms. In accordance with the Act, commissioners are representative of specified areas of expertise, such as industry, commerce and finance, legal, engineering and pilot. The Board appoints by contract the President and CEO, who is the chief executive and administrative officer responsible for day-to-day operations and planning for the Authority. The President and CEO leads a full-time staff of professional and technical personnel located at the Airport.

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The current members of the Board, the expiration of their terms and their business affiliation are set forth below:

Board Members	Term Expires	Principal Business Affiliation
Brian Simmons, <i>Chair</i>	2025	President, Simmons Property Group LLC
Howard Vogel, <i>Vice Chair</i>	2027	Attorney and Partner, O’Neil, Parker & Williamson
Charles Harr, <i>Secretary</i>	2029	Chief Operation Officer & Investment Officer, Patriot Investment Management
Joe Dawson, <i>Assistant Secretary</i>	2030	Retired Hospital Administrator
Ursula Bailey	2026	Attorney, Law Office of Ursula Bailey
Caryn Hawthorne	2030	Vice President for Finance & CFO, East Tennessee Children’s Hospital
Maribel Koella	2028	Director and Principal Broker, NAI Knoxville
Allison Page	2031	President, Magnolia Network
Wes Stowers	2030	Chairman, Stowers Machinery Corporation

Executive Management

Patrick Wilson, A.A.E. - President and Chief Executive Officer. Mr. Wilson serves as the Authority’s President and Chief Executive Officer. Mr. Wilson joined the Authority in 2018. Before joining the Authority, Mr. Wilson served twelve years as the Executive Director for the Tri-Cities Airport Authority in Blountville, Tennessee. He is an Accredited Airport Executive (“**A.A.E.**”), Airport Security Coordinator (“**A.S.C.**”) and Airport Certified Employee – Operations (A.C.E.) through the American Association of Airport Executives (“**AAAE**”). Mr. Wilson currently serves on the national board of directors for Airports Council International-North America (“**ACI-NA**”). In June 2024, Mr. Wilson also was elected to serve on the six-member Executive Committee leading the board of directors for AAAE. Mr. Wilson received his Bachelor of Science degree in Business Administration from the University of Tennessee and earned a Master of Business Administration in Aviation and Aerospace Management from Embry-Riddle Aeronautical University, Florida.

Jeffrey Perry, C.M., A.C.E. - Chief Operating Officer. Mr. Perry serves as the Authority’s Chief Operating Officer. He joined the Authority in August 2024. Mr. Perry is responsible for managing and directing the lead operations and safety department staff in planning, coordination, and management of daily operations. Mr. Perry has over 12 years of experience in airport operations. Prior to joining the Authority, Mr. Perry served as the Airport Operations Director at the Charlotte Douglas International Airport. He is a Certified Member and an Airport Certified Employee – Operations through AAAE. Mr. Perry earned a Bachelor of Science in Aerospace Administration from Middle Tennessee State University.

Bryan White, P.E., C.M. - Vice President of Planning and Development. Mr. White serves as the Authority’s Vice President of Planning and Development. Mr. White joined the Authority in 1999 and was

promoted to his current role in 2005. He oversees the Authority's engineering department and manages and directs all capital improvement projects at the Airport and the Downtown Island Airport. Mr. White has a broad military background as an aviator and civil engineering officer. Mr. White received his Master of Science degree in Civil and Environmental Engineering from the University of Tennessee. Mr. White is a Professional Engineer and a Certified Member of AAAE and a member of American Society of Civil Engineers and National Society of Professional Engineers.

Susan Gennoe, CPA, C.M.F.O. - Vice President of Finance. Ms. Gennoe serves as the Authority's Vice President of Finance. She joined the Authority in July 2022. Ms. Gennoe is responsible for managing and directing the financial, accounting, risk management, internal audit, payroll, parking, ground transportation and properties management functions. She has 33 years of accounting and financial management experience in the local government, public accounting and private industry. Ms. Gennoe previously served as Chief Financial Officer for the City of Knoxville, serving as a member of the Mayor's cabinet and overseeing the managerial, administrative and financial responsibilities of the City's Finance Department. She is a Certified Public Accountant, and she has received her Certified Municipal Financial Officer designation. Ms. Gennoe earned a Bachelor of Science in Accounting from the University of Tennessee.

Employee and Labor Relations

As of June 30, 2024, the Authority employed 166.4 full-time equivalents ("**FTEs**"). The Authority's Fiscal Year 2025 budget provides for 197.1 FTEs. None of the Authority's employees are presently represented by labor unions.

MCGHEE TYSON AIRPORT

Current Airport Facilities

Airfield Facilities. The existing airfield at the Airport consists of two runways in a parallel alignment, Runways 05L-23R and Runway 05R-23L. Runway 05L-23R is 10,000 feet in length, and Runway 05R-23L is 9,000 feet in length. Runways 05L-23R and 05R-23L are 150 feet wide and are equipped with high intensity runway lighting systems and centerline lighting. Runway 05L-23R was recently rebuilt in its entirety and reopened for service in 2023. Both runways are equipped with touchdown zone lights. Precision instrument landing systems have been installed on all ends of the runways for approaches during instrument flight rules conditions, although Runway 05R-23L is equipped with a non-precision GPS approach. The existing runways have adequate capacity to meet operational needs throughout the foreseeable future.

Terminal Facilities.

Passenger Terminal Complex. The passenger terminal complex at the Airport consists of a terminal building with 260,936 square feet of total space. The existing terminal and apron facilities provide for 12 gate positions for domestic operations and associated passenger waiting areas and security screening facilities. The terminal apron is comprised of approximately 1,245,816 square feet of pavement. For additional information regarding the passenger terminal complex, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Terminal. The terminal building at the Airport is divided into two primary levels: the arrivals level (Level 1) and the departures level (Level 2). Level 1 accommodates rental car counters, taxis, limos, transportation network companies, such as Uber and Lyft ("**TNCs**"), and shuttle buses. Level 1 also serves as the hall for baggage claims. An elevated roadway provides vehicle access to Level 2, which provides

passengers access to the ticketing hall, the security screen checkpoint, the airline gates and check baggage inspection screening facilities. Level 2 is also the primary level for concessions areas, including food and beverage operators, retailers, and service providers. Such concession offerings include, but are not limited to, fast food restaurants, a full-service restaurant, gifts and retail shops, newsstands and other service providers.

Public Parking Facilities. As of the date of this Offering Circular, the public parking facilities at the Airport consist of a 3-story public parking garage (“**Terminal Garage**”), one surface lot connected to the Terminal Garage (“**Surface Lot**”), two long-term surface parking lot (“**Terminal Lots A and B**”), and three economy surface parking lots (“**Economy Lots C, D and E**”). In total, these facilities provide approximately 5,449 public parking spaces offering various products to passengers. The Terminal Garage has approximately 2,111 covered parking spaces. The Surface Lot has approximately 838 parking spaces. The Surface Lot was permanently closed when construction of the New Parking Garage Project began, which occurred in November 2024. Terminal Lots A and B are surface lots with approximately 666 and 379 public parking spaces, respectively, and are within walking distance to the terminal. Economy Lots C, D and E are surface lots consisting of 1,094, 197 and 164 public parking spaces, respectively. While these lots are also within walking distance of the terminal, shuttle service to the terminal is provided on a regular basis.

The following table presents the current pricing for the Terminal Garage, the Surface Lot, Terminal Lots A and B, and Economy Lots C, D and E.

**Public Parking Rates at the Airport
Effective June 1, 2024**

Parking Facility	Daily Maximum Rate
Terminal Garage	\$22.00
Surface Lot ¹	16.00
Terminal Lots A and B	16.00
Economy Lots C, D and E	11.00

¹ The Surface Lot is now permanently closed due to the construction of the New Parking Garage Project.
Source: Metropolitan Knoxville Airport Authority.

To help reduce vehicle traffic congestion in the terminal area, a phone-and-wait lot is available where motorists meeting arriving passengers can wait for free until passengers call to indicate they are ready to be picked up along the terminal curbside. The phone-and-wait lot is located southwest of the terminal and includes 95 spaces.

For additional information regarding the Authority-owned public parking facilities, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Rental Car Facilities. Rental car ticket counters and office space, which comprise approximately 2,210 square feet, are located on Level 1 of the terminal building, and the first floor of the Terminal Garage and the adjacent Surface Lot contains 486 rental car ready/return spaces. The Authority also leases to the rental car companies, four rental car service facilities, with three located south of the terminal building off of Airport Hotel Drive and one located to the east of the terminal building off of West General Aviation Drive. The rental car service facilities provide car washing equipment, gasoline pumps and vacuums to

fuel and clean vehicles, vehicle lifts, and pressurized air and vehicle fluids. Nine rental car brands are currently offered at the Airport: Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless and Thrifty.

Fixed Base Operator. Signature Aviation is the only fixed base operator at the Airport. Signature leases approximately 47 acres from the Authority on the east side of the Airport. On Signature's leased premises, Signature operates 13 bulk storage hangars, 30 T-hangars, 25 plane ports and a fuel farm. Signature provides aviation fuel, commercial charter operations, ground services, line services, flight planning and other amenities to general aviation operators. Signature also operates a newly renovated terminal facility for pilots and passengers. Horizon Avionics and The Jet Shop lease hangars from Signature to provide maintenance services for general aviation, and Jet Star leases a hangar from Signature to provide ground service equipment repairs for American Airlines. Signature also contracts with GoRentals to provide rental cars for Signature customers.

Air Cargo Facilities. FedEx and United Parcel Service provide air cargo services at the Airport. The Authority owns three buildings in the northeast side of the airfield for cargo services. The Authority leases one building of approximately 9,900 squarefeet to United Parcel Services and another building of approximately 28,000 squarefeet to FedEx. The third building, which is approximately 20,000 squarefeet, is currently vacant and is available for lease by the Authority. The air cargo apron area is approximately 456,000 square feet.

Aircraft Maintenance Facilities. Multiple aircraft maintenance facilities are located at the Airport. As described above, service providers located in Signature's facilities offer maintenance service to general aviation aircraft. Endeavor Air, Inc. provides maintenance services for Delta Air Lines from a 39,000 square foot hangar on the west side of the Airport, which Endeavor leases from the Authority. The lease payments from Endeavor are directed to pay debt service on bonds issued to finance the construction of the Endeavor facility. Another maintenance facility located on the northeast side of the airfield is approximately 74,835 square feet and is currently vacant and available for lease by the Authority.

Cirrus Facilities. Cirrus Aircraft operates a corporate campus at the Airport. The centerpiece of this campus is a customer experience center for its general aviation aircraft known as the "Vision Center," which was completed in 2017. The center provides all customer-facing functions, including sales, delivery, training, maintenance, and support operations. The Authority leases approximately 12 acres of property to Cirrus for the Vision Center and its related operations, which is located on the west side of the Airport. Cirrus has invested over \$19 million at the Airport to date.

Military Uses. The Tennessee Air National Guard base operates on the north side of the Airport, encompassing approximately 362.62 acres of leased space, including 39 buildings totaling 651,000 squarefeet. The base is home to the 134th Air Refueling Wing, the 119th Command and Control Squadron, I.G. Brown Air National Guard Training and Education Center, Air National Guard Band of the South. The 1st Squadron - 230th Armored Cavalry Regiment's Army Aviation Support Facility is also located on the north side of the airfield.

Authority Administration Offices. The Authority's administration space is located on the third level of the terminal building and consists of approximately 21,929 square feet.

Ancillary Facilities. Ancillary facilities support the aviation-related activities at the Airport. The facilities identified as ancillary are categorized as the Aircraft Rescue and Fire Fighting Facility, Airport Operations Center, Air Traffic Control Tower, the Hilton Knoxville Airport Hotel, and the Tyson Centre. For additional information regarding ancillary facilities, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Other Hangars. The Authority also has ground leased property to other private parties for the construction of hangars for the storage of general aviation aircraft. The Authority also has constructed a hangar that it leases to Cirrus.

Air Service Area

The Airport is the primary commercial airline passenger airport serving the Knoxville metropolitan area and the surrounding region, and the East Tennessee area. The Airport's Air Service Area is defined as the Knoxville CSA, that includes the 13 counties in East Tennessee of Anderson, Blount (the Airport's location), Campbell, Cocke, Grainger, Hamblen, Jefferson, Knox, Loudon, Morgan, Roane, Sevier and Union Counties. For a map of the Air Service Area, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

The Air Service Area is generally isolated from competing airport facilities and, therefore, the Airport has limited competition for air service. Tri-Cities Regional Airport is the closest commercial airport in proximity, which is approximately 112 driving miles from the Airport. The next closest airport in proximity is Asheville Regional Airport, which is approximately 132 driving miles from the Airport. For additional information regarding the Airport's Service Area and the related economic base for air traffic, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Airlines Serving the Airport

The Airport is served by a diverse, stable base of air carriers. Three major U.S. network airlines and three ultra low-cost carriers ("**ULCCs**") operate at the Airport. Nine regional airlines also operate at the Airport as affiliates to American Airlines, Delta Air Lines and United Airlines. For Fiscal Year 2024, American Airlines and Allegiant Air accounted for 35% and 25% of the total enplaned passengers at the Airport, respectively.

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The following table presents the passenger and all-cargo airlines serving the Airport as of June 30, 2024.

**Passenger and All-Cargo Airlines Serving the Airport
(as of June 30, 2024)**

Passenger Airlines		All-Cargo Airlines
<i>Signatory</i>	<i>Regional Affiliates¹</i>	<i>Signatory</i>
Allegiant Air	Air Wisconsin ²	FedEx
American Airlines	CommuteAir ⁴	UPS
Avelo Airlines	Endeavor Air ³	
Delta Air Lines	Envoy ²	
Frontier Airlines	GoJet Airlines ⁴	
United Airlines	Piedmont Airlines ²	
	PSA Airlines ²	
	Republic Airways ⁵	
	SkyWest Airlines ⁵	

¹ Subject to the provisions of the Existing Airline Lease Agreements, certain Airlines have designated one or more regional airlines as an Affiliate (as defined in the Existing Airline Lease Agreements).

² Doing business as American Airlines.

³ Doing business as Delta Air Lines.

⁴ Doing business as United Airlines.

⁵ Doing business as American Airlines and United Airlines.

Source: Metropolitan Knoxville Airport Authority.

For additional information regarding air service at the Airport, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Airport’s Role

The following is a summary of the role that the Airport serves in accommodating air traffic for the nation and the region.

In General. The Airport is classified by the FAA as a small-hub airport based upon its share of nationwide enplaned passengers. According to data from the FAA, there was an increase of approximately 13.6% in enplaned passengers at the Airport for calendar year 2023 as compared to calendar year 2022, and the Airport increased its ranking to 87th in the U.S.

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The following table presents the rankings of the top 30 small-hub U.S. airports in terms of total enplaned passengers per the FAA for calendar year 2023.

U.S. Small Hub Airports Ranked by Enplaned Passengers (Calendar Years 2023 and 2022)

Rank ¹	City	Airport	Enplaned Passengers (in '000s)		Percent Change
			CY 2023	CY 2022	
65	Norfolk	Norfolk International	2,308	2,065	11.8%
66	Buffalo	Buffalo Niagara International	2,292	2,008	14.2
67	Louisville	Louisville Muhammad Ali International	2,268	1,894	19.8
68	Reno	Reno/Tahoe International	2,252	2,133	5.6
69	Sarasota	Sarasota/Bradenton International	2,145	1,912	12.2
70	Oklahoma City	Will Rogers World	2,135	1,928	10.7
71	Kailua Kona	Ellison Onizuka Kona International at Keahole	2,097	2,006	4.5
72	El Paso	El Paso International	2,018	1,931	4.5
73	Spokane	Spokane International	2,002	1,906	5.1
74	Tucson	Tucson International	1,926	1,699	13.3
75	Savannah	Savannah/Hilton Head International	1,910	1,726	10.6
76	Grand Rapids	Gerald R Ford International	1,900	1,717	10.7
77	Long Beach	Long Beach (Daugherty Field)	1,838	1,601	14.8
78	Lihue	Lihue	1,814	1,787	1.5
79	Warwick	Rhode Island TF Green International	1,733	1,572	10.2
80	Myrtle Beach	Myrtle Beach International	1,659	1,707	-2.8
81	Palm Springs	Palm Springs International	1,625	1,500	8.4
82	Tulsa	Tulsa International	1,572	1,447	8.6
83	Des Moines	Des Moines International	1,519	1,368	11.0
84	Birmingham	Birmingham-Shuttlesworth International	1,499	1,331	12.6
85	Sanford	Orlando Sanford International	1,447	1,368	5.8
86	Syracuse	Syracuse Hancock International	1,413	1,245	13.5
87	Alcoa (Knoxville)	McGhee Tyson	1,382 ²	1,216 ²	13.6 ²
88	Albany	Albany International	1,376	1,277	7.8
89	Pensacola	Pensacola International	1,366	1,212	12.7
90	Rochester	Frederick Douglass/Greater Rochester Intl.	1,325	1,156	14.6
91	Greer	Greenville Spartanburg International	1,259	1,070	17.6
92	Clearwater	St Pete-Clearwater International	1,246	1,221	2.1
93	Bozeman	Bozeman Yellowstone International	1,230	1,136	8.3
94	Fresno	Fresno Yosemite International	1,202	1,078	11.5

¹ Calendar year 2023 ranking for all airports.

² Amounts in table may vary from Authority traffic records.

Source: Federal Aviation Administration, Enplanements at All Commercial Service Airports (by Rank), July 2024

For additional information regarding the Airport's role in accommodating air traffic, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Summary of Common Indicators of Activity

The following table presents several of the most common indicators of activity at the Airport for Fiscal Years 2020 through 2024.

Common Indicators of Activity Fiscal Years 2020-2024					
	2020	2021	2022	2023	2024
Enplanements	975,910	698,270	1,177,367	1,317,250	1,514,648
% increase (decrease)	(18.1%)	(28.4%)	68.6%	11.9%	14.9%
Aircraft landed weight (all – 000 lbs)	1,498,459	1,257,301	1,612,223	1,715,646	1,919,495
% increase (decrease)	(9.1%)	(16.1%)	28.2%	6.4%	11.9%
Aircraft operations (passengers)	44,214	36,331	46,053	44,799	50,513
% increase (decrease)	(10.9%)	(17.8%)	26.8%	(2.7%)	12.8%
Aircraft operations (all other)	64,857	50,161	57,415	58,189	54,672
% increase (decrease)	(7.5%)	(22.7%)	14.5%	1.3%	(6.0%)
Load Factors ¹	74.4%	65.9%	83.2%	86.6%	84.8%
% increase (decrease)	(7.1%)	(11.4%)	26.3%	4.1%	(2.0%)

¹ Load factors are the percentage of seats occupied on all passenger aircraft, both arriving and departing.

Source: Metropolitan Knoxville Airport Authority Annual Comprehensive Financial Reports for Fiscal Years 2020 through 2024.

For information regarding enplaned passengers, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Enplaned Passenger Traffic

From Fiscal Year 2013 through Fiscal Year 2016, the Airport experienced a modest upward trend in terms of enplaned passengers. Growth in enplaned passengers at the Airport averaged 1.8% during this period. Beginning in Fiscal Year 2016, Allegiant Air and Frontier Airlines increased capacity while reducing their fares, which resulted in an increase in enplaned passengers. Average fares declined from \$254 in Fiscal Year 2016 to \$225 in Fiscal Year 2019. Between Fiscal Year 2016 and Fiscal Year 2019, enplanements at the Airport increased from approximately 898,671 enplanements to 1.19 million enplanements.

For the first eight months of Fiscal Year 2020 (July 2019 through February 2020), the Airport was on pace to exceed Fiscal Year 2019 enplanements. However, beginning in March 2020, enplaned passengers at the Airport decreased dramatically (as did all passenger traffic throughout the world) because of the impacts associated with the COVID-19 pandemic. These impacts included international travel restrictions and stay-at-home orders throughout the U.S. In March 2020, enplaned passengers at the Airport decreased by 50% from March 2019. Overall, enplaned passengers decreased by 18.1% in Fiscal Year 2020 as compared to Fiscal Year 2019 levels with most of the impact occurring after mid-March 2020 when the impacts from the COVID-19 pandemic generally took hold in the U.S. Since April 2020, enplaned passengers at the Airport have recovered nearly every month. For Fiscal Year 2024, enplaned passengers were 27.2% higher than in Fiscal Year 2019; enplanements for Fiscal Year 2024 set a record for the Airport.

The following table presents enplaned passengers and, year over year growth (or declines) of enplaned passengers for Fiscal Years 2015 through 2024. For additional information regarding enplaned passengers, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

**Enplaned Passengers
Fiscal Years 2014-2024**

Fiscal Year	Enplaned Passengers	Year-Over- Year Growth (Decline)
2015	872,849	—%
2016	898,671	3.0
2017	958,429	6.6
2018	1,057,578	10.3
2019	1,191,198	12.6
2020	975,910	(18.1)
2021	698,270	(28.4)
2022	1,177,367	68.6
2023	1,317,250	11.9
2024	1,514,648	15.0

Source: Metropolitan Knoxville Airport Authority Annual Comprehensive Financial Reports for Fiscal Years 2015 through 2024.

Enplaned Market Share

Delta Air Lines and American Airlines accounted for 60% collectively of the Airport’s enplaned passenger market share in Fiscal Year 2019. From Fiscal Year 2020 through Fiscal Year 2024, Allegiant Air and American Airlines increased their market share and accounted for 60% of the Airport’s enplaned passenger market share in Fiscal Year 2024. American Airlines and Allegiant Air enplanements have grown significantly at the Airport over their pre-pandemic levels, and Delta Air Lines and United Airlines enplanements are now near or above their pre-pandemic levels. See also APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

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The following table presents enplaned passengers at the Airport by Signatory Airlines (as defined herein), and total enplaned passengers for Fiscal Years 2020 through 2024 with the associated percent of market share for Fiscal Year 2024.

**Enplaned Passenger Market Share
Fiscal Years 2020-2024**

	2020	2021	2022	2023	2024	2024 % of Total
American Airlines	315,802	233,459	371,693	417,406	536,683	35.4%
Allegiant Air	200,778	190,878	302,848	359,568	373,763	24.7
Delta Air Lines	272,150	143,085	295,812	317,536	352,898	23.3
United Airlines	159,178	108,198	169,525	186,601	210,342	13.9
Frontier Airlines	23,694	18,945	30,173	29,944	31,203	2.1
Avelo Airlines ¹	—	—	—	—	1,932	0.1
Other/Charter	4,308	3,705	7,316	6,195	7,827	0.5
Total	975,910	698,270	1,177,367	1,317,250	1,514,648	100.0%

¹ Avelo Airlines began operations at the Airport in May 2024.

Source: Metropolitan Knoxville Airport Authority Annual Comprehensive Financial Reports for Fiscal Years 2020 through 2024.

Landed Weight

Aircraft landed weight (expressed in 1,000-pound units) is the sum of the maximum gross certificated landing weight as certified by the FAA for passenger and all-cargo aircraft landing at the Airport. Per the Existing Airline Lease Agreements, aircraft landed weight is used as the denominator in the calculation of landing fees that are used to recover the net cost of the airfield cost center. Therefore, landed weight is an important measure for the Authority as it provides a method to recover costs from each Airline based on its share of landed weight. For additional information regarding historical landed weight and landed weight projections at the Airport, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

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The following table presents landed weight by Airlines, passenger carrier landed weight, cargo and miscellaneous landed weight, total landed weight, and the percentage of passenger landed weight for Fiscal Years 2020 through 2024 with the associated percent of market share for Fiscal Year 2024.

**Passenger, Cargo and Miscellaneous Landed Weight Market Share
Fiscal Years 2020-2024
(in thousands of pounds)**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024 % of Total</u>
Passenger Carriers						
<i>Signatory Airlines:</i>						
American Airlines	440,269	301,154	436,289	484,889	615,477	32.1%
Delta Air Lines	344,757	231,067	339,080	354,489	382,545	19.9
Allegiant Air	209,124	254,826	299,935	323,644	343,215	17.9
United Airlines	197,382	145,650	183,889	197,251	227,679	11.9
Frontier Airlines	21,692	20,109	29,432	32,776	38,538	2.0
Avelo Airlines ¹	—	—	—	—	2,286	0.1
Total Passenger Carrier Weight	<u>1,213,224</u>	<u>952,806</u>	<u>1,288,625</u>	<u>1,393,049</u>	<u>1,609,740</u>	<u>83.9%</u>
Cargo & Misc. Carrier Weight	<u>285,235</u>	<u>304,495</u>	<u>323,598</u>	<u>322,597</u>	<u>309,755</u>	<u>16.1%</u>
Total Weight All Aircraft	<u>1,498,459</u>	<u>1,257,301</u>	<u>1,612,223</u>	<u>1,715,646</u>	<u>1,919,495</u>	<u>100.0%</u>
% Passenger Carrier Weight	81.0%	75.8%	79.9%	81.2%	83.9%	

¹ Avelo Airlines began operations at the Airport in May 2024.

Source: Metropolitan Knoxville Airport Authority Annual Comprehensive Financial Reports for Fiscal Years 2020 through 2024.

**SIGNATORY PASSENGER AIRLINE AGREEMENTS
AND CERTAIN NON-AIRLINE AGREEMENTS**

Existing and Proposed Signatory Passenger Airline Agreements

The Authority and each Signatory Airline have entered into the Existing Airline Lease Agreement, which expired on June 30, 2023. The Authority has extended the Existing Airline Lease Agreements on a month-to-month basis, while finalizing its plans to move to a common-use gate system. The Authority expects to negotiate the terms of a new Airline Lease and Use Agreement (the “**Proposed Airline Lease Agreement**”) with the Signatory Airlines in the second half of 2025 and the first half of 2026.

There is no indication, at this time, that the Authority and the Signatory Airlines will not reach agreement on a new Proposed Airline Lease Agreement. In the event the Authority and the Signatory Airlines are unable to execute a Proposed Airline Lease Agreement, the Authority expects to impose rates and charges on all airlines pursuant to the FAA’s Policy Regarding the Establishment of Airport Rates and Charges and a rate ordinance to be adopted by the Board. The airline rate-setting methodologies used by the Authority under a rate ordinance may ultimately differ from the current rate-setting methodologies under the Existing Airline Lease Agreements, however, the Authority’s obligations to Bondholders set forth in the Bond Resolution, including the obligation to set rates and charges sufficient to meet the respective rate covenants and the ability to charge airline rates by ordinance, remain.

Brief descriptions of the Authority's current rate making methodology and certain other provisions of the Existing Airline Lease Agreements are provided below. The descriptions provided below are qualified in their entirety by the applicable provisions of the Existing Airline Lease Agreements. For a more detailed discussion of the Authority's current rate making methodology and certain additional provisions of the Existing Airline Lease Agreements see APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE EXISTING AIRLINE LEASE AGREEMENT." Unless expressly defined herein, capitalized terms used in this section will have the meanings assigned thereto in APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE EXISTING AIRLINE LEASE AGREEMENT."

The Existing Airline Lease Agreements establish four cost centers for the purpose of determining rates and charges payable by the Signatory Airlines and other users of Airport facilities: (1) Airfield, (2) Terminal Building, (3) Terminal Apron, and (4) Passenger Boarding Bridges. The Authority also has established non-airline-supported costs centers to include parking, ground transportation, air cargo and other property. The Existing Airline Lease Agreements have a "hybrid" airline rate-setting methodology with Airfield costs being calculated on a residual basis (as described below), and the Terminal Building, Terminal Apron and Passenger Boarding Bridges rental rates (as described below) being generally established through a compensatory methodology.

The Existing Airline Lease Agreements govern airline use of certain Airport facilities, including Airfield, Terminal, Terminal Apron, baggage claim, ticket counters and gate areas and permit the Signatory Airlines to lease Exclusive Premises, Preferential Use Premises, and Common Use Premises. Exclusive Premises generally includes ticketing and queuing space, office space, storage areas, employee break rooms, and baggage service area space. Preferential Use Premises includes holdrooms and adjoining Passenger Boarding Bridges and parking aprons to which the Signatory Airline has a higher and continuous priority of use over all other air carriers. Common Use Premises includes the center area of the Concourse between holdrooms, baggage claim areas and related equipment.

Landing Fees under the Existing Airline Lease Agreements are calculated primarily on a residual basis. The cost of the Authority to provide, maintain and operate the Airfield, including debt service on Debt Obligations and Amortization charges allocable to the Airfield, may be included in the calculation of the Landing Fees.

The Terminal Rental Rate under the Existing Airline Lease Agreements is calculated on a compensatory basis with fixed rates. The Terminal Rental Rate is calculated by adding the costs of the Airport Maintenance and Operating Expenses allocable to the Terminal Complex with debt service on Debt Obligations and Amortization charges allocable to the Terminal Complex and dividing the Usable Space in the Terminal Complex. The Terminal Apron and Passenger Boarding Bridge rental rates are calculated in a similar manner to the Terminal Rental Rate. The Remote Aircraft Parking rental rate is calculated based on a fixed rate for each day of use.

Majority-in-Interest approvals under the Existing Airline Lease Agreements are not required to implement the parking garage project being funded with proceeds of the Series 2024A/B Bonds and the Series 2025 Bonds. The Authority has provided information to the Signatory Airlines about the New Parking Garage Project, and the Signatory Airlines have not indicated in any fashion that they are opposed to the New Parking Garage Project.

For a summary of additional provisions of the Existing Airline Lease Agreements, see APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE EXISTING AIRLINE LEASE AGREEMENT."

Non-Airline Agreements

Non-airline agreements have various terms and conditions and the business terms of such agreements are generally based on industry standards and practices. The following are summaries of certain non-airline agreements.

Concession Agreements. The Authority and RT McGhee – Tyson, LLC, a subsidiary of Ruby Tuesday, Inc., entered into a Food and Beverage Concession Agreement, effective September 1, 1999 (the “**Ruby Tuesday Concession Agreement**”), for the operation of a sit-down “Ruby Tuesday” restaurant in the terminal. The Agreement is currently month-to-month as an extension through December 31, 2026, is negotiated. The rent under the Ruby Tuesday Concession Agreement is equal to 8% on gross sales up to \$166,000 each month and 10% of gross sales above \$166,000 each month.

The Authority and Paradies-Knoxville, LLC (“**Paradies**”) entered into a Food and Beverage, News and Gift Shop Concession Agreement, effective on July 1, 2005 (the “**Paradies Concession Agreement**”), to operate food and beverage service, news and gift services in the terminal through June 30, 2030. The rent under the Paradies Concession Agreement is equal to 10% on gross sales up to \$104,167 each month and 14% of gross sales above \$104,167 each month, except that Paradies pays 15% of sales revenue on general merchandise regardless of total sales each month.

The Authority and Host International Inc. entered into a Food and Beverage Concession Agreement, effective September 1, 1999 (the “**Host Concession Agreement**”), for the operation of food and beverage service in the terminal. The Host Concession Agreement expired on March 31, 2024, and the Authority is negotiating a six-year renewal. The rent under the Host Concession Agreement is equal to 10% of gross sales each month.

The Authority also has concession agreements with Smart Carte, Classic Shine (a shoe shine provider), and four ATM providers.

Rental Car Concession Agreements. The Authority entered into Airport Car Rental Concession Agreements, commencing on July 1, 2014 (the “**Rental Car Concession Agreements**”), with the following rental car companies: Avis Budget Car Rental, LLC, EAN Holdings, LLC (which operates the Enterprise brand under one agreement and the Alamo and National brands under a second agreement), GSP Transportation, Inc. (which operates the Dollar and Thrifty brands), The Hertz Corporation, and Payless Car Rental, Inc. The Authority is currently negotiating a two-year extension to align with the completion of the New Parking Garage Project. Pursuant to the Rental Car Concession Agreements, the on-Airport rental car companies pay the Authority concession fees equal to 10% of gross revenues or a minimum annual guarantee (“**MAG**”) amount equal to the greater of 85% of either (a) prior year concession fees or (b) initial year concession fees. The total MAG amount for Fiscal Year 2024 was approximately \$4,620,576. The rental car companies also pay rent for their assigned rental car ticket counters and office space in the terminal building and rental car ready/return spaces. Additionally, the rental car companies must collect and remit CFCs (as defined herein) to the Authority. The term of the Rental Car Concession Agreement ended on June 30, 2024 and is being extended on a month-to-month basis while a longer extension that will remain in effect until the New Parking Garage opens is finalized.

The Authority is currently leasing four on-site rental car maintenance and car wash facilities to Avis Budget Car Rental, LLC, EAN Holdings, LLC (two locations being jointly used by the Alamo, National and Enterprise brands), and The Hertz Corporation, pursuant to four separate Car Rental Service Facilities Lease Agreements (the “**Rental Car Leases**”). The Rental Car Leases also expired on June 30, 2024, and are being extended on a month-to-month basis. The Authority expects to extend these agreements with the extension of the Rental Car Concession Agreements.

Parking Management Agreement. The Authority entered into an agreement with RPS/NFR&CS of Knoxville (“**Republic**”), with a term through June 30, 2025 (the “**Parking Agreement**”), to manage and operate the Airport parking facilities. Under the Parking Agreement, the Authority retains all parking revenues and pays Republic a management fee. In Fiscal Year 2024, the Authority paid Republic approximately \$1,082,450 for managing and operating the parking facilities. Prior to the expiration of the Parking Agreement, the Authority expects to do a competitive selection process for parking management services commencing on July 1, 2025. Republic may or may not be selected to continue to provide these services.

Shuttle Agreement. The Authority entered into an agreement with RTW Management Inc. (“**RTW**”), with an initial term through June 30, 2026 and two extensions at the Authority’s option through July 31, 2028 (the “**Shuttle Agreement**”), to provide shuttle services at the Airport. Under the Shuttle Agreement, the Authority pays RTW a fee for each hour that a shuttle bus is providing services at the Airport. In Fiscal Year 2024, the Authority paid RTW approximately \$698,000 for shuttle bus services between February 1, 2024 and June 30, 2024 because services were only needed for a portion of the fiscal year, and such services are likely to be needed for the indefinite future to some extent.

TNC Permits. The Board adopted a resolution on January 20, 2016 (Resolution No. 16-01) to govern the regulation and fees for transportation network companies operating at the Airport, as amended by a resolution adopted by the Board on April 21, 2021, Resolution 21-01 (as amended, the “**TNC Resolution**”). Pursuant to the TNC Resolution, the Authority imposes a \$2.50 pick-up fee and a \$2.50 drop-off fee on the TNCs (the “**TNC Fees**”), which can be increased by the Authority with 30 days’ notice. The Authority has provided permits to Uber and Lyft (the “**TNC Permits**”), which commenced operations at the Airport in January 2016 and August 2016, respectively. The TNC Permits are renewed annually. The Board has authorized an increase in the fees for TNCs effective August 1, 2025.

Turo Permit. Turo, Inc. (“**Turo**”), a peer-to-peer car sharing platform, matches individual car owners with prospective renters. Turo advertises and markets itself as competing with traditional rental car companies, entered into an airport based peer-to-peer car sharing permit effective January 24, 2022 (the “**Turo Permit**”). The Turo Permit is renewed annually and either party may terminate the Turo Permit upon 30 days’ notice. The Turo Permit grants Turo a non-exclusive, revocable license solely (a) to operate peer-to-peer car sharing operations at the Airport for the convenience of passengers utilizing the Airport and patrons and tenants of the Airport; (b) to use common-use Airport roadways for ingress and egress, subject to Authority policies and applicable laws; and (c) to park in the designated areas as outlined by the Authority. Turo pays the Authority a monthly fee equal to 10% of gross revenues.

Other Agreements. The Authority also has other leases and agreements with the Tennessee Air National Guard, cargo facility and fixed base operators and tenants leasing hangars and buildings. See APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES

Airlines Revenues

Airline revenues at the Airport are generated through Landing Fees, Terminal Rents, Passenger Loading Bridge Fees, and Terminal Ramp Area Rents.

The rate-setting formulas for these charges are consistent with the rate-setting methodologies set forth in the Existing Airline Lease Agreements. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Landing Fees. Per the cost center residual rate-setting methodology in the Airfield under the Existing Airline Lease Agreements, the Authority fully recovers direct and allocated indirect costs for airline use of the Airfield Cost Center. The Net Airfield Requirement is reduced by estimated non-airline revenue forecast in each Fiscal Year. The Landing Fee Rate per 1,000-pound unit of landed weight was \$3.30 and \$3.43 in Fiscal Years 2024 and 2023, respectively. The Authority collected \$6.33 million and \$5.89 million in landing fees in Fiscal Years 2024 and 2023, respectively. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic), the Landing Fee Rate per 1,000-pound unit of landed weight was \$3.14, and the Authority collected approximately \$5.12 million in landing fees. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Terminal Space Rentals. Pursuant to the Existing Airline Lease Agreements, the Authority recovers Terminal Rents from the Signatory Airlines based on a fixed rate per square foot, which was \$63.61 and \$53.76 per square foot in Fiscal Years 2024 and 2023, respectively. The Authority collected \$4.45 million and \$3.45 million in Terminal Rent in Fiscal Years 2024 and 2023, respectively. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic), Terminal Rent fixed rate per square foot was \$48.84 per square foot, and the Authority collected approximately \$2.89 million in Terminal Rent from the Signatory Airlines. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Passenger Loading Bridge Fees. The Authority collected \$588,241 and \$498,156 in Passenger Loading Bridge fees in Fiscal Years 2024 and 2023, respectively. The reduction in Passenger Loading Bridge fees in Fiscal Year 2023 from FY 2022 was due to such expenses being covered by PFC Revenues. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic), the Authority collected approximately \$438,218 in Passenger Loading Bridge fees. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Terminal Apron and Remote Aircraft Parking Fees. The Authority collected \$1.44 million and \$1.27 million in Terminal Apron rentals in Fiscal Years 2024 and 2023, respectively. The Authority collected \$143,340 and \$118,498 in Remote Aircraft Parking rentals in Fiscal Years 2024 and 2023, respectively. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic), the Authority collected approximately \$1.0 million in Terminal Apron rentals and no Remote Aircraft Parking rentals. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Non-Airline Revenue

Non-airline revenue includes, but is not limited to, revenues from parking, ground transportation, rental car concessions and terminal concessions. Parking, ground transportation and rental car revenues represent the largest component of non-airline revenue for the Airport System, accounting for approximately 80% of total non-airline revenue in Fiscal Years 2024 and 2023. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic), parking, ground transportation and rental car revenues accounted for approximately 70% of total non-airline revenue for the Airport System. For additional information regarding parking, ground transportation, and rental car revenues and projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Parking Revenues. The Authority implemented parking rate changes on June 1, 2024 and monitors public parking rates and implements rate changes periodically. The Authority offers a variety of parking options to address the differing needs of its customer base. The Authority has been able to realize significant revenue gains resulting from parking rate increases and from differentiation of parking products as demand has continued to increase. The Authority collected approximately \$19.996 million and \$16.096

million in parking revenues in Fiscal Years 2024 and 2023, respectively. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic); the Authority collected approximately \$12.394 million in parking revenues. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Ground Transportation Concessions. Ground transportation concessions include the pick-up and drop-off fees paid by the TNCs and the fees paid by taxis, limos, shuttle bus services and Turo. The Authority collected approximately \$714,000 and \$592,000 in ground transportation concessions in Fiscal Years 2024 and 2023. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic); the Authority collected approximately \$256,000 in ground transportation concessions. The increase in ground transportation fees is attributable to the increase in passenger traffic and the increase in fees from TNCs. When the TNCs initiated service at the Airport in 2016, the Authority only collected a \$2.50 pick-up fee from the TNCs but did not collect a drop-off fee. The Authority began collecting a \$2.50 drop-off fee in June 2021. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Rental Car Concessions. Pursuant to the Rental Car Concession Agreements, the Authority collected approximately \$6.151 million and \$5.922 million in rental car concessions in Fiscal Year 2024 and 2023, respectively. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic); the Authority collected approximately \$4.326 million in rental car concessions. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Terminal Concession Revenues. Terminal concession revenues include food and beverage, retail, news and gift concessions, and advertising revenues. The Authority collected approximately \$1.919 million and \$1.662 million in terminal concessions in Fiscal Year 2024 and 2023, respectively. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic), the Authority collected approximately \$1.356 million in terminal concessions. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Other Non-Airline Revenues. Other non-airline revenues include air cargo revenues, hangar, ground, and land rentals, fixed base operator rents, fuel flowage fees and other miscellaneous reimbursements and revenues. The Authority collected approximately \$5.237 million and \$3.353 million in other non-airline revenues in Fiscal Years 2024 and 2023, respectively. In Fiscal Year 2019 (the last full Fiscal Year prior to the start of the COVID-19 pandemic), the Authority collected approximately \$4.971 million in other non-airline revenues. For a discussion regarding projected results, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Federal, State and Other Grants

The Authority receives federal grants for Airport capital development under the FAA’s Airport Improvement Program (“**AIP**”) and the Infrastructure Investment and Jobs Act of 2021, referred to as the Bipartisan Infrastructure Law (“**BIL**”). The Authority received AIP entitlement grants of approximately \$3.15 million and Airport Infrastructure Grants under BIL of approximately \$9.53 million in Fiscal Year 2024, based on: (a) levels of funding authorized and appropriated by Congress for the program; and (b) the number of passengers and amount of cargo at the Airport. The Authority has been awarded AIP entitlement grants of approximately \$13.03 million and AIP Airport Zero Emission Vehicle grants of approximately \$2 million in Fiscal Year 2025. The Authority also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding, and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA’s prioritization of competing projects. The Authority also receives grants from the Tennessee Department of Transportation Aeronautics

Division's Transportation Equity Fund for specific projects pursuant to grant applications for such funding. The Authority received state grants of approximately \$4.47 million and \$12.15 million in each of Fiscal Years 2024 and 2023. The Authority expects to fund approximately \$109.3 million of the proposed projects in its CIP with federal and State grants.

For additional information regarding federal and State grants, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Passenger Facility Charges

PFC Act, PFC Regulations, 2024 FAA Reauthorization Act. As part of the Aviation Safety and Capacity Expansion Act of 1990, as amended from time to time (the "**PFC Act**"), as implemented by the FAA pursuant to published regulations (the "**PFC Regulations**"), the United States Congress has authorized certain commercial service airports such as the Airport to collect passenger facility charges ("**Passenger Facility Charge**" or "**PFC**") from each eligible passenger enplaned at such airport in the amount of \$1.00, \$2.00, \$3.00, \$4.00 or \$4.50, subject to certain limitations, set forth in the regulations promulgated by the FAA implementing the PFC Act. Airport-related projects eligible for PFCs are those that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise from an airport that is part of the system or provide an opportunity for enhanced competition between or among air carriers or foreign air carriers. "Eligible airport related projects" include airport development or planning, terminal development, airport noise compatibility measures and planning and construction of gates and related areas (other than restaurants, rental car facilities, automobile parking or other concessions) for the movement of passengers and baggage.

The FAA Reauthorization Act of 2024 (H.R. 3935, Pub. L. 118-63) (Reauthorization) (the "**2024 FAA Reauthorization Act**") was signed on May 16, 2024 and extends the FAA's funding and authorities through September 30, 2028.

PFCs are collected on behalf of airports by air carriers, certain foreign air carriers and their agents ("**Collecting Carriers**"). The Collecting Carriers are authorized to withhold, as a collection fee (a) 11 cents per enplaning passenger from whom a PFC is collected and (b) any investment income earned on the amount collected prior to the due date of the remittance. The PFC Act was amended in 1996 to provide that PFC Revenues that are held by a Collecting Carrier constitute a trust fund that is held for the beneficial interest of the eligible agency imposing the fee and that the Collecting Carrier holds neither legal nor equitable interest in the PFC Revenues, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers, however, are permitted to commingle PFC collections with the carriers' other sources of revenue and are also entitled to retain interest earned on PFC collections until such PFC must be remitted.

PFC applications for specific projects (including debt service on obligations issued to fund such projects) are approved by the FAA in specific total amounts and the Authority may impose the designated PFC only until it collects the authorized total amount. Interest earnings on the collections are treated as collections for purposes of the authorized total.

PFC Collections at the Airport. On October 6, 1993, the airlines operating at the Airport began collecting a \$3.00 PFC on qualifying enplaning passengers at the Airport on behalf of the Authority. Effective October 1, 2003, the Authority was allowed to collect a \$4.50 PFC per enplaning passenger. The Authority currently anticipates remaining at this \$4.50 collection level. PFCs are recorded as non-operating

revenue and were approximately \$6.292 million and \$5.355 million in Fiscal Years 2024 and 2023, respectively.

As of June 30, 2024, the Authority was authorized by the FAA to impose and use approximately \$107.2 million of PFC Revenues (at the \$4.50 level) for various projects. Based on Final Agency Decisions, the FAA estimates the charge expiration date to be December 1, 2025, and the Authority is currently in the process of preparing a new PFC application for projects in the CIP. As of June 30, 2024, the Authority had collected approximately \$97.9 million of its total approved collection authority and had spent virtually all PFC collections on approved projects. As of June 30, 2024, the Authority had an unliquidated balance of approximately \$13 million of PFC Revenues.

Permitted Use of PFC Revenues. Pursuant to the Bond Resolution, the Authority is permitted to use PFC Revenues to pay for certain FAA-approved, PFC-eligible projects, either by using certain PFC Revenues to pay for approved project costs on a pay-as-you-go basis or by applying certain PFC Revenues to pay Debt Service associated with Bonds issued to fund PFC-approved projects. The Authority does not expect to use any PFC Revenues to pay Debt Service on the Series 2024A/B Bonds or the Series 2025 Bonds.

For a discussion of the Authority's ability to pledge PFC Revenues to secure one or more Series of Senior Bonds under the Bond Resolution or any Sub, see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION."

For additional information regarding projected PFC Revenues, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Customer Facility Charges

Pursuant to the CFC Resolution, on February 1, 2020, the Authority began requiring the rental car companies at the Airport to charge a CFC to be used to pay or reimburse the Authority's cost of the construction of new and ancillary rental car facilities and services, including roads and utilities necessary for the service and operation of any new or ancillary rental car facilities for use by the car rental operators; to pay or reimburse the Authority's cost of the replacement of or remodeling of existing airport rental car facilities, to pay or reimburse the Authority's costs for financing, planning, designing, managing, constructing and improving the Airport's rental car facilities; to fund debt service for the foregoing improvements; to fund the ongoing cost of the maintenance of the rental car facilities at the Airport to the extent the Authority (as opposed to a car rental operator) is responsible therefor; and for such other related purposes that the Authority deems necessary and appropriate, including the establishment of reasonable reserves for each of the foregoing. The CFC was initially imposed at \$4.00 per transaction day and was increased to \$5.50 per transaction day effective November 1, 2023. The CFC is collected by the rental car companies on all vehicle rental transactions as specifically set forth in the CFC Resolution and subsequently remitted to the Authority. The Authority collected approximately \$4.258 million and \$3.001 million of CFCs in Fiscal Years 2024 and 2023, respectively. CFCs are included as Airport Revenues pursuant to the Bond Resolution. For additional information regarding Customer Facility Charges, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

The Authority intends to use CFC Revenues to fund a portion of the cost of the New Parking Garage Project attributable to airport rental car facilities and to pledge CFC Revenues to pay debt service on a portion of the Series 2024A/B Bonds attributable to airport rental car facilities. In particular, the Authority expects to pay debt service on the taxable Series 2024B Bonds with CFC Revenues as the anticipated cost of the portion of the New Parking Garage attributable to rental car facilities will be paid from such series of the Series 2024 Bonds. For a discussion of the Authority's ability to pledge CFC Revenues, to secure

one or more Series of Bonds under the Bond Resolution, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.” For additional information regarding CFC Revenues, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

Authority Funds

The Authority has historically used some internal funds from the operation of the Airport System to fund certain projects from the CIP. Per the Bond Resolution, any Revenues remaining in the Revenue Fund, after all obligations have been satisfied, can be used by the Authority for any lawful purpose of the Authority.

AUTHORITY FINANCIAL INFORMATION

Schedule of Revenues, Expenses and Changes in Net Position

The following table presents the Authority’s schedule of revenues, expenses and change in net position for Fiscal Years 2019 through 2024 and reflects financial information for the Airport and the Downtown Island Airport. For Fiscal Years 2019 through 2024, the following table should be read together with the Authority’s financial statements, which presents the condensed financial information for the Airport and the Downtown Island Airport. Such information is presented in accordance with Governmental Accounting Standards Board (“**GASB**”) Statement No. 61, The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34. There are no separately issued financial statements for the Airport and the Downtown Island Airport. See APPENDIX B – “ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2024 and 2023.”

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Schedule of Revenues, Expenses and Change in Net Position¹
Fiscal Years 2019-2024

Category	2020	2021	2022	2023	2024
Operating Revenues					
Aviation Area	\$5,491,542	\$4,630,643	\$5,928,246	\$7,094,029	\$7,515,133
Terminal Area	20,910,056	14,898,453	25,498,292	29,297,817	36,143,190
Air Cargo and Other Properties	3,377,678	2,903,806	2,859,189	2,720,137	4,582,406
Total Operating Revenues	\$29,779,276	\$22,432,902	\$34,285,727	\$39,111,983	\$48,240,729
Operating Expenses					
Aviation Area	\$2,472,712	\$2,238,000	\$2,556,934	\$3,341,581	\$3,226,236
Terminal Area	5,980,383	5,155,536	6,461,859	7,843,207	9,496,982
Air Cargo and Other Properties	1,452,443	1,620,723	2,057,645	2,075,886	2,868,243
General Area:					
Safety	5,060,627	4,689,051	5,248,139	5,610,329	5,948,428
Administration	7,295,849	7,068,580	7,948,542	9,249,277	11,149,254
Total Operating Expenses	\$22,262,014	\$20,771,890	\$24,273,119	\$28,120,280	\$32,689,143
Operating Income Before Adjustments	\$7,517,262	\$1,661,012	\$10,012,608	\$10,991,703	\$15,551,586
Depreciation and Amortization	(10,055,598)	(10,139,486)	(14,144,380)	(18,899,203)	(19,968,654)
Operating Income (Loss)	(\$2,538,336)	(\$8,478,474)	(\$4,131,772)	(\$7,907,500)	(\$4,417,068)
Net Non-Operating Income (Expense):					
Passenger Facility Charges, net	\$3,890,584	\$3,109,225	\$4,890,019	\$5,355,953	\$6,292,174
Customer Facility Charges	512,816	1,982,901	2,715,365	3,001,093	4,258,456
Interest Income	996,817	136,738	383,140	813,229	1,839,006
Change in Fair Value of Investments	405,479	—	—	—	—
Interest Expense	(1,787,977)	(1,978,485)	(871,741)	(680,595)	(334,479)
Federal and State Grants	6,437,350	14,310,333	6,226,707	9,800,468	5,762,716
Transfer of Assets to the FAA	—	—	—	(10,634,317)	—
Other Non-Operating, Net	(69,863)	51,780	65,739	(563,672)	1,147,750
Total Net Non-Operating Income (Expenses)	\$10,385,206	\$17,612,492	\$13,409,229	\$7,092,159	\$18,965,623
Income (Loss) Before Capital Contributions	\$7,846,870	\$9,134,018	\$9,277,457	(\$815,341)	\$14,548,555
Capital Contributions - Grant Receipts from Governmental Agencies	\$30,037,804	\$24,334,903	\$7,091,001	\$11,388,919	\$13,261,937
Increase in Net Position	\$37,884,674	\$33,468,921	\$16,368,458	\$10,573,578	\$27,810,492
Net Position at the Beginning of Year	\$244,125,080	\$282,009,754	\$315,478,675	\$331,847,133	\$342,420,711
Net Position at End of Year	\$282,009,754	\$315,478,675	\$331,847,133	\$342,420,711	\$370,231,203
Net Position at End of Year:					
Net Investment in Capital Assets	\$210,964,151	\$238,827,856	\$243,941,035	\$251,080,250	\$265,254,641
Restricted-Expendable	3,570,406	6,304,029	16,520,981	19,107,638	13,593,307
Unrestricted	67,475,197	70,346,790	71,385,117	72,232,823	91,383,255
Net Position at End of Year	\$282,009,754	\$315,478,675	\$331,847,133	\$342,420,711	\$370,231,203

¹ This table presents the Authority's schedule of revenues, expenses and change in net position in accordance with the Management's Discussion and Analysis in the Authority's Annual Comprehensive Financial Reports for the Fiscal Years ended June 30 in each respective year for Fiscal Years 2019-2024. This table reflects financial information for the Airport and the Downtown Island Airport. This table should be read together with the Authority's financial statements, which present the condensed financial information for the Airport and the Downtown Island Airport. Such information is presented in accordance with GASB Statement No. 61, The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34. There are no separately issued financial statements for the Airport and the Downtown Island Airport. See APPENDIX B – "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2024 and 2023."

Source: Management's Discussion and Analysis (Unaudited) in the Metropolitan Knoxville Airport Authority Annual Comprehensive Financial Reports for Fiscal Years 2019 through 2024.

Analysis of Airport Financial Results

Fiscal Year 2024 Results. The Authority produced another record-breaking year with 1,514,648 enplanements, a 197,398 increase from the previous Fiscal Year's 1,317,250 enplanements.

Operating revenues increased by \$9,128,746 (23.34%) in Fiscal Year 2024 from Fiscal Year 2023. Aviation area revenues increased by \$421,104 (5.94%) in Fiscal Year 2024 from Fiscal Year 2023 due to increased air travel activities. Terminal area revenue has increased by \$6,845,373 (23.36%) in Fiscal Year 2024 from Fiscal Year 2023 primarily driven by increase in parking revenue as well as increases in concession revenue. Air cargo and other properties revenue have increased by \$1,862,269 (68.46%) in Fiscal Year 2024 from Fiscal Year 2023 primarily due to Tyson Centre lease revenue because of the Tyson Centre purchase in Fiscal Year 2024.

Net non-operating income increased by \$15,363,896 to \$14,548,555 from (\$815,341) in Fiscal Year 2024 from Fiscal Year 2023 primarily as a result of the one-time asset transfer to the FAA that occurred in Fiscal Year 2023, coupled with an increase in interest income in Fiscal Year 2024.

In Fiscal Year 2024, the Authority recognized revenue of \$5,712,646 from the FAA through Coronavirus Response and Relief Supplemental Appropriations (“**CRRSA**”) Act and American Rescue Plan Act (“**ARPA**”) comparing to \$9,760,735 in Fiscal Year 2023. The Authority used these funds for reimbursement of operational and maintenance expenses, and debt service payments. Interest expense included in the net non-operating income decreased from the prior year by 50.85%. The decrease in interest expense is the result of the prepayment of a portion of the Series 2019A Note.

PFCs increased by \$936,221 (17.48%), and CFCs increased by \$1,257,363 (41.90%), both a direct result of more passengers traveling in Fiscal Year 2024.

Fiscal Year 2023 Results. The Authority completed its recovery from the COVID-19 pandemic during Fiscal Year 2023 with a record-breaking 1,317,250 enplanements, a 139,883 increase from the previous Fiscal Year's 1,177,367 enplanements. The previous record was set in pre-pandemic Fiscal Year 2019 with 1,191,198 enplanements.

Operating revenues increased by \$4,826,256 (14.08%) in Fiscal Year 2023 from Fiscal Year 2022. Aviation area revenue increased in Fiscal Year 2023 from Fiscal Year 2022 by \$1,165,783 (19.67%) due to the overall increase in passenger traffic. Terminal area revenue increased in Fiscal Year 2023 from Fiscal Year 2022 by \$3,799,525 (14.90%) due to the overall increase in passenger traffic. Parking rates also were raised to keep up with the growing demand. Air cargo and other properties revenue, decreased from Fiscal Year 2022 to Fiscal Year 2023 by \$139,052 (4.86%), due to a decrease in air cargo weights. Total operating expenses increased by \$3,847,161 (15.85%) from Fiscal Year 2022 to Fiscal Year 2023 due to increased passenger traffic and inflation.

The Authority's net non-operating income decreased by \$6,317,070 as certain assets were transferred to the FAA upon completion and acceptance of re-installation/replacement of the Runway 05L/23R owned instrument landing system. In Fiscal Year 2023, the Authority recognized revenue of \$9,760,735 from the FAA through the Coronavirus Aid, Relief, and Economic Security Act (“**CARES**”) Airport Grant, CRRSA and ARPA compared to \$6,180,502 in Fiscal Year 2022. The Authority used these funds for reimbursement of operational and maintenance expenses, and debt service payments. Interest expense included in the net non-operating income decreased from the prior year by 21.93%. The decrease in interest expense is the result of the prepayment of a portion of the Series 2019A Note.

Passenger Facility Charges increased by \$465,934 (9.5%), and Customer Facility Charges increased by \$285,728 (10.5%), both a direct result of more passengers traveling in Fiscal Year 2023.

Fiscal Year 2022 Results. The Authority began its recovery from the COVID-19 pandemic during Fiscal Year 2022 with 1,177,367 enplanements, a 68.61% increase from the previous Fiscal Year's 698,270 enplanements.

Operating revenues increased by \$11,852,825 (52.8%) in Fiscal Year 2022 from Fiscal Year 2021. Aviation area revenue increased in Fiscal Year 2022 from Fiscal Year 2021 by \$1,297,603 (28.0%) due to the overall increase in passenger traffic. Terminal area revenue increased in Fiscal Year 2022 from Fiscal Year 2021 by \$10,599,839 (71.1%). These increases were due to the overall increase in passenger traffic.

The Authority felt the impacts from a strong rebound in passenger traffic by experiencing a 68.61% increase in enplanements and a 68.45% increase in passengers served. Consequently, aviation revenues increased by 28.02% and terminal area revenues increased by 71.15%. Air cargo weights decreased by 2.93% resulting in air cargo and other property revenues decreasing by 1.54%. Air cargo weights surged in Fiscal Year 2020 and Fiscal Year 2021 supported by consumers purchasing goods to enhance time spent at home as necessitated by the pandemic and slowed down as aviation industry recovers from the pandemic in Fiscal Year 2022. However, despite the decrease from Fiscal Year 2021, the Authority's air cargo weights in Fiscal Year 2022 were still above the pre-pandemic level.

Aviation area expenses increased 14.25% and terminal area expenses increased 25.34% primarily due to the overall increase in passenger traffic. The Authority's net non-operating income decreased by \$4,203,263. In Fiscal Year 2022, the Authority recognized revenue of \$6,180,502 from the FAA through CARES and CRRSA comparing to \$14,330,976 in Fiscal Year 2021. The Authority used these funds for reimbursement of operational and maintenance expenses and debt service payments. Interest expense included in the net non-operating income decreased from the prior year by 55.94%. The decrease in interest expense is the result of the amortization of the remaining balance of \$916,666 of a deferred charge on debt refunding, when the related debt was paid in full in Fiscal Year 2021.

Fiscal Year 2021 Results. During Fiscal Year 2021, the Authority continued to be affected by the COVID-19 pandemic, which reduced holiday enplanements by over 50%. Beginning in December 2020, the COVID-19 vaccine became available to the most at-risk members of society and became widely available to all by spring of 2021. As such, passenger volumes began to increase during the final quarter of Fiscal Year 2021. Due to increased volume in the last quarter of Fiscal Year 2021, the Authority was able to start backfilling vacant positions, re-opening some parking lots, and increasing overall spending to accommodate the return of passengers.

Operating revenues decreased in Fiscal Year 2021 from Fiscal Year 2020 by \$7,346,374 (24.67%). The Authority felt the impacts from the COVID-19 pandemic by experiencing a 277,640 (28.45%) decrease in enplanements and a 28.72% decrease in passengers served. Consequently, aviation revenues decreased by 15.68% and terminal area revenues decreased by 28.75%. Even though air cargo weights increased by 5.33%, air cargo and other property revenues decreased by 14.03% because of a decrease in the charged rate for air cargo and tenants terminating leases for other property.

Aviation area expenses decreased 9.49% and terminal area expenses decreased 13.79% primarily due to the Authority's overall efforts to reduce costs in response to the COVID-19 pandemic impact.

The Authority's net non-operating income increased by \$7,227,286. In Fiscal Year 2021, the Authority recognized revenue of \$14,330,976 from the FAA through CARES and CRRSA. The Authority used these funds for reimbursement of operational and maintenance expenses, debt service payments, and

concession relief. In Fiscal Year 2020, the Authority recognized revenue of \$6,374,513 from the FAA and the Tennessee Department of Transportation through CARES. Interest expense included in the net non-operating income increased from the prior year by 10.65%. The increase in interest expense was the result of the amortization of the remaining balance of \$916,666 of a deferred charge on debt refunding, when the related debt was paid in full in 2021.

Fiscal Year 2020 Results. The Authority was affected by the outbreak of COVID-19 and related restrictions which had an adverse effect on both international and domestic travel and travel-related industries around the world, including airlines serving the Airport and its airport concessionaires. Passenger airlines reported a significant downturn in traffic, for continued reduced levels of passenger traffic. In addition, the reduction in air travel had an adverse effect on food/retail concessions, parking, ground transportation, and rental car activity.

The Authority's operating revenues decreased by \$4,022,482 or 11.90% from Fiscal Year 2019 to Fiscal Year 2020 and operating expenses decreased by \$1,352,613 or 5.73% from Fiscal Year 2019 to Fiscal Year 2020. The decrease in revenues and expenses is primarily due to the COVID-19 outbreak as a global pandemic. The Airport finished Fiscal Year 2020 with an overall decrease in total enplanements of 18.07% over Fiscal Year 2019 and a 17.81% decrease in passengers served. Enplanements totaled 975,910.

Aviation revenues decreased 10.08% and terminal area revenues decreased 10.73%. Air cargo and other property revenues decreased 20.92% primarily as a result of COVID-19.

Aviation expenses decreased 6.32% and terminal area expenses decreased 11.04% primarily due to Authority's overall efforts to reduce costs in response to the COVID-19 impact.

The Authority's net non-operating income increased by \$344,709. In Fiscal Year 2020, the Authority recognized revenue of \$6,443,513 from the FAA and the Tennessee Department of Transportation through CARES. The Authority used these funds for reimbursement of operational and maintenance expenses and debt service payments. This is partially offset by a \$5,523,680 gain in Fiscal Year 2019 resulting from a land condemnation action by the Tennessee Department of Transportation in Fiscal Year 2019. The proceeds are being used to partially offset Authority expenses directly related to the land condemnation. Interest expense included in the net non-operating income was relatively flat with a 1.94% increase from the prior year.

Fiscal Year 2019 Results. The Authority's operating revenues increased by \$3,398,974 or 11.18% from Fiscal Year 2018 to Fiscal Year 2019 and operating expenses increased by \$1,906,016 or 8.78% from Fiscal Year 2018 to Fiscal Year 2019. The increase in revenues and expenses is primarily due to overall increased passenger traffic and air service growth.

Aviation revenues increased 13.82% and terminal area revenues increased 11.49% primarily due to a 12.63% increase in enplanements and a 12.64% increase in passengers served. Air cargo and other property revenues increased 6.02% primarily due to additional leased areas at the Airport and additional rental income for the new T-Hangars at the Downtown Island Airport that went into service in Fiscal Year 2018. Aviation expenses increased 13.14% and terminal area expenses increased 14.95% primarily due to the overall increase in passenger traffic and an increase in repairs and maintenance in the terminal area.

The Authority's net non-operating income increased by \$6,228,189 primarily due to a \$5,523,680 gain resulting from a land condemnation action by the Tennessee Department of Transportation. The proceeds will be used to partially offset Authority expenses directly related to the land condemnation. Interest expense included in the net non-operating income was relatively flat with a 1.58% decrease from the prior year.

Debt Service Coverage

The following table presents the historical debt service coverage on the Authority's previously issued notes (including the Series 2019A Note and the Series 2024 Bonds) and other incurred debt obligations for Fiscal Years 2019 through 2024.

Debt Service Coverage ¹ Fiscal Years 2019-2024 (Unaudited)						
	2019	2020	2021	2022	2023	2024
Operating Revenues²						
Aviation Area	\$6,107,314	\$5,491,542	\$4,630,643	\$5,928,246	\$7,094,029	\$7,515,133
Terminal Area	23,423,378	20,910,056	14,898,453	25,498,292	29,297,817	36,143,190
Air Cargo and Other Properties	<u>4,271,066</u>	<u>3,377,678</u>	<u>2,903,806</u>	<u>2,859,189</u>	<u>2,720,137</u>	<u>4,582,406</u>
Total Operating Revenues	\$33,801,758	\$29,779,276	\$22,432,902	\$34,285,727	\$39,111,983	\$48,240,729
Operating Expenses						
Aviation Area	\$2,639,540	\$2,472,712	\$2,238,000	\$2,556,934	\$3,341,581	\$3,226,236
Terminal Area	6,722,177	5,980,383	5,155,536	6,461,859	7,843,207	9,496,982
Air Cargo and Other Properties	1,595,465	1,452,443	1,620,723	2,057,645	2,075,886	2,868,243
General Area:						
Safety	4,908,770	5,060,627	4,689,051	5,248,139	5,610,329	5,948,428
Administration	<u>7,748,675</u>	<u>7,295,849</u>	<u>7,068,580</u>	<u>7,948,542</u>	<u>9,249,277</u>	<u>11,149,254</u>
Total Operating Expenses	\$23,614,627	\$22,262,014	\$20,771,890	\$24,273,119	\$28,120,280	\$32,689,143
Operating Income before other income and expenses	\$10,187,131	\$7,517,262	\$1,661,012	\$10,012,608	\$10,991,703	\$15,551,586
Other Income ³	<u>3,710,519</u>	<u>4,283,138</u>	<u>2,594,292</u>	<u>6,029,544</u>	<u>6,718,588</u>	<u>8,901,059</u>
Net Revenues	\$13,897,650	\$11,800,400	\$4,255,304	\$16,042,152	\$17,710,291	\$24,452,645
Debt Service on airport revenue debt ⁴	\$7,104,035	\$7,367,977	\$2,341,819	\$6,146,741	\$6,090,595	\$5,879,479
Coverage ratio - airport revenue debt	1.96x	1.60x	1.82x	2.61x	2.91x	4.16x

¹ The coverage ratios in this table are calculated in the manner provided in the Master Bond Resolution and will not be consistent with the similar calculation in the Authority's Annual Comprehensive Financial Reports for Fiscal Years 2019 through 2023 because such calculations were based on a pre-existing resolution.

² Operating Revenue includes annual operating revenues and investment income derived from Airport and the Downtown Island Airport.

³ Other income includes interest income, CFCs and Eligible PFCs.

⁴ This table presents the debt service coverage for the Authority's previously issued and outstanding notes (including the Series 2019A Note and the Series 2024 Bonds) and other incurred and outstanding debt obligations in accordance with the scheduled principal payments.

Source: Statistical Section, Schedule 2 (Unaudited) in the Metropolitan Knoxville Airport Authority Annual Comprehensive Financial Reports for Fiscal Years 2019 through 2024.

The Authority's Debt Management Policy (adopted on August 21, 2024), sets forth the Authority's goal to maintain a debt service coverage ratio of 125% on the Senior Bonds. For information regarding the Airport Consultant's projected debt service coverage ratios, see APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Airline Cost Per Enplaned Passenger

A general test of reasonableness for airline costs at an airport is the average airline cost per enplaned passenger (“**CPE**”). The CPE for the Airport presented in the following table includes all landing fees, airside usage charges, terminal rents and other airline payments to airports divided by enplaned passengers.

Average Airline Cost Per Enplaned Passenger¹ Fiscal Years 2020-2024

Fiscal Year	Average Airline CPE
2020	\$8.31
2021	9.76
2022	7.18
2023	7.59
2024	7.66

Source: Metropolitan Knoxville Airport Authority Annual Comprehensive Financial Reports for Fiscal Years 2020 through 2024

For projected CPE for the Airport, see APPENDIX A – “REPORT OF THE AIRPORT CONSULT.”

Available Funds for Operations and Debt Service (Days-Cash-On-Hand)

The following table sets forth the Authority’s unrestricted cash and investments that were available to pay Operating Expenses and debt service (also referred to as “days-cash-on-hand”) as of June 30 of Fiscal Years 2020 through 2024. “Days-cash-on-hand” is calculated as (i) unrestricted cash and investments as of June 30, divided by (ii) daily Operating Expenses for such Fiscal Year. The Authority’s Debt Management Policy (most recently updated on August 21, 2024), sets forth the Authority’s goal to maintain a range of 550 to 650 days-cash-on-hand.

Days-Cash-On-Hand Fiscal Years 2019-2023 (Unaudited)

	2020	2021	2022	2023	2024
Unrestricted Cash and Investments ¹	\$55,622,075	\$63,839,316	\$67,180,321	\$58,195,511	\$84,401,945
Total Operating Expenses ²	\$22,262,014	\$20,771,890	\$24,273,119	\$28,120,280	\$32,689,143
Days-Cash-On-Hand ³	912	1,122	1,010	755	942

¹ Consists of unrestricted cash and investments on deposit as of June 30. For more information on the accounts where unrestricted cash and investments are held, see APPENDIX B – “ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023.”

² Equal to total Operating Expense for the Fiscal Year.

³ Equal to (i) Unrestricted Cash and Investments divided by (ii) Total Operating Expenses divided by 365.

Source: Metropolitan Knoxville Airport Authority

In addition to the unrestricted funds and investments, the Authority had \$11,871,694 and \$18,299,917 restricted funds and investments on hand as of June 30, 2024 and 2023, respectively.

Restricted cash and investments include bond proceeds held in contribution funds, bond payment funds, debt reserve funds, Passenger Facility Charges and Customer Facility Charges.

Fiscal Year 2025 Budget

The Authority's budgets for Fiscal Year 2025 were approved by the Board and include combined operating revenue of \$48.59 million and combined operating expenses of \$40.12 million, which totals include the Downtown Island Airport budget, comprised of \$1.08 million of operating revenue and \$1.43 million of operating expenses.

Fiscal Year 2025 budgeted operating revenue was increased \$6.88 million (16.9%) over the Fiscal Year 2024 budget. This increase includes \$1.343 million (9.4%) increase in terminal area revenues and \$3.106 million (19.5%) increase in parking area revenues over the Fiscal Year 2024 Budget due to projected passenger growth.

Fiscal Year 2025 budgeted operating expenses not including debt service increased \$6.94 million (21.9%) over the Fiscal Year 2024 budget. Budgeted parking area expenses increased by \$2.975 million (87.2%) over the Fiscal Year 2024 budget primarily due to the addition of parking shuttle services.

Through the first three quarters of the Authority's 2025 Fiscal Year, revenues were above budget and expenses have been below budget, and the Authority therefore expects that its net revenue will exceed the budgeted amount for Fiscal Year 2025.

Retirement Benefits

The Authority provides a defined contribution retirement plan to all full-time employees. The plan was established by and may be amended by the Board, and the plan is administered by Mission Square Retirement. There are no minimum required employer contributions under the terms of the plan and there is no outstanding employer liability as of June 30, 2024. Employer contribution expense totaled \$1,375,851 in 2024. For more information, see APPENDIX B – "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022."

Insurance

The Authority maintains various insurance policies, including, but not limited to airport owners and operators liability, property liability, cyber, and public officials and employer liability.

Airport Liability. The Authority maintains airport owners and operators liability insurance providing third party liability coverage for bodily injury and property damage arising from aviation operations at the Airport. Such policy provides up to \$200 million in coverage limits with a deductible of \$2,500/occurrence, and includes \$1 million of auto liability coverage for on-airport operations.

Property Liability. The Authority's property insurance program which includes, among other things, business interruption, rented/leased equipment coverage, wind and hail coverage. Limits and deductibles vary under the policy, but the policy limit is \$386,773,372 for Fiscal Year 2025.

Cyber. The Authority maintains cyber insurance that includes liability, risk management, data restoration, and business interruption. Limits and deductibles vary under the policy, but the policy limit is \$3,000,000.

Public Officials and Employer Liability. The Authority maintains a public officials and employer liability policy, which includes commissioners' and employees' professional liability, with a policy limit of \$10,000,000.

Vendors and Contractors. The Authority requires its vendors, tenants, and consultants to procure and maintain insurance such as commercial (or aviation) general liability, auto, worker's compensation, and if applicable, cyber liability, employer liability, hangarkeepers liability, professional liability, and pollution liability coverage, on all projects and consulting assignments, in amounts commensurate with the scale and complexity of the work or services. If the contract has unique characteristics, the Authority may place additional requirements. Moreover, construction projects in excess of \$100,000 are additionally secured by payment and performance bonds for the full contract value.

The Authority, at its discretion, uses insurance brokers who work with the Authority's risk management in designing an insurance program which is in the best interest of the Authority, including evaluation, negotiation and recommendation of coverages and quotations. However, there is no guarantee that the same insurance coverages or policy limits will be available or obtained by the Authority in the future.

RECENT DEVELOPMENTS RELATED TO COVID-19 PANDEMIC

The Airport, similar to other airports around the nation, saw declines in many financial and operating metrics subsequent to the outbreak of the COVID-19 pandemic in March 2020. Passenger enplanements, parking revenues and rental car transactions decreased significantly. The Authority experienced an increase in enplanement activity throughout Fiscal Years 2022 and 2023 and 2024 and is now operating at levels well above fiscal year 2019, the last full pre-pandemic year.

The United States government, the Federal Reserve Board and foreign governments took legislative and regulatory actions and implemented measures to mitigate the broad disruptive effects of the COVID-19 pandemic. The CARES Act was one of the legislative actions implemented in 2020 and included among its relief measures direct aid for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Authority was awarded CARES funds totaling \$25.8 million. The Authority also received \$5 million in funding relief under ARPA. These funds were used for reimbursement of operational and maintenance expenses and debt service payments and to provide relief for concessionaires from rent and minimum annual guarantees obligations. These funds were fully expended by early Fiscal Year 2024.

AUTHORITY CAPITAL PROGRAM

The Board reviews and approves the Authority's CIP annually. The CIP covers a five-year span, identifying needed improvements at the Airport and the Downtown Island Airport, along with expected funding sources. For Fiscal Year 2025 through Fiscal Year 2029, the CIP budgets \$570,002,000 in estimated project costs. The New Parking Garage Project is estimated to cost approximately \$185,536,000. The New Parking Garage Project is expected to be funded with proceeds of the Series 2025 Bonds, the Series 2024A/B Bonds, state grant funds, accumulated revenues from CFCs, and other available Authority funds. The New Parking Garage Project is the only capital improvement project to be funded with proceeds of the Series 2025 Bonds and the Series 2024A/B Bonds. For additional information regarding the New Parking Garage Project, see "PLAN OF FINANCE" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT."

Other major capital improvement projects and the estimated costs included in the CIP are (i) a terminal concourse expansion (\$200,000,000), (ii) Runway 05R/23L rehabilitation and runway safety area improvements (\$60,400,000), (iii) remain overnight apron expansion (\$18,000,000), (iv) terminal envelope

improvements (\$10,000,000), (v) rental car service facilities rehabilitation (\$7,700,000), (vi) physical plant upgrades (\$6,500,000), (vii) fuel farm capacity expansion (\$5,000,000), (viii) concourse development program including a two-gate expansion (\$4,500,000), (ix) firetruck replacement (\$3,500,000), and (x) various improvements to the Downtown Island Airport (\$11,700,000). For additional information regarding the CIP, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

The anticipated funding sources and estimated amounts for the CIP include federal and state grants (\$111,047,000), the Series 2024A/B Bonds (\$142,289,000), the Series 2025 Bonds (\$38,004,019), PFCs (\$23,155,000), CFCs (\$19,700,000), available Authority cash (\$46,812,000), and other sources, including future bond issuances to make up any differences. For more detailed information on anticipated funding sources for the various projects in the CIP, see APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT.”

The CIP is subject to frequent assessment and modification to accommodate evolving priorities with respect to demand-driven traffic activity, operational needs of the Airport System, and other factors, which could result in increases or decreases to the costs of the CIP, or extend or accelerate the timing to complete certain capital improvement projects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Environmental Factors

The Authority and the Airport are subject to numerous federal, state and local laws and regulations with respect to environmental matters, including, among others, the National Environmental Policy Act (NEPA), the Clean Air Act and the Clean Water Act. These laws and regulations govern, among other things: air quality; fish, wildlife and plants; floodplains; hazardous materials, pollution prevention and solid waste; historical, architectural, archaeological and cultural; natural resources, energy supply and sustainable design; noise; water quality; and wetlands. The Authority is in material compliance with all applicable environmental rules and regulations. See also “CERTAIN INVESTMENT CONSIDERATIONS – Regulations and Restrictions Affecting the Airport” and “– Climate Change Issues and Possible New Regulations.”

The Authority has an energy and sustainability plan, known as the “Blue Green Initiative,” that was most recently reviewed and updated in 2023. The Authority also maintains a Stormwater Pollution Prevention Plan and a Spill Prevention, Control, and Countermeasure Plan. The Authority updates both plans and provides related employee training on an annual basis. The Authority is committed to sustainability and has incorporated and will continue to incorporate a variety of “green” strategies into the design, construction and operations of the Airport. The Authority currently allocates capital to promote energy efficiency, such as LED lights in the terminal and on the runways and through facility systems and building controls. The Authority’s Airport Design Guidelines also place emphasis on the energy efficient designs and Leadership in Energy and Environmental Design (LEED) requirements in new construction. The Authority is committed to reducing airport noise through its regulations and operating procedures and by purchasing land in the runway protection zone and within the 65 Day Night Level (DNL) contours. The Authority also focuses on procuring ecologically friendly and non-toxic products and materials.

The Authority currently has two electric vehicle (EV) charging stations in the Terminal Garage. The New Parking Garage is expected to utilize LED lighting and lower carbon footprint concrete, and include eight additional EV charging stations. In February 2024, the Authority introduced three environmentally friendly parking shuttle buses at the Airport. The new buses, which transport travelers between the economy parking lots at the Airport and the terminal, are fueled by clean-burning compressed natural gas. The Authority also plans to implement three electric shuttle bus and four level 3 charging

stations to transport passengers and employees to the terminal in 2026 to be funded with an AIP Airport Zero Emission Vehicle grant.

Social Factors

The Authority's operations make a substantial contribution to the local economy. According to the Tennessee Aviation System Plan and Aviation Economic Impact Study issued by the Tennessee Department of Transportation in 2019, the Authority has a \$2.1 billion impact on the economy, contributes over 14,000 jobs to the region, and contributes to \$874 million in visitor spending.

The Authority currently employs over 160 full-time employees. The Authority provides its employees with health and wellness programming through its medical insurance carrier, United Healthcare. The Authority also provides its employees with a tuition reimbursement program for certain accredited programs.

The Authority is involved in the local East Tennessee community and in local organizations. Some examples include the sponsorship of the Knoxville Asian Festival and HoLa Festival and serving as the host airport for HonorAir Knoxville, a program that takes East Tennessee World War II, Korean and Vietnam veterans to Washington, D.C. to visit the memorials built to honor their sacrifice. For the past fifteen years, the Authority has partnered with the Arts & Culture Alliance of Greater Knoxville to present a biannual exhibition entitled "Arts in the Airport." The exhibition is located just past the security checkpoint at the Airport and displays 40 to 45 pieces of contemporary artwork created by local artists. The Authority also hosts an Aviation Academy each April that offers a behind-the-scenes look at commercial, military and general aviation. The Aviation Academy is open to business and community leaders in East Tennessee over the age of 21 years old. Approximately 300 participants have participated in this five-night program since 2012.

Governance Factors

The Authority is governed by its Board. See "THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY – Board of Commissioners" and "– Executive Management" above for additional discussion on Authority governance. The Board previously adopted a strategic plan that establishes performance targets and sets the direction for the Authority through 2025. The Board expects to adopt an updated strategic plan in 2025. The Board has active standing committee system, which committees meet as required to consider relevant issues. One such committee is the Administration and Finance standing committee, which assists the Board in carrying out its oversight responsibilities by reviewing (i) the integrity of the Authority's financial reports and statements, (ii) the effectiveness of the Authority's internal control over financial reporting, (iii) the external auditor's qualifications and independence, and (iv) the performance of the Authority's internal audit function and external auditor. The members of the Authority's committees are appointed annually by the Chair of the Board with the approval of the Board.

The Authority also manages its business risk through insurance, including business interruption and cybersecurity coverages, as described above under the heading "AUTHORITY FINANCIAL INFORMATION – Insurance" above. The Authority's technology department also oversees data management and cybersecurity as part of its day-to-day duties

AIRLINE AND AIRLINE INDUSTRY INFORMATION

Certain of the airlines or their parent corporations operating at the Airport are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and, as such are required to file periodic reports, including financial and operational data, with the

SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Bureau of Transportation Statistics, Research and Innovation Technology Administration, Department of Transportation, 1200 New Jersey Avenue, SE, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depositary Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

Neither the Authority nor the Underwriter undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the financial condition of the airlines and the effects of airline bankruptcies on the Authority.

REPORT OF THE AIRPORT CONSULTANT

The Authority retained Landrum & Brown, Incorporated, as the Airport Consultant, which is recognized as an expert in its field, to prepare a report in connection with the anticipated issuance of the Series 2024 Bonds. The Report of the Airport Consultant issued in connection with the issuance of the Series 2024 Bonds is included as Appendix A hereto, with the Airport Consultant's consent. The information regarding the analyses and conclusions contained in the Report of the Airport Consultant is included in the Offering Circular in reliance upon the expertise of the Airport Consultant. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts and projections contained therein and the key factors impacting such forecasts and projections.

In connection with the issuance of the Series 2025 Bonds, the Airport Consultant did not provide an updated report, but did review the report and the information contained therein and provided the Authority with a letter confirming that issuance of the Series 2025 Bonds is consistent with the projections in the Report of the Airport Consultant and that the issuance of the Series 2025 Bonds does not change, in any material respect, the projections or conclusions in the Report of the Airport Consultant.

The financial forecasts and projections in the Report of the Airport Consultant are based on certain information and assumptions that were provided by, or reviewed and agreed to by, the Authority's management. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts and projections.

The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts and projections made therein. No assurances can be given that these or any of the other assumptions contained in the Report of the Airport Consultant will occur. As noted in the Report of the Airport Consultant, any forecast or projection is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts and projections will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and

projected and actual results, and those differences may be material. See also “INTRODUCTION—Forward-Looking Statements,” and “CERTAIN INVESTMENT CONSIDERATIONS—Assumptions in the Report of the Airport Consultant.”

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2025 Bonds involve investment risk and may not be suitable for all investors. The factors set forth below, among others, may affect the security of the Series 2025 Bonds. Prospective investors are urged to read this Offering Circular, including its appendices, in its entirety. The factors set forth in this Offering Circular, among others, may affect the security for and/or trading value of the Series 2025 Bonds. The information contained in this Offering Circular relates solely to the Series 2025 Bonds and speaks only as of the date of this Offering Circular. The information in this Offering Circular does not purport to be a comprehensive or complete discussion of all risks or other considerations that may be relevant to an investment in the Series 2025 Bonds. Other factors may exist which may be material to investors based on their respective individual characteristics. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. Additional risk factors relating to the purchase of Series 2025 Bonds are described throughout this Offering Circular, whether or not specifically designated as risk factors. Additional risks and uncertainties not presently known, or currently believed to be immaterial, may also materially and adversely affect, among other things, Gross Revenues, Net Revenues or Pledged Funds or individual investors. In addition, although the various risks discussed in this Offering Circular are generally described separately, prospective investors of the Series 2025 Bonds should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. There can be no assurance that other risks or considerations not discussed in this Offering Circular are or will not become material in the future.

Series 2025 Bonds are Limited Obligations; Subordinated Indebtedness

The Series 2025 Bonds (including without limitation, Pledged Bonds and Reimbursement Obligations) are special obligations of the Authority, payable solely from and secured by a lien upon and pledge of the Pledged Funds, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution, all in the manner and to the extent provided in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS – Pledge of Pledged Funds,” “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE – Outstanding Series 2019A Note” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.”

THE SERIES 2025 BONDS SHALL NOT IN ANY MANNER OR TO ANY EXTENT CONSTITUTE OR BE A CHARGE UPON ANY MONEYS OR PROPERTY OF THE AUTHORITY NOT SPECIFICALLY PLEDGED THERETO UNDER THE BOND RESOLUTION, OR CONSTITUTE OR BE AN OBLIGATION OF THE CITY OF KNOXVILLE OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OF TENNESSEE OTHER THAN THE AUTHORITY AND SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE OWNERS OF THE SERIES 2025 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OR OUT OF ANY FUNDS OR RESOURCES OTHER THAN PLEDGED FUNDS. THE AUTHORITY HAS NO TAXING POWER.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Gross Revenues and Pledged Funds available for payment of the Series 2025 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; accidents involving commercial passenger aircraft; changes in law, local, State and federal regulations and the application thereof; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability of aircraft; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001, the economic recession that occurred between 2008 and 2009 and the COVID-19 pandemic. Other business decisions by airlines, such as the reduction, or elimination, of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at the Airport and could have a more pronounced effect in the future.

In addition to revenues received from the airlines, the Authority derives a substantial portion of its revenues from concessionaires including parking operations, food and beverage concessions, retail concessions, car rental companies, and others. See “SIGNATORY PASSENGER AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS – Existing and Proposed Signatory Passenger Airline Agreements.” Declines in passenger traffic at the Airport may adversely affect the commercial operations of many of these concessionaires. While the Authority’s agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire to make the required payments or could lead to the cessation of operations of such concessionaire.

Many of these factors are outside the Authority’s control. Changes in demand, decreases in aviation activity and their potential effect on enplaned passenger traffic at the Airport may result in reduced Gross Revenues and PFCs. Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, threats of terrorism, costs of aviation fuel, airline concentration, labor shortages, and aircraft shortages. See also “– Aviation Security Concerns” below for additional discussion on the costs of security.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies generally, and consumer income and business profits in particular. The long-term implications of recent economic, public health and political conditions are unclear. A lack of sustainable economic growth or unexpected events could negatively affect, among other things, financial markets, commercial activity and consumer spending.

Decreases in face-to-face meetings and conferences with suppliers, customers and partners of many employers across a variety of sectors have also decreased the demand for airline business travel within the Knoxville CSA.

Increases in inflation can have a negative impact on passenger traffic if inflation increases at a faster rate than income.

Markets in the United States and globally have seen significant fluctuations that have been attributed to increased tariffs levied by the United States, China and other countries.

Threats of Terrorism. Recent and ongoing terrorist attacks and threats of terrorism have had, and may continue to have, a negative impact on air travel. The Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001 or the terrorist attacks that occurred in Nice, Munich, Paris, Brussels and Istanbul in 2015 and 2016, the likelihood of future air transportation disruptions or the impact on the Authority or the airlines operating at the Airport from such incidents or disruptions.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, including the war between Ukraine and Russia and the conflict between Israel and Hamas in the Gaza Strip, and historically, in the oil-producing nations in the Middle East and North Africa, Organization of Petroleum Exporting Countries policy, the growth of economies around the world, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. The price of aviation fuel rose to an all-time high of approximately \$4.04 per gallon in June 2022. According to the U.S. Bureau of Transportation Statistics, the price of aviation fuel averaged approximately \$2.86 per gallon during Fiscal Year of 2023. For comparison purposes, according to the U.S. Bureau of Transportation Statistics, between 2018 and 2022, the price of aviation fuel averaged approximately \$2.18 per gallon per year. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Airline Concentration; Effect of Airline Industry Consolidation. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last 15 years include: (a) in 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass Airlines; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; (d) on December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc., and American and US Airways began operating as a single airline (under the American brand) in October 2015; and (e) in December 2016, Alaska Air Group acquired Virgin America. To date none of these mergers have had any material impact on airline service or enplanements at the Airport. While these prior mergers have not had any material impact on airline service or enplanements at the Airport or on Gross Revenues and Pledged Funds, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Gross Revenues and Pledged Funds, reduced PFC collections and/or increased costs for the other airlines serving the Airport.

Industry Workforce Shortages. Workforce and labor shortages are an aviation industry-wide issue. For example, a shortage in pilots have especially affected smaller regional airlines. There are several causes for such shortage. Congress changed duty time rules in 2010 to mitigate pilot fatigue, which required

airlines to increase pilot staff. Beginning in 2013, first officers flying for commercial airlines were required to have at least 1,500 hours of flight time, instead of the 250 hours previously required. Additionally, at the onset of the COVID-19 pandemic, airlines were faced with a surplus of personnel resulting from the sudden and dramatic decline in traffic. As a result, airlines offered their employees buyouts and early retirement packages and, according to certain media reports, approximately 10% of pilots took early retirement. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases as air traffic demand returns, the major air carriers are anticipated to need additional pilots, and are generally able to hire pilots away from regional airlines. As a result, small regional airlines have a particularly difficult time hiring qualified new pilots, despite increased incentives. The shortage of pilots available to regional airlines may result in reduced service to some smaller U.S. markets. An additional concern regarding the pilot workforce has recently come to light due to the COVID-19 pandemic. Pilots have self-reported increased errors to NASA's Aviation Safety Reporting System and attributed their errors to the reduction in flights, which has meant less time for pilots in the cockpit. Such reports raise the possible need for retraining opportunities as the airline industry recovers.

In addition to the pilot shortage, over the next decade there could be a shortage of qualified mechanics to maintain the airlines' fleet of planes. This potential shortage is a result of an aging pool of mechanics, a large portion of which are expected to retire in the next decade, and a lack of younger people joining the ranks of the mechanics. A shortage of mechanics could raise the cost of maintenance, require airlines to maintain more spare planes and/or result in increased flight cancellations and delays.

Aircraft Shortages. After disposing of many aircraft during the COVID-19 pandemic, airlines are struggling to acquire sufficient aircraft to meet growing demand for air service in the United States and abroad. Those challenges are compounded because aircraft manufacturers, including Airbus and Boeing, have experienced delays in producing and delivering aircraft. Such delays result from several factors, including supply-chain disruptions, staffing shortages and quality control and safety issues. Delays in aircraft delivery may hamper airlines' ability to increase capacity to meet travel demand. If such aircraft-delivery delays persist, airlines could further reduce service domestically and internationally, including from the Airport.

Bankruptcy by Airlines and Concessionaires

A bankruptcy of an airline or of another tenant or tenants operating from the Airport could result in delays or reductions in payments on the Series 2025 Bonds.

Since December 2000, several airlines that currently operate at the Airport, including, among others, Delta Air Lines, United Airlines, American Airlines and Frontier Airlines, have filed for and reorganized under bankruptcy protection. Certain concessionaires and rental car companies also have filed for bankruptcy protection over the last several years, including Hertz Corporation in 2020. Additional bankruptcy filings may occur in the future. The bankruptcy of an airline with significant operations at the Airport could have a material adverse effect on operations of the Airport, Revenues, and the cost to the other airlines operating at the Airport.

In the event of a bankruptcy by an airline or other tenant operating from the Airport, the automatic stay provisions of the United States Bankruptcy Code (the "***Bankruptcy Code***") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by an airline or other tenant to the Authority or any action to enforce any obligation of an airline or other tenant to the Authority. With the authorization of the bankruptcy court, an airline or other tenant may be able to repudiate some or all of its agreements with the Authority and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation also could excuse the other parties to such agreements from performing any of their obligations. An airline or other tenant may be able, without the

consent and over the objection of the Authority to alter the terms, including the payment terms, of its agreements with the Authority, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, an airline or other tenant may be able to assign its rights and obligations under any of its agreements with the Authority to another entity, despite any contractual provisions prohibiting such an assignment. The holders of the Series 2025 Bonds may be required to return to an airline or other tenant as preferential transfers any money that was used to make payments on the Series 2025 Bonds and that was received by the Authority from such airline or other tenant during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Authority under any lease with an airline or agreement with another tenant may be subject to limitations.

As described in “INFORMATION CONCERNING REVENUES AND CERTAIN REVENUE SOURCES – Passenger Facility Charges” airlines serving the Airport also are required to pay to the Authority PFCs collected from enplaned passengers at the Airport. The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Authority) imposing the PFCs, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Authority cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues. It is possible that the Authority could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Authority cannot predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of the Series 2025 Bonds and the Authority does not expect to use PFCs to pay debt service on the Series 2025 Bonds. However, the Authority has pledged PFCs to the repayment of the Series 2019A Note and expects to use excess PFCs on a pay-as-you go basis to fund certain projects in the CIP.

There may be delays in payments to the Authority and resulting delays in the payment of principal of and interest on the Series 2025 Bonds while the court considers any of the issues described above. There may be other possible effects of a bankruptcy of an airline or other tenant that could result in delays or reductions in payments on the Series 2025 Bonds. Regardless of any specific adverse determinations in an airline or other tenant bankruptcy proceeding, the fact of an airline or other tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2025 Bonds.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks (see “– Factors Affecting the Airline Industry – Threats of Terrorism” above), increased threat levels declared by the Department of Homeland Security may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

The Authority cannot predict whether the Airport will be a target of terrorists in the future. Additionally, the Authority cannot predict the effect of any future government-required security measures on passenger activity at the Airport.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. The Authority is not aware of any formal dispute involving the Airport over any existing rates and charges. The Authority believes that the rates and charges methodology it utilizes and the rates and charges it imposes upon air carriers and other aeronautical users are reasonable and consistent with applicable law. However, there can be no assurance that a complaint will not be brought against the Authority in the near-term or in the future, challenging such methodology and the rates and charges established by the Authority, and if a judgment is rendered against the Authority, there can be no assurance that rates and charges paid by aeronautical users of the Airport will not be reduced. An adverse determination in a future challenge could limit the ability of the Authority to charge airlines rates sufficient to meet the rate covenant in the Master Bond Resolution and could have a material adverse impact on the receipt of Gross Revenues.

Additionally, the policies of the FAA prohibit an airport from making direct or indirect payments that exceed the fair and reasonable value of the respective services and facilities provided to the airport.

Regulations and Restrictions Affecting the Airport

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including extensive federal legislation and regulations, including, without limitation, the provisions of the Bond Resolution, Existing Airline Lease Agreements, the federal acts authorizing the imposition, collection and use of PFC Revenues and extensive federal legislation and regulations applicable to all airports in the United States.

It is not possible to predict whether future restrictions or limitations on operations at or affecting the Airport will be imposed, whether future legislation or regulations will affect anticipated federal funding or the collection and availability of PFC revenues to fund the Authority's CIP or whether such restrictions or legislation or regulations would adversely affect Gross Revenues.

Factors Affecting Capital Improvement Program

As described herein, the Authority is undertaking several capital projects at the Airport, with the largest being the New Parking Garage Project. The Authority has entered into and will enter into agreements for the construction of such capital improvements. The Authority anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the capital development program are subject to a number of uncertainties. The ability of the Authority to complete the New Parking Garage Project may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) changes to the scope of the project; (d) delays in contract awards; (e) material and/or labor shortages; (f) unforeseen site conditions; (g) adverse weather conditions and other force majeure events; (h) contractor defaults; (i) labor disputes; (j) unanticipated levels of inflation; and (k) environmental issues. No assurance can be made that the New Parking Garage Project will not cost more than the current budget. Any schedule

delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, thereby making the Airport less economically competitive. Recent federal policy concerning tariffs and immigration could also result in increased cost and/or impact schedules of capital improvement projects.

Availability of Funding for the Capital Improvement Program

The Authority's plan of finance for funding the CIP assumes that PFC revenues on a pay-as-you-go basis, CFCs on a pay-as-you-go basis, federal and state grants, and other available revenues of the Authority, will be received by the Authority in certain amounts and at certain times to pay the costs of the CIP Projects. See "AUTHORITY CAPITAL PROGRAM" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT." No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed.

To the extent that any portion of the funding assumed in the plan of finance for the New Parking Garage Project and the Other CIP Projects is not available as anticipated, the Authority may be required to defer or remove certain of the Other CIP Projects or issue Additional Bonds to pay the costs of such projects.

Cyber and Data Security

Authority. The Authority, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Authority faces multiple cyber threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computers and other sensitive digital networks and systems (collectively, "**Technology Systems**"). There have been many cyber-attack attempts on the Authority's computer system, but not any resulting in a material compromise of the system, data loss or breach that the Authority has identified.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Authority's Technology Systems for the purposes of misappropriating assets or information or causing operational disruption and reputational damage.

The Authority's Information Security Program is modeled after the National Institute of Standards and Technology ("**NIST**") Cybersecurity Framework ("**CSF**"), with significant investments being made in each of the NIST functions: Identify, Protect, Detect, Respond and Recover. The Authority's Information Security Program includes an internal policy framework that details security controls and safeguards that supports the NIST CSF and industry cybersecurity best practices. The Authority engages with outside firms to periodically provide formal independent assessments of progress against objectives. These assessments enable the Authority to understand its risk and security posture and to prioritize its investments accordingly.

No assurances can be given that the Authority's security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could damage the Authority's Technology Systems and cause disruption to Authority and/or Airport System services, operations and finances. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Authority to material litigation and other legal risks, which could cause the Authority to incur material costs related to such legal claims or proceedings. The Authority will continue to assess cyber threats and protect its data and systems, with a conscious effort to prioritize based on potential impact of issues and the likelihood of those issues manifesting into an incident. See "AUTHORITY FINANCIAL INFORMATION – Insurance" for a discussion of the cybersecurity insurance maintained by the Authority.

Airlines, Concessionaires and Other Entities Operating at the Airport System. Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including the airlines, the FAA, the TSA, the concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect the airline industry and operations at the Airport System.

Federal Funding

The Authority receives certain federal funds including from AIP. Additionally, certain operations at the Airport are supported by federal agencies including flight traffic controllers, FAA, TSA, FBI, Customs and Border Security, among others. Federal agencies also have regulatory and review authority over, among other things, certain Airport operations, construction at the Airport and the airlines operating at the Airport.

From time to time, the federal government has, and may in the future, come to an impasse regarding, among other things, reauthorization of the FAA (which has historically included funding for AIP) and other federal appropriations and spending. The current FAA reauthorization became effective on May 16, 2024 with the passage of the 2024 FAA Reauthorization Act. The 2024 FAA Reauthorization Act provides funding for the FAA and AIP through September 30, 2028.

Failure to adopt new legislation upon the expiration of the 2024 FAA Reauthorization Act may have a material, adverse impact on, among other things, (i) federal funding received by the Authority, including under the AIP; (ii) federal agency budgets, hiring, furloughs, operations and availability of Federal employees to support certain operations at the Airport, provide regulatory and other oversight, review and provide required approvals, in each case at the Airport and over the airlines serving the Airport; (iii) flight schedules, consumer confidence, operational efficiency at the Airport and in the air transportation system generally. In addition, the anticipated federal spending could be affected by, among other things, the automatic across-the-board spending cuts, known as sequestration.

There can be no assurance that the Congress will enact and the President will sign federal appropriation legislation or future FAA reauthorization which may require the Authority to fund capital expenditures forecast to come from such federal funds and from other sources (including operating revenues and/or Additional Bonds), result in decreases to the CIP or extend the timing for completion of certain projects and the Authority is also unable to predict future impact of any federal spending cuts or appropriation impasses or the impact of such actions on airline traffic at the Airport or the Authority's revenues.

Technological Innovations in Ground Transportation

One significant category of non-airline revenues for the Authority is generated from ground transportation activity, including use of on-Airport parking garages; fees paid by taxi, limousine and TNCs, such as Uber and Lyft; and rental car transactions by Airport passengers. While passenger levels are

increasing, the relative market share of these sources of revenue is shifting. As one example, the popularity of TNCs has increased because of the increasing number of cities where TNCs operate, convenience of requesting a ride through a mobile application, the ability to pay for this service without providing cash or other payment to the hired driver, and competitive pricing. In Fiscal Year 2019 (prior to the COVID-19 pandemic), TNCs recorded nearly 71,161 (estimated) Airport pick-ups/drop-offs resulting in \$195,480 in fee revenue for the Authority. In Fiscal Year 2023, TNCs recorded nearly 145,205 (estimated) Airport pick-ups/drop-offs resulting in \$358,275 in fee revenue for the Authority. In Fiscal Year 2024, TNCs recorded nearly 188,974 (estimated) Airport pick-ups/drop-offs, resulting in \$466,671 in fee revenue for the Authority.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the Authority makes every effort to anticipate demand shifts, there may be times when the Authority's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The Authority cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The Authority also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast or projection is subject to uncertainties. The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts and projections made therein. No assurances can be given that the assumptions contained in the Report of the Airport Consultant will occur. Inevitably, some assumptions used to develop the forecasts and projections will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary, and the variations may be material. See "REPORT OF AIRPORT CONSULTANT" and APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT"

Climate Change Issues and Possible New Regulations

Climate change concerns are shaping laws and regulations at the federal and State levels that could have a material adverse effect on the airlines operating at the Airport and could also affect ground operations at the Airport. Studies report that airplane emissions equal approximately 12% of all U.S. transportation and more than 3% of total U.S. greenhouse gas emissions. While the U.S. Environmental Protection Agency (the "**EPA**") does not currently regulate greenhouse gas emissions from aircrafts, it could do so in the future. When drafting aircraft emission regulations, the EPA must consult with the Administrator of the FAA and the Secretary of Transportation, and such regulations must not significantly increase noise or adversely affect safety. The President may also disapprove if the Secretary of Transportation advises that the regulations create a hazard to aircraft safety. The Authority can provide no assurance as to the likelihood or potential impact of any such future proposed or enacted regulations.

Ability to Meet Rate Covenant

As discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS – Rate Covenant," the Authority has covenanted in the Master Bond Resolution to fix, establish, maintain and collect such rates, fees, rentals and charges for the services and facilities of the Airport System, and

revise the same from time to time, whenever necessary, so that during each Fiscal Year the rate covenant set forth in the Master Bond Resolution is met. In addition to Net Revenues, the Authority has in the past, and expects to in the future, to use Eligible PFC Revenues and CFC Revenues to pay debt service on the Series 2019A Note and the Series 2024 Bonds and the Series 2025 Bonds. If Net Revenues, Eligible PFC Revenues and CFC Revenues were to fall below the levels necessary to meet the rate covenant set forth in the Master Bond Resolution, the Master Bond Resolution provides for procedures under which the Authority would retain and direct an Airport Consultant to review its rates, fees, rentals, charges, income, Gross Revenues, Eligible PFC Revenues, CFC Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Authority may promptly seek to comply with the rate covenant set forth in the Master Bond Resolution. After receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Authority is required to take all lawful measures to revise the schedule of rates, fees, rentals and charges as may be necessary to meet the rate covenant. Increasing the schedule of rates, fees, rentals and charges for the use of the Airport System and for services rendered by the Authority in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see “– Regulations and Restrictions Affecting the Airport” above). Implementation of an increase in the schedule of rates, fees, rentals and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines, concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport.

Enforceability of Remedies; Limitation on Remedies

As discussed above under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2025 BONDS – Events of Default and Remedies; No Acceleration,” there is no right to acceleration of payments to bondholders under the Bond Resolution, and bondholders may be required to make a separate claim for each payment not paid. Enforceability of the rights and remedies of the owners of the Series 2025 Bonds, and the obligations incurred by the Authority, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under the laws of Tennessee of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against State entities similar to the Authority. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the owners of the Series 2025 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Legal opinions to be delivered concurrently with the delivery of the Series 2025 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2025 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors’ rights generally and by equitable remedies and proceedings generally.

Considerations Related to Variable Rate Bonds and Credit Facility

The Series 2025 Bonds will bear interest at variable rates and, if unhedged, expose the Authority to the risk of increased interest rates. In connection with the issuance of the Series 2025 Bonds, the Authority has entered into the Reimbursement Agreement with the Credit Provider and may, pursuant to the terms of the Indenture, enter into future substitute agreements providing for credit support of the Series 2025 Bonds. Depending on the health of the overall economy and, in particular, the credit markets, financial institutions may be less likely to provide credit support for obligations such as the Series 2025 Bonds. There

can be no assurance that the Credit Provider will renew or extend the Credit Facility or that future credit providers will renew or extend credit support for the Series 2025 Bonds. There can also be no assurance that the Credit Provider or future credit providers will be able to provide funds for purchase of the Series 2025 Bonds or honor drawings in the manner agreed to in the Reimbursement Agreement or any future credit agreement. Likewise, it is possible that adverse economic conditions may make it difficult or impossible for the Remarketing Agent or any future remarketing agent to remarket the Series 2025 Bonds.

Potential Limitation of Tax Exemption of Interest on Series 2025 Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2025 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2025 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2025 Bonds. Prospective investors of the Series 2025 Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS.”

Risk of Tax Audit

The Internal Revenue Service (the “**IRS**”) includes a subdivision that is specifically devoted to tax-exempt bond compliance. If the IRS undertook an examination of the Series 2025 Bonds or other bonds issued by the Authority as tax-exempt bonds, it may have a material adverse effect on the marketability or the market value of the Series 2025 Bonds.

Forward-Looking Statements

This Offering Circular contains statements relating to future results that are “forward-looking statements”. When used in this Offering Circular, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See “INTRODUCTION—Forward-Looking Statements.”

Any financial projections set forth in this Offering Circular were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The Authority’s independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Offering Circular, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Authority’s independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Offering Circular and the Authority’s independent auditors assume no responsibility for its content.

LITIGATION

No Litigation Relating to the Series 2025 Bonds

There is no litigation now pending or, to the knowledge of the Authority, threatened against the Authority which restrains or enjoins the issuance or delivery of the Series 2025 Bonds or the use of the proceeds of the Series 2025 Bonds or which questions or contests the validity of the Series 2025 Bonds or the proceedings and authority under which they are to be issued, executed and delivered. Neither the creation, organization, nor existence of the Authority, nor the title of the present members or other officials of the Authority to their respective offices, is being currently contested or questioned to the knowledge of the Authority.

Litigation Relating to the Authority and the Airport System

The Authority, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Authority, after reviewing the current status of all pending and threatened litigation, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or, to the knowledge of the Authority, threatened against the Authority or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the Authority or the Airport System.

TAX MATTERS

Tennessee State Tax Exemption

Under existing law, the Series 2025 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2025 Bonds during the period the Series 2025 Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership doing business in the State and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2025 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State.

Federal Tax Matters Relating to the Series 2025 Bonds

General. Bass, Berry & Sims PLC is Bond Counsel for the Series 2025 Bonds. Bond Counsel is of the opinion that, under existing law, relying on certain statements by the Authority and assuming compliance by the Authority with certain covenants, interest on the Series 2025 Bonds is:

- excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "**Code**"); and
- not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

The Code imposes requirements on the Series 2025 Bonds that the Authority must continue to meet after the Series 2025 Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the Authority does not meet these requirements, it is possible that

a bondholder may have to include interest on the Series 2025 Bonds in its federal gross income on a retroactive basis to the date of issue. The Authority has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2025 Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit,
- a borrower of money to purchase or carry the Series 2024A Bonds, or
- an applicable corporation as defined in Section 59(k) of the Code.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2025 Bonds or affect the market price of the Series 2025 Bonds.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2025 Bonds, or under state, local or foreign tax law.

Market Discount. Any owner who purchases a Series 2025 Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2025 Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner who acquires a Series 2025 Bond at a market discount also may be required to defer, until the maturity date of such Series 2025 Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2025 Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2025 Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2025 Bond for the days during the taxable year on which the owner held the Series 2025 Bond and, in general, would be deductible

when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2025 Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Sale or Redemption of Series 2025 Bonds. An owner's tax basis for a Series 2025 Bond is the price such owner pays for the Series 2025 Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified stated interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2025 Bond, measured by the difference between the amount realized and the basis of the Series 2025 Bond as so adjusted, will generally give rise to capital gain or loss if the Series 2025 Bond is held as a capital asset (except as discussed above under "– Market Discount"). The legal defeasance of Series 2025 Bonds may result in a deemed sale or exchange of such Series 2025 Bonds under certain circumstances; owners of such Series 2025 Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

Backup Withholding. An owner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding obligation is 28%, but the rate may change in the future) with respect to interest or original issue discount on the Series 2025 Bonds. This withholding generally applies if the owner of a Series 2025 Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to owners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents. Owners of the Series 2025 Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Backup withholding is not an additional tax. Any amount paid as backup withholding would be credited against the bondholder's U.S. federal income tax liability, provided that the requisite information is timely provided to the Internal Revenue Service. The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2025 Bonds will be reported to the bondholders and to the Internal Revenue Service.

Nonresident Borrowers. Under the Code, interest and original issue discount income with respect to Series 2025 Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("***Nonresidents***") generally will not be subject to the United States withholding tax (or backup withholding) if the Authority (or other Person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2025 Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondholder, they will be subject to regular United States income tax but will ordinarily be exempt from United States withholding tax.

ERISA. The Employees Retirement Income Security Act of 1974, as amended ("***ERISA***"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "***Plans***") and Persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of

ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2025 Bond.

Future Legislative Changes. Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Series 2025 Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Series 2025 Bonds from gross income for federal income tax purposes. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Series 2025 Bonds. Prospective purchasers of the Series 2025 Bonds should consult their own tax advisors regarding the foregoing matters.

Miscellaneous. Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2025 Bonds under Federal or state law and could affect the market price or marketability of the Series 2025 Bonds.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

Changes in Federal and State Tax Law

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2025 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned the Series 2025 Bonds the long-term rating and short-term rating of “AA” and “A-1”, respectively. The long-term rating assigned by S&P is based on the joint credit quality of the Credit Provider and the Authority. The short-term rating is based solely upon the rating assigned to the Credit Provider, which provides the Credit Facility. S&P has assigned the Series 2025 Bonds an underlying rating of “A” (stable outlook).

Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency, at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Series 2025 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2025 Bonds.

LEGAL MATTERS

The validity of the Series 2025 Bonds and certain other legal matters are subject to the approving opinion of Bass, Berry & Sims PLC, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Offering Circular. Certain legal matters will be passed upon for the Authority by its General Counsel, Bass, Berry & Sims PLC. Certain legal matters with respect to this Offering Circular will be passed upon by Bass, Berry & Sims PLC, which also is serving as Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by their counsel Moore & Van Allen PLLC. All of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel with respect to the issuance of the Series 2025 Bonds are contingent upon the issuance and delivery of the Series 2025 Bonds. Bond Counsel, Disclosure Counsel and Underwriter's Counsel undertake no responsibility for the accuracy, completeness or fairness of this Offering Circular.

UNDERWRITING

The Series 2025 Bonds will be purchased by Truist Securities, Inc. (the "**Underwriter**"), from the Authority at a price of \$38,478,850.00 (which represents the par amount of the Series 2025 Bonds less the Underwriter's discount), subject to the terms of the Bond Purchase Agreement, dated as of the closing date (the "**Bond Purchase Agreement**"), between Truist Securities and the Authority.

The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2025 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2025 Bonds set forth on the inside front cover hereof may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2025 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

Truist Securities, Inc. has entered into an agreement (the "Truist Distribution Agreement") with Truist Investment Services, Inc. ("TIS") for the retail distribution of certain municipal securities offerings, including the Series 2025 Bonds. Pursuant to the Truist Distribution Agreement, Truist Securities will share a portion of its underwriting compensation, as applicable, with respect to the Series 2025 Bonds with TIS. Each of Truist Securities and TIS is a subsidiary of Truist Financial Corporation.

“Truist Securities” is the trade name for the corporate and investment banking services of Truist Financial Corporation and its subsidiaries. Securities and strategic advisory services are provided by Truist Securities Inc., a member of FINRA and SIPC. Lending, financial risk management, and treasury management and payment services are offered by Truist Bank. Deposit products are offered by Truist Bank, a member of FDIC. In its normal course of business Truist Bank may currently, or in the future, provide credit, treasury management, or other commercial banking services to the Authority.

MUNICIPAL ADVISORS

PFM Financial Advisors LLC, Memphis, Tennessee and Cumberland Securities Company, Inc., Knoxville, Tennessee (the “**Municipal Advisors**”) serves as independent municipal advisors to the Authority on matters relating to debt management. The Municipal Advisors have provided advice related to the planning, structuring and issuance of the Series 2025 Bonds and has reviewed and commented on certain legal documentation, including the Offering Circular. The advice on the plan of finance and the structuring of the Series 2025 Bonds was based on materials provided by the Authority and other sources of information believed to be reliable. The Municipal Advisors have not audited, authenticated or otherwise verified the information provided by the Authority or the information set forth in this Offering Circular 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 Municipal Advisors respecting the accuracy and completeness of or any other matter related to such information contained in this Offering Circular.

CONTINUING DISCLOSURE

At the time of issuance of the Series 2025 Bonds, the Authority will execute and deliver a Continuing Disclosure Agreement (the “**Continuing Disclosure Agreement**”), substantially in the form set forth in APPENDIX G of this Offering Circular. Pursuant to the Continuing Disclosure Agreement, the Authority will covenant to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the “**MSRB**”), through its Electronic Municipal Market Access system, in an electronic format as prescribed by the MSRB, for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission (“**Rule 15c2-12**”), certain annual financial information and operating data relating to the Authority and the Airport System and, in a timely manner, notice of certain enumerated events. APPENDIX G – “FORM OF CONTINUING DISCLOSURE AGREEMENT” herein for a description of the Undertaking. A failure by the Authority to provide any information required thereunder will not constitute an Event of Default under the Bond Resolution. The Continuing Disclosure Agreement will be the Authority’s first undertaking under Rule 15c2-12.

FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the fiscal year ended June 30, 2024 and 2023 have been audited by Coulter & Justus, P.C., independent auditors (the “**Auditors**”). The report of the Auditors, together with the financial statements, and notes to the financial statements for the Fiscal Years ended June 30, 2024 and 2023 are attached hereto as APPENDIX B – “ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023.” The Auditors have not been engaged to perform and have not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditors also have not been engaged to perform and have not performed any procedures relating to this Offering Circular. See APPENDIX B – “ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023.”

MISCELLANEOUS

Any statements made in this Offering Circular involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not representation of fact. No representation is made that any of the opinions or estimates will be realized.

All references to the Act, the Master Bond Resolution, the Existing Airline Lease Agreements and all other agreements with the airlines and other parties are made subject to the detailed provisions of such documents. Copies of such documents are available for review at the offices of the Metropolitan Knoxville Airport Authority which are located at 2055 Alcoa Highway, Alcoa, Tennessee 37701.

AUTHORIZATION

The Authority has authorized the distribution of this Offering Circular. This Offering Circular has been duly executed and delivered by the Authority's President and Chief Executive Officer, on behalf of the Authority.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By /s/ Patrick Wilson
Patrick Wilson
President and Chief Executive Officer

APPENDIX A
REPORT OF THE AIRPORT CONSULTANT
AND CONFIRMING LETTER

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METROPOLITAN
KNOXVILLE
AIRPORT
AUTHORITY

Appendix A Report of the Airport Consultant

McGhee Tyson Airport
Airport Revenue Bonds, Series 2024

September 24, 2024

PREPARED FOR
Metropolitan Knoxville Airport
Authority

PRESENTED BY
Landrum & Brown, Incorporated



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September 24, 2024

Mr. Patrick Wilson
President
Metropolitan Knoxville Airport Authority
P.O. Box 15600
Knoxville, Tennessee 37901



Re: Report of the Airport Consultant, Metropolitan Knoxville Airport Authority, Airport Revenue Bonds, Series 2024

Dear Mr. Wilson:

Landrum & Brown, Incorporated (L&B) is pleased to submit this Report of the Airport Consultant (Report) for the proposed issuance of the Metropolitan Knoxville Airport Authority (MKAA or Authority) Airport Revenue Bonds, Series 2024A (the Series 2024A Bonds) and the Authority Airport Revenue Bonds, Series 2024B (the Series 2024B Bonds). For the purposes of this Report, the Series 2024A Bonds and the Series 2024B Bonds, together with the short-term variable rate financing (defined in the Official Statement as the Series 2024C Bonds), are referred to herein as the Series 2024 Bonds. This independent Report has been prepared for the Authority to meet its obligations pursuant to the Master Resolution adopted by the Board of Commissioners of the Authority on September 18, 2024 (as supplemented and amended, herein referred to as the Master Resolution), and is intended to be included in the Official Statement for the Series 2024A Bonds and Series 2024B Bonds as Appendix A, Report of the Airport Consultant. All capitalized terms in this Report are used as defined in the Official Statement or the Master Resolution, except as otherwise defined herein.

Located approximately 12 miles from downtown Knoxville, McGhee Tyson Airport (Airport or TYS) lies in Blount County on 2,755 acres in the foothills of the Great Smoky Mountains and provides employment for approximately 3,000 people¹. The Airport has two parallel runways and is classified by the Federal Aviation Administration (FAA) as a small hub airport. The Authority also owns and operates Knoxville Downtown Island Airport (DKX), a general aviation airport located less than three miles from downtown Knoxville, which serves the general aviation needs of regional corporate and private aircraft in the region. Together, the Airport and DKX comprise the Airport System.

The Airport System is owned and operated by the Authority. The Authority was established in 1978 under Chapter No. 174, Public Acts on the State of Tennessee, 1969, and pursuant to Resolution No. R-63-78 of the Council of the City of Knoxville. The principal purpose of the Authority is the ownership, management, operation and maintenance of the Airport System, and other airports and auxiliary fields, either acquired or placed under its control. Financial policies for the operation of the two airports are detailed in the Authority's by-laws. On August 21, 2024, the Authority adopted a debt management policy in an effort to standardize the issuance and management of debt and provide additional guidance on cash reserves and capital improvements.

¹ Metropolitan Knoxville Airport Authority, Annual Comprehensive Financial Report, 2023

Master Resolution

In the Master Resolution, the Authority has covenanted to fix, establish, maintain and collect such rates, fees, rentals and charges for the services and facilities of the Airport System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year (FY) Net Revenues, together with the Eligible PFC Revenues, CFC Revenues and any Transfer Amount, equal to at least 125% of the Debt Service becoming due in such FY.

For more information on the Master Resolution and associated covenants of the Authority, see Section 4.4 of this Report.

Series 2024 Bonds

The Series 2024 Bonds are being issued pursuant to the provisions of the Master Resolution. The Authority is planning to issue the Series 2024 Bonds to: (1) fund a portion of the Authority's New Parking Garage project (as defined herein) costs, (2) fund capitalized interest on a portion of the Series 2024 Bonds, (3) make a deposit to the Reserve Account, and (4) pay certain costs of issuance related to the Series 2024 Bonds.

Existing Bonds

The Authority's most recent issuance of debt was the Airport Revenue Refunding Note, Series 2019A (Series 2019A Note), in the amount of \$39,570,000. The Series 2019A Note was issued to refund a portion of the Authority's Series V-A-1 Bonds and to terminate the variable interest rate. The refunding did not extend the maturity date of the bonds but fixed the interest rate for the remaining term due. Maturities range from 2022 to 2028. The Authority utilized approximately \$15.8 million of COVID-19 Federal Relief Funds (described herein) for the payment of interest as well as the prepayment of principal on the Series 2019A Note between FY 2020 and FY 2024. As of June 30, 2024, the outstanding principal remaining on the Series 2019A Note totals \$11.9 million. The Series 2019A Note is secured by and payable solely from the Net Revenues derived from the operations of the Airport by the Authority as defined in the Master Resolution.

Purpose of the Report of the Airport Consultant

In our preparation of this independent Report, we evaluated the ability of the Authority to generate Net Revenues sufficient to meet the funding requirements and obligations established by the Master Resolution during the projection period from FY 2025 through FY 2031 (Projection Period). The following provides an overview of the primary findings and conclusions contained in the Report; however, the Report should be read in its entirety for a full description of the assumptions and methodology used therein.

Role of the Airport and Economic Base for Air Traffic

The Airport serves as the principal commercial service airport for the Knoxville metropolitan region and the rest of East Tennessee and is the closest major commercial service airport to the Great Smoky Mountains National Park, which had, on average, annual visitors totaling approximately 13.5 million between 2021 and 2023. The Airport is a one-hour drive from the North entrance of the park and Gatlinburg, TN. It is also approximately 50 minutes from Pigeon Forge, TN, which is estimated to have over 10 million visitors annually to Dollywood and numerous other attractions in the city.

The geographic region that serves as the Airport's primary catchment area is referred to as its Air Service Area (ASA). For the purposes of this report, the Airport's ASA is defined as the Knoxville-Morristown-Sevierville Combined Statistical Area (Knoxville CSA). The Knoxville CSA is comprised on the Knoxville Metropolitan Statistical Area (MSA) which includes eight counties (Knox, Blount, Anderson, Loudon, Roane, Campbell, Morgan, and Union), the Morristown MSA which includes three counties (Hamblen, Jefferson, and Grainger), Sevierville Microstatistical Area (μSA) (Sevier County), and Newport μSA (Cocke County).

The ASA is relatively isolated from other competing airport facilities and, hence, the Airport has limited competition for air service. Tri-Cities Regional Airport (TRI) near Johnson City, Tennessee is the closest commercial service airport, approximately 100 driving miles from Knoxville, and provides limited direct flights with most of its service provided to American Airlines' and Delta Air Lines' hubs. Asheville Regional Airport (AVL), approximately 120 driving miles from Knoxville, is the nearest airport with a similar level of service to TYS in terms of the number of nonstop daily flights and markets served.

Historically, air travel demand at an airport is largely correlated with the demographic and economic characteristics of the region that it serves. Following the recovery of the aviation industry from the impacts of the COVID-19 pandemic, the demographic and economic strength of the ASA is expected to once again drive growth at the Airport. Population, employment, per capita personal income, and gross regional product (GRP) in the ASA are all expected to maintain pace with the U.S. over the Projection Period and economic and demographic growth in the ASA is expected to be positive. Chapter 1 reviews current economic trends and conditions of the Airport's ASA and presents data indicative of the ASA's capability to generate demand for air transportation through 2031.

For more information on the role of the Airport and its economic base for air transportation, see Chapter 1 of the Report.

Air Service and Air Traffic Analysis

Total enplaned passengers at the Airport grew at an increasing rate each year from FY 2013 through FY 2019 from 850,304 to approximately 1.19 million, reflecting an overall CAGR of 5.8% for this period. In FY 2020 and FY 2021, enplaned passengers declined as a result of the COVID-19 pandemic. However, enplaned passengers at the Airport recovered more quickly than the U.S. average, recovering to approximately 99% of pre-pandemic levels by FY 2022. The Airport recorded new record highs with 1.32 million and 1.51 million enplaned passengers in FY 2023 and FY 2024, respectively, reflecting increases of 11.9% and 14.9% over the last two fiscal years.

The Airport has historically experienced diverse air service from the primary U.S. airlines. As of August 2024, the Airport has scheduled passenger service by three U.S. network airlines² and three ultra-low-cost carriers (ULCCs)³. Nine regional airlines also operate at the Airport as affiliates to American Airlines, Delta Air Lines, and United Airlines. Cargo service at the Airport is also provided by FedEx and United Parcel Service. As of August 2024, there is scheduled service to 30 markets (24 year-round and 6 seasonal) from the Airport.⁴

² For the purposes of this Report, American Airlines, Delta Air Lines and United Airlines are considered network airlines.

³ For the purposes of this Report, Allegiant Air, Avelo Airlines, and Frontier Airlines are considered ultra-low-cost-carriers.

⁴ Some service is seasonal and may not operate in a given month.

Projections of air traffic activity were developed based on an analysis of the underlying economic conditions of the ASA and airline traffic trends. In general, it was assumed that in the long-term, growth in origin and destination (O&D) passenger traffic at the Airport will occur as a function of growth in population and the economy of the ASA. In addition, several other assumptions are incorporated into the projections including the following:

- Over the short-term, supply issues, including pilots, other airline staffing, and aircraft shortages, will continue to impact capacity; these issues, however, are expected to subside over the next few years.
- Over the long-term, the airlines will continue to add capacity that is in line with demand and economic growth.
- Long-term nationwide growth in air travel will occur over the Projection Period consistent with forecast growth in the economy.
- There will be no major disruption of airline service or airline travel behavior industry-wide or at the Airport over the Projection Period.

Through the testing of multiple sets of independent variables, a univariate linear model using historical enplaned passengers from FY 2010 through FY 2019 (prior to the impacts of the COVID-19 pandemic) and the ASA's population, was employed to project enplaned passengers at the Airport through FY 2031. As shown in Table 1, based on the forecast model and certain assumptions detailed in Chapter 2, enplaned passengers are forecast to increase from 1.70 million budgeted by the Authority in FY 2025 to nearly 2.00 million in FY 2031, a CAGR of 4.0%.

It is important to note that many of the factors affecting air travel demand are not necessarily quantifiable. As a result, all projections are subject to uncertainty. Therefore, these enplaned passenger projections, as with any projection, should be viewed as a general indication of future aviation activity as opposed to a precise prediction. Actual future traffic is likely to vary from this projection, and such variances could be material.

For more information on the Airport's air service and air traffic, see Chapter 2 of the Report.

Table 1 **Enplaned Passenger Projections (FY 2019 – FY 2031)**

Fiscal Year		Enplaned Passengers	
		Passengers (in thousands)	Growth Rate
Actual	FY 2019	1,191	--
	FY 2020	976	-18.1%
	FY 2021	698	-28.4%
	FY 2022	1,177	68.6%
	FY 2023	1,317	11.9%
	FY 2024	1,515	14.9%
Budget	FY 2025	1,699	12.2%
Projection	FY 2026	1,748	2.9%
	FY 2027	1,797	2.8%
	FY 2028	1,847	2.8%
	FY 2029	1,897	2.7%
	FY 2030	1,947	2.6%
	FY 2031	1,998	2.6%
Range		Compound Annual Growth Rate	
FY 2019-24		4.9%	
FY 2024-31		4.0%	

Sources: Metropolitan Knoxville Airport Authority, Air Traffic Statistics. Landrum & Brown

Authority Capital Program

The Authority maintains an ongoing process of identifying and evaluating the capital needs and improvements required for the Airport System. This process includes the development of a capital improvement program that covers a five-year planning horizon and identifies needed improvements to the Airport System facilities, along with anticipated funding sources.

To meet future demand projections, the Authority is constructing a new parking garage located just north of the Airport's existing parking garage, referred to herein as the New Parking Garage project. The New Parking Garage project includes the construction of a new six-story garage that will provide an additional 3,500 parking stalls at the Airport, consisting of 600 rental car ready/return stalls on the first level and a total of 2,900 public parking spaces on levels two through six. The New Parking Garage project is estimated to cost \$185.5 million, which is to be financed with the proceeds of the Series 2024 Bonds, and is the only project to be funded with the proceeds of the Series 2024 Bonds.

In addition to the New Parking Garage project, other projects included in the Authority's capital improvement program are anticipated to be undertaken by the Airport through FY 2029, referred to herein as Other Capital Projects. These Other Capital Projects are anticipated to total approximately \$382.2 million. The estimated capital funding, as well as incremental operating costs and estimated revenue impacts, if any, associated with these Other Capital Projects have also been included as part of the financial analysis in this Report.

For more information on the Airport's capital program see Chapter 3 of the Report.

Financial Analysis

L&B evaluated the ability of the Authority to generate Net Revenue sufficient to meet the funding requirements and obligations established by the Master Resolution during the Projection Period. Per our analyses, and as required pursuant to the Bond Resolution, the Authority is forecast to be able to produce sufficient Net Revenues, which, together with the Eligible PFC Revenues, Eligible CFC Revenues and any Transfer Amount, will at least equal 125% of Debt Service on all Bonds anticipated to be outstanding during the Projection Period, including the Series 2024 Bonds.

Table 2 presents projected Net Revenues, Net Debt Service, Debt Service coverage ratios, and airline CPE throughout the Projection Period. The Authority is projected to meet its requirements and obligations established by the Master Resolution, stay in accordance with the Authority's financial policies, and maintain reasonable levels of airline cost per enplaned passenger (CPE) which would be comparable to other airports with similar capital programs throughout the Projection Period.

Table 2 **Debt Service Coverage Forecast and Passenger Airline CPE Forecasts**
(Dollars in Thousands, Except For CPE)

Fiscal Year	Net Operating Revenues	Amounts Available for Debt Service Coverage ¹	Net Debt Service ²	Debt Service Coverage Ratio	Airline CPE
2025	\$13,488	\$19,619	\$3,942	4.98x	\$8.31
2026	\$14,413	\$21,233	\$6,312	3.36x	\$8.85
2027	\$14,827	\$23,207	\$12,179	1.91x	\$9.43
2028	\$17,330	\$26,255	\$13,989	1.88x	\$9.60
2029	\$16,000	\$24,217	\$10,789	2.24x	\$9.36
2030	\$18,904	\$27,210	\$10,789	2.52x	\$9.64
2031	\$18,921	\$27,316	\$10,790	2.53x	\$9.81

Notes:

¹ Includes Net Revenues plus Transfer Amount and CFC Revenues pursuant to the Master Resolution

² Net of capitalized interest and PFCs applied to PFC-eligible debt service

Source: Landrum & Brown

In preparing our findings and conclusions, L&B has relied upon the accuracy and completeness of financial and other data provided to it by the referenced sources, without independent verification. Certain statements contained in this Report, including the Exhibits that follow, are not historical facts but are projections and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the projections described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Report and the Official Statement. L&B has no responsibility to update this Report for events and/or circumstances occurring after the date of this Report.

References to website addresses presented herein, including the website of the Authority and the Airport and any other websites, are for informational purposes only for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Report.

L&B is not registered with the U.S. Securities & Exchange Commission as a municipal advisor, is not acting as a municipal advisor, and does not assume any fiduciary duties or provide advisory services as described in Section 15B of the Securities Exchange Act of 1934 or otherwise. L&B does not make recommendations or advice regarding any action to be taken by our clients with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities including with respect to the structure, timing, terms, or other similar matters concerning municipal financial products or the issuance of municipal securities.

L&B appreciates this opportunity to serve as the Authority’s Airport Consultant for this proposed financing.

Sincerely,



Landrum & Brown, Incorporated

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1 Role of the Airport and Socioeconomic Base for Air Traffic

This chapter describes the McGhee Tyson Airport (TYS or Airport) and summarizes the role the Airport serves in accommodating air traffic for the nation and the region. This chapter also describes the Knoxville region's socioeconomic base and its ability to continue to support demand for air transportation.

1.1 Role of the Airport

Located approximately 12 miles south of downtown Knoxville, the Airport serves as the principal commercial service airport for the Knoxville metropolitan region and the rest of East Tennessee. The Airport is the closest major commercial service airport to the Great Smoky Mountains National Park, which had over 14.1 million visitors in 2021, nearly 13 million in 2022, and 13.3 million in 2023.⁵ The Airport is only a one-hour drive from the North entrance of the park and Gatlinburg, TN. It is also approximately 50 minutes from Pigeon Forge, TN, which is estimated to have over 10 million visitors annually to Dollywood and numerous other attractions in the city.

The Airport is owned and operated by the Metropolitan Knoxville Airport Authority (MKAA or the Authority) which was established in 1978. The nine-member Board of Commissioners are responsible for financial success as well as the future planning and development of both the Airport and the Downtown Island Airport (DKX). Together, the Airport and DKX comprise the Airport System.

1.1.1 National Role

In the National Plan of Integrated Airport Systems (NPIAS), the FAA categorizes airports based on their level of activity within the national airport system. These categories help to define the role for each of the nearly 3,300 public-use airports included in the NPIAS. According to the FAA, the Airport had 1.4 million enplaned passengers in calendar year (CY) 2023 and was the third largest commercial service airport in the state of Tennessee behind Nashville International and Memphis International airports.⁶ The Airport accounted for less than 0.25% but more than 0.05% of the annual U.S. commercial enplaned passengers and as such is classified as a Small Hub airport. The Airport ranked 23rd out of 74 Small Hub airports based on FAA CY 2023 enplaned passenger data. The Airport is also the home of McGhee Tyson Air National Guard Base, an air base for the 134th Air Refueling Wing (134 ARW) of the Tennessee Air National Guard (TANG).

1.1.2 Regional Role

The Airport serves as the primary commercial service airport for the Knoxville metropolitan area and the surrounding area. Origin and destination (O&D) passengers, or those that begin or end their travel at the Airport accounted for 98.4% of the passenger traffic at the Airport in fiscal year⁷ (FY) 2023.⁸

⁵ <https://www.nps.gov/grsm/learn/management/ves.htm>, accessed June 2024.

⁶ Federal Aviation Administration, Air Carrier Activity Database, accessed July 2024.

⁷ The Airport's fiscal year is defined as July through June.

⁸ Data used to estimate an airport's share of O&D passengers is from the USDOT. These data are a random 10% sample of tickets either ticketed by a U.S. carrier or where a U.S. carrier operated at least one flight in the ticket's itinerary.

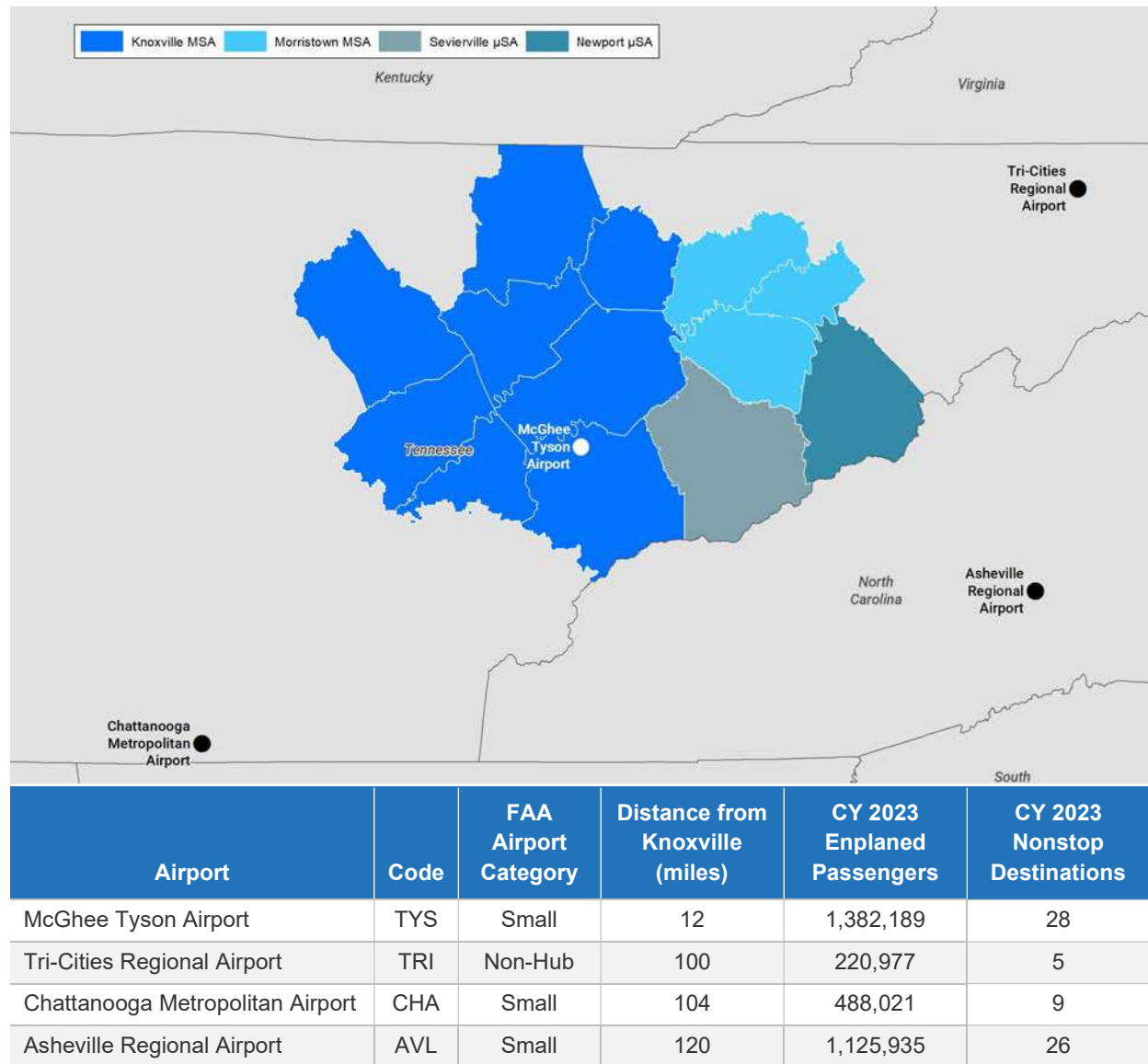
The geographic region that serves as the Airport's primary catchment area is referred to as its Air Service Area. For the purposes of this report, the Airport's Air Service Area is defined as the Knoxville-Morristown-Sevierville Combined Statistical Area (Knoxville CSA). The Knoxville CSA is comprised on the Knoxville Metropolitan Statistical Area (MSA) which includes eight counties (Knox, Blount, Anderson, Loudon, Roane, Campbell, Morgan, and Union), the Morristown MSA which includes three counties (Hamblen, Jefferson, and Grainger), Sevierville Microstatistical Area (μSA) (Sevier County), and Newport μSA (Cocke County).⁹

The Air Service Area is relatively isolated from other competing airport facilities and, hence, the Airport has limited competition for air service. The Tri-Cities Regional Airport (TRI) near Johnson City, Tennessee is the closest commercial service airport and provides limited direct flights with most of its service provided to American Airlines and Delta Air Lines hubs. The Asheville Regional Airport (AVL) is the nearest airport with a similar level of service to TYS in terms of the number of nonstop daily flights and markets served. **Figure 1-1** illustrates the Airport's location in relation to its Air Service Area as well as the other airports within 150 driving miles of Knoxville.

1.2 Socioeconomic Base for Air Traffic

Historically, air travel demand at an airport is largely correlated with the demographic and economic characteristics of the surrounding region. The economic strength of the Air Service Area has a major impact on the aviation activity at the Airport since most of the Airport's passenger demand is O&D. The following sections review current economic trends and conditions in the Air Service Area and present data indicative of its capability to generate demand for air transportation through the next few years. Historical trends and projections for population, employment, income, and gross regional product (GRP) for the Air Service Area and the U.S. are provided in parallel to provide a basis of comparison. Where available, historical data will be presented for the CY 2013 through CY 2023 period, which represents the most recent 11-year trend for historical data. Also, where available, data projections through CY 2031 are included to be consistent with air traffic and financial projections present later in this Report. Historical data and projections are provided by Wood & Poole Economic, Inc (W&P) unless otherwise noted.

⁹ Executive Office of the President: Office of Management and Budget, Revised Delineations of Metropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas, July 21, 2023.

Figure 1-1 Air Service Area and Proximity to Other Airports

Note: μSA = micropolitan statistical area

Source: FAA, preliminary CY 2023 Data; Airport websites, accessed May 31, 2024.

1.2.1 Population

A growing population is a significant source of demand for air travel. **Table 1-1** provides the historical population data for CY 2013 and CY 2023 as well as the CY 2031 projection by county for the Air Service Area. Between CY 2013 and CY 2023, the population in the Air Service Area increased by 9.3% from approximately 1.1 million to 1.2 million. Since CY 2013, the Air Service Area's population has increased a compound annual growth rate (CAGR) of 0.9%, the same as the State of Tennessee, and higher than that of the U.S. (0.6%).

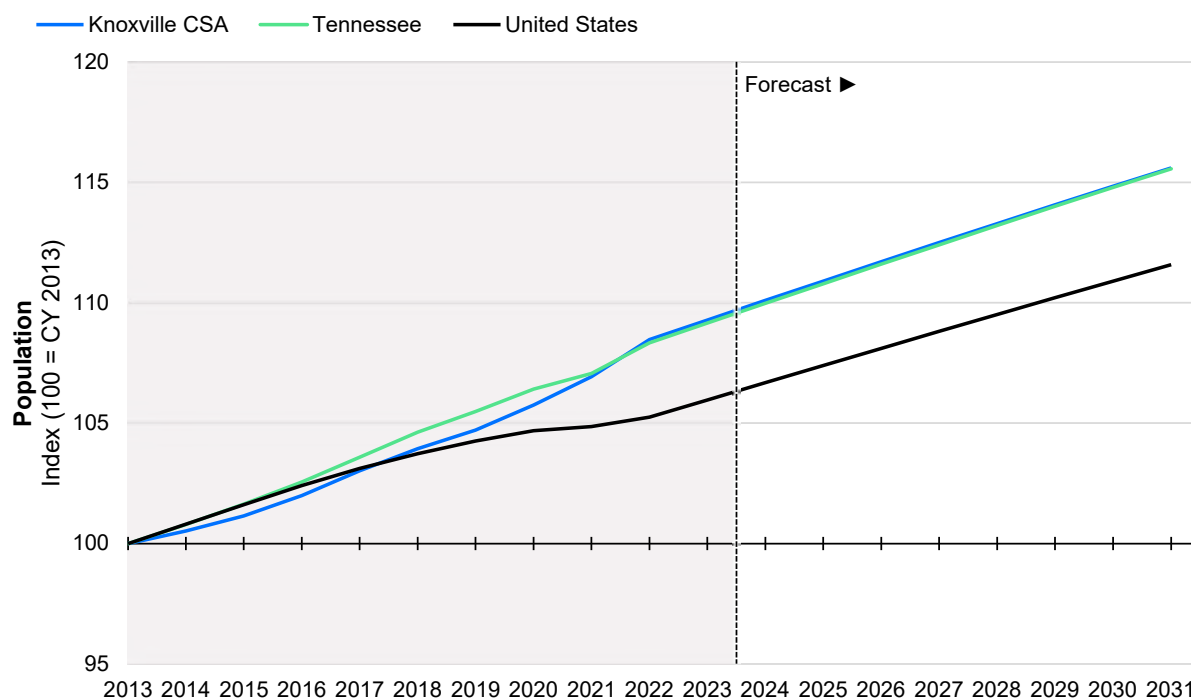
Table 1-1 Population (CY 2013, CY 2023, and CY 2031)

Region	Population (In Thousands)			Compound Annual Growth Rate	
	Historical		Projection	CY 2013 - 2023	CY 2023 - 2031
	CY 2013	CY 2023	CY 2031		
United States	316,668	335,547	353,367	0.6%	0.6%
Tennessee	6,509	7,105	7,522	0.9%	0.7%
Knoxville CSA	1,097	1,199	1,268	0.9%	0.7%
<u>Knoxville MSA</u>	<u>831</u>	<u>915</u>	<u>966</u>	<u>1.0%</u>	<u>0.7%</u>
Knox County	446	499	529	1.1%	0.7%
Blount County	125	141	152	1.2%	0.9%
Anderson County	75	79	81	0.5%	0.3%
Loudon County	50	59	64	1.5%	1.1%
Roane County	53	55	56	0.4%	0.3%
Campbell County	40	40	40	-0.1%	0.1%
Morgan County	22	21	22	-0.1%	0.3%
Union County	19	21	21	0.8%	0.4%
<u>Morristown MSA</u>	<u>138</u>	<u>147</u>	<u>154</u>	<u>0.7%</u>	<u>0.6%</u>
Hamblen County	63	66	68	0.4%	0.5%
Jefferson County	52	57	61	1.0%	0.8%
Grainger County	23	24	25	0.7%	0.4%
<u>Sevierville MSA</u>	<u>93</u>	<u>100</u>	<u>110</u>	<u>0.7%</u>	<u>1.2%</u>
Sevier County	93	100	110	0.7%	1.2%
<u>Newport MSA</u>	<u>35</u>	<u>37</u>	<u>38</u>	<u>0.4%</u>	<u>0.2%</u>
Cocke County	35	37	38	0.4%	0.2%

Source: Woods & Poole Economics, Inc., 2023 Complete Economic and Demographic Data Source, June 2024.

Figure 1-2 depicts the historical and projected population indexed to CY 2013 for the Air Service Area and for the U.S. overall. From CY 2013 through CY 2017, the growth in the nation's population increased at a faster rate than the Air Service Area. However, since CY 2017, population growth in the Air Service Area has significantly outpaced the nation. According to W&P, the population in the Air Service Area is forecast to increase from 1.2 million in CY 2023 to 1.3 million in CY 2031, resulting in a CAGR of 0.7%, which is the same that is forecast for state population but higher than the national population.

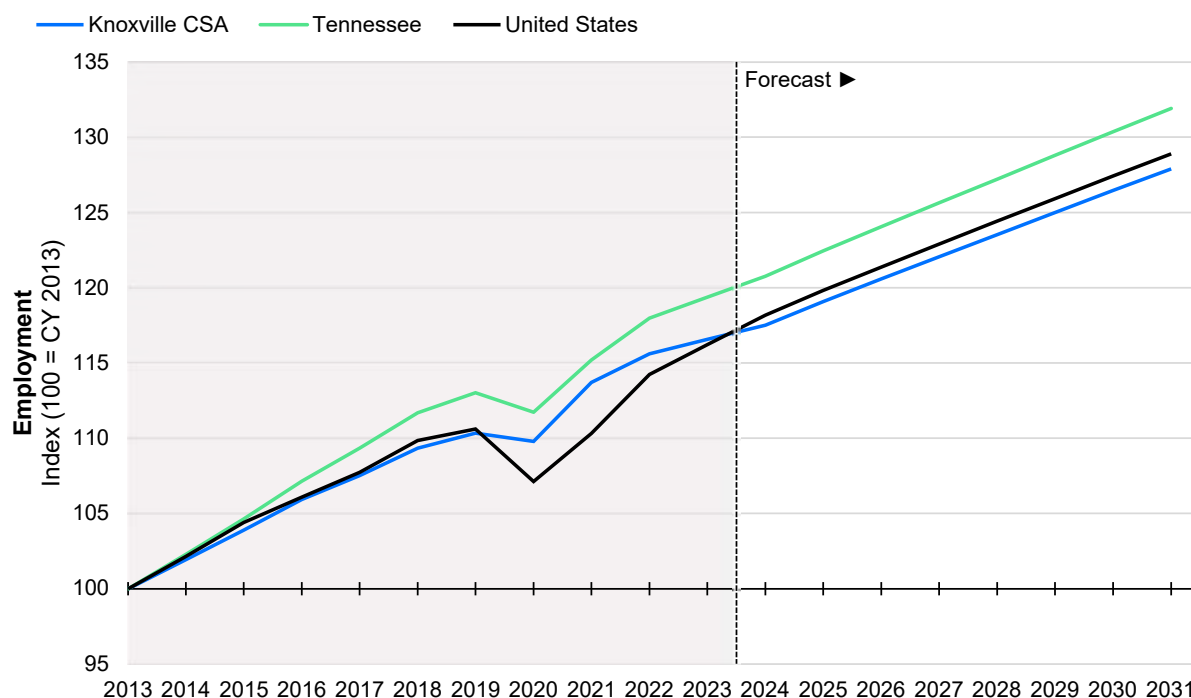
Figure 1-2 Historical and Forecast Population Trends (CY 2013 – CY 2031)



Source: Woods & Poole Economics, Inc., 2023 Complete Economic and Demographic Data Source, June 2024.

1.2.2 Employment

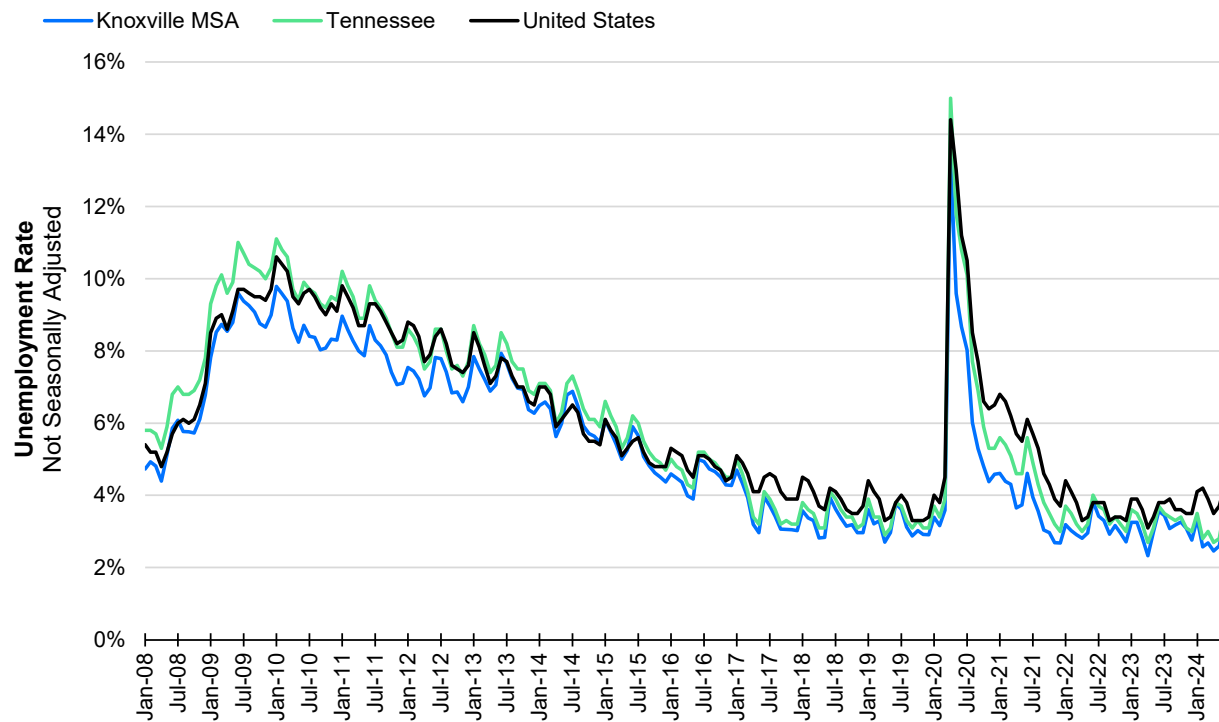
Growth in employment is an important indicator of the overall health of the local economy. Historically, changes in population and employment tend to be closely correlated as people migrate in and out of areas largely depending on their ability to find work. **Figure 1-3** presents historical and projected employment in the Air Service Area and the U.S. indexed to CY 2013. From CY 2013 through CY 2019, employment in the Air Service Area increased at a CAGR of 1.7%, the same rate as the U.S. In CY 2020, employment in the Air Service Area decreased by 0.5% as a direct result of the impacts associated with the Coronavirus Disease 2019 (COVID-19) pandemic. The decline in employment in the Air Service Area was not as large as compared to many other areas of the U.S. In CY 2020, employment in the U.S. decreased by 3.1%. By CY 2021, employment in the Air Service Area exceeded CY 2019 levels and continued to increase in CY 2022 and CY 2023. In comparison, employment in the U.S. did not recover until CY 2022. Future growth in employment for the Air Service Area is forecast to be behind that of the U.S. and for the state.

Figure 1-3 Historical and Forecast Employment Trends (CY 2013 – CY 2031)

Source: Woods & Poole Economics, Inc., 2023 Complete Economic and Demographic Data Source, June 2024.

1.2.2.1 Unemployment Rates

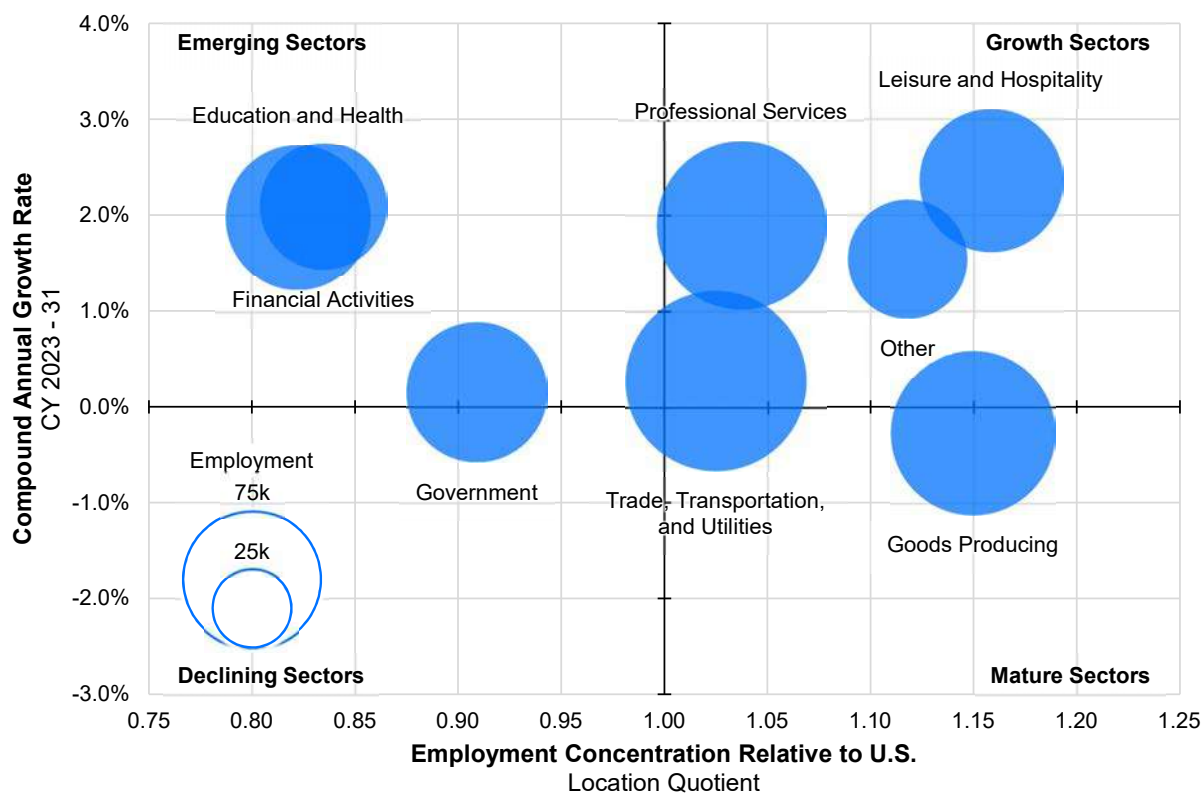
Unemployment rates are an indicator of economic health as rates usually decrease as economic activity in the region grows. **Figure 1-4** presents the historical monthly unemployment rates for the Air Service Area and the U.S. As shown, from January 2008 through February 2020, unemployment rates in the Air Service Area trended similar to the national average but at a consistently lower rate. During this period, unemployment for the Air Service Area peaked at 9.8% in January 2010 as compared to the national unemployment peak of 10.6% in the same month primarily as a result of the Great Recession and its lingering impacts. Unemployment rates declined over the next few years until reaching 3.2% in February 2020. However, unemployment rates increased to historic levels in April 2020 as a result of stay-at-home orders and companies hedging potential losses from the COVID-19 pandemic. The unemployment rate in the Air Service Area peaked at 13.3% in April 2020 compared to the national rate of 14.4%. The unemployment rates for both the nation and the Air Service Area declined rapidly from these peaks over the next several months with the Air Service Area remaining well below national levels. In June 2024, the unemployment rate for the Air Service Area was 3.4%, which is lower than that of the state at 3.7% and the U.S. at 4.3%.

Figure 1-4 Historical Unemployment Rates (January 2008 – June 2024)

Sources: U.S. Department of Labor: Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey.

1.2.2.2 Industry Sectors

The breakdown of jobs by employment sectors within a region can provide insight into how resilient the local economy is to downturns. **Figure 1-5** presents a comparison of employment by industry sector between the Air Service Area and the U.S. and the projected future growth of each sector. The comparison is provided using a location quotient (LQ) which is an analytical statistic that measures a region's industrial specialization relative to a larger geographic unit. An LQ is computed as an industry's share of a regional total for some economic statistic (earnings, GDP by metropolitan area, employment, etc.) divided by the industry's share of the national total for the same statistic. For example, the Air Service Area's leisure and hospitality has an LQ of 1.16 which means the region has a higher concentration in leisure and hospitality than the nation. As shown, the leisure and hospitality and goods producing sectors are higher in concentration in the Air Service Area than the U.S. However, the education and health as well as the financial activities sectors are projected to have some of the highest growth in jobs in the region. The growth for these sectors is higher than the national average which will result in their LQs becoming more central over time. Jobs in these sectors also tend to have higher incomes and are generally stable.

Figure 1-5 Employment by Industry Sectors (CY 2023 – CY 2031)

Note: A location quotient (LQ) is an analytical statistic that measures a region's industrial specialization relative to a larger geographic unit. An LQ is computed as an industry's share of a regional total for some economic statistic (earnings, GDP by metropolitan area, employment, etc.) divided by the industry's share of the national total for the same statistic.

Source: Woods & Poole Economics, Inc., 2023 Complete Economic and Demographic Data Source, June 2024.

1.2.2.3 Major Employers

The top 25 employers in East Tennessee for CY 2022 are shown in **Table 1-2**. These employers serve a diverse range of industries including but not limited to health care, education, and retail. Covenant Health, which was the largest employer in 2022, is an integrated health system company based in Knoxville and has operations throughout the Knoxville metropolitan area. The Knox County Schools and University of Tennessee are also top employers in the East Tennessee region.

Table 1-2 Major Employers in East Tennessee (CY 2022)

Company	Total Employees	Description
Covenant Health	11,357	Health care system
Knox County Schools	9,558	Public education system
The University of Tennessee - Knoxville	8,959	State university
Y-12 National Security Complex	7,800	Refurbishing nuclear weapon components and storage and recycling of nuclear material.
Wal-Mart Stores, Inc.	6,863	Discount stores and wholesale clubs
Oak Ridge National Laboratory	5,772	Research and Development
University of Tennessee Medical Center (UHS)	5,387	Health care system
Clayton Homes, Inc.	5,047	Manufactured and modular homes; financier & insurer of manufactured homes
DENSO Manufacturing Tennessee, Inc.	5,000	Advanced automotive components and systems
Dollywood Co./Dollywood Splash Country	4,500	Theme park and water park
K-VA-T Food Stores (Food City)	4,227	Grocery stores and pharmacies
State of Tennessee - Regional Offices	3,176	State administrative offices
Sevier County Schools	3,000	Local public education system
Tennova Healthcare	2,900	Health care system
Blount Memorial Hospital	2,722	Area hospital
Kroger Co.	2,621	Grocery stores
Knox County Government	2,600	County government
Tanger Five Oaks	2,500	Retail
Blount County Government	2,430	County government
Team Health, Inc.	2,260	Health care providers
City of Knoxville	2,136	Municipal government
UCOR	2,122	Engineering, environmental management & clean-up
Yum! Brands RSC	1,908	Fast food restaurants
East Tennessee Children's Hospital	1,838	Area children's hospital
Blount County Schools	1,700	Public education system

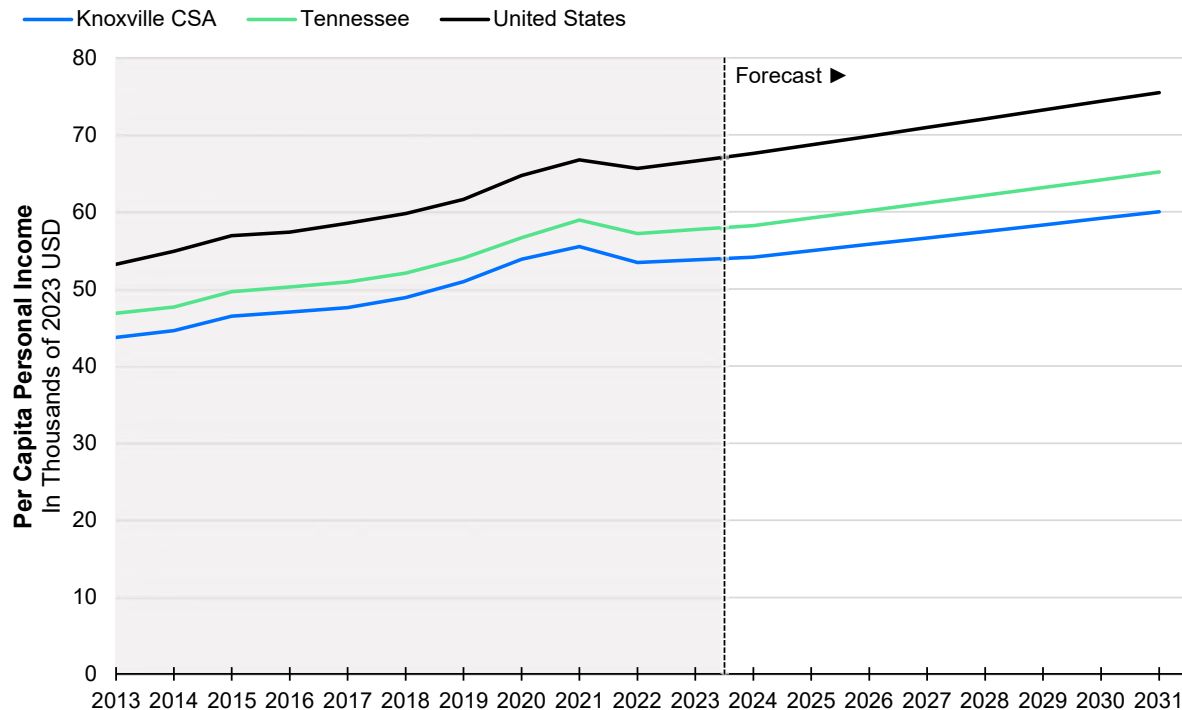
Source: East Tennessee Economic Development Agency, Largest Employers.

1.2.3 Income

Income statistics are broad indicators of the relative earning power and wealth of an area and provide a measure of the relative affluence of a region's residents and, consequently, of their ability to afford air travel. Per capita personal income (PCPI) corresponds to the income per resident (total income divided by total population).

Figure 1-6 provides the historical and forecast PCPI for the Air Service Area and the U.S. from CY 2013 through CY 2031. In CY 2013, PCPI in the Air Service Area was \$43,724, which was lower than the national average of \$53,219. Since CY 2013, PCPI in the air service area has increased at a CAGR of 1.8%, as compared to 2.0% CAGR for the U.S. The PCPI in the Air Service Area reached an estimated \$53,774 in CY 2023 which was \$12,825 lower than the national average. PCPI in the region is forecast to remain below the national average and the state average through the Projection Period.

Figure 1-6 Historical and Forecast Per Capita Personal Income Trends (CY 2013 – CY 2031)



Source: Woods & Poole Economics, Inc., 2023 Complete Economic and Demographic Data Source, June 2024.

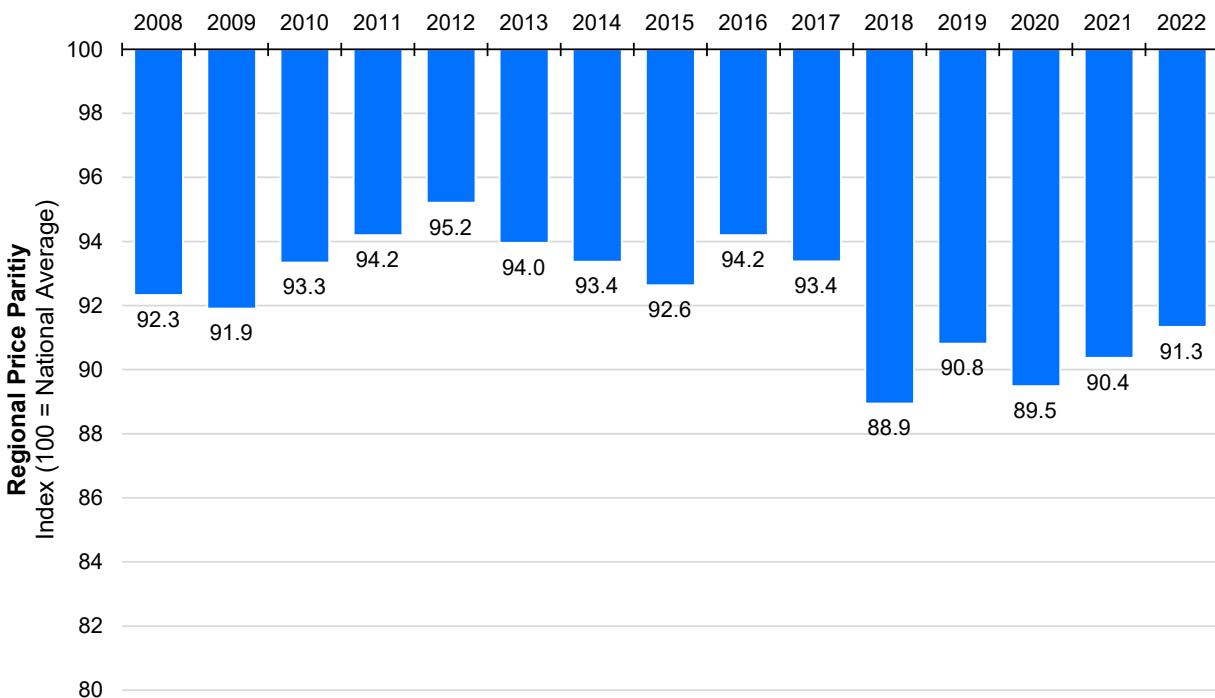
1.2.4 Cost of Living

Although personal income is a vital statistic, it is only a portion of determining the purchasing power of the people within a region and whether those people have the means to afford to travel by air. If the cost of living is too high, then the passenger will not have the disposable income necessary to purchase a ticket. Additionally, the cost of living can be a significant incentive for businesses to locate in a particular city. The U.S. Bureau of Economic Analysis uses Regional Price Parities (RPPs) to account for the cost of living in specific locations. RPPs measure the differences in the price levels of goods and services across states and metropolitan areas for a given year.

RPPs are expressed as a percentage of the overall national price level, where the national average equals 100.

Figure 1-7 provides the RPP for the Knoxville MSA from CY 2013 through CY 2022. In CY 2022, the RPP for the Knoxville MSA was 91.3%. If it is assumed that the RPP in CY 2023 was the same as CY 2022, it would indicate that the PCPI of \$53,774 would be the equivalent of \$58,875 nationally, or \$7,724 below the national PCPI.

Figure 1-7 Regional Price Parity for Knoxville MSA (CY 2008 – CY 2022)

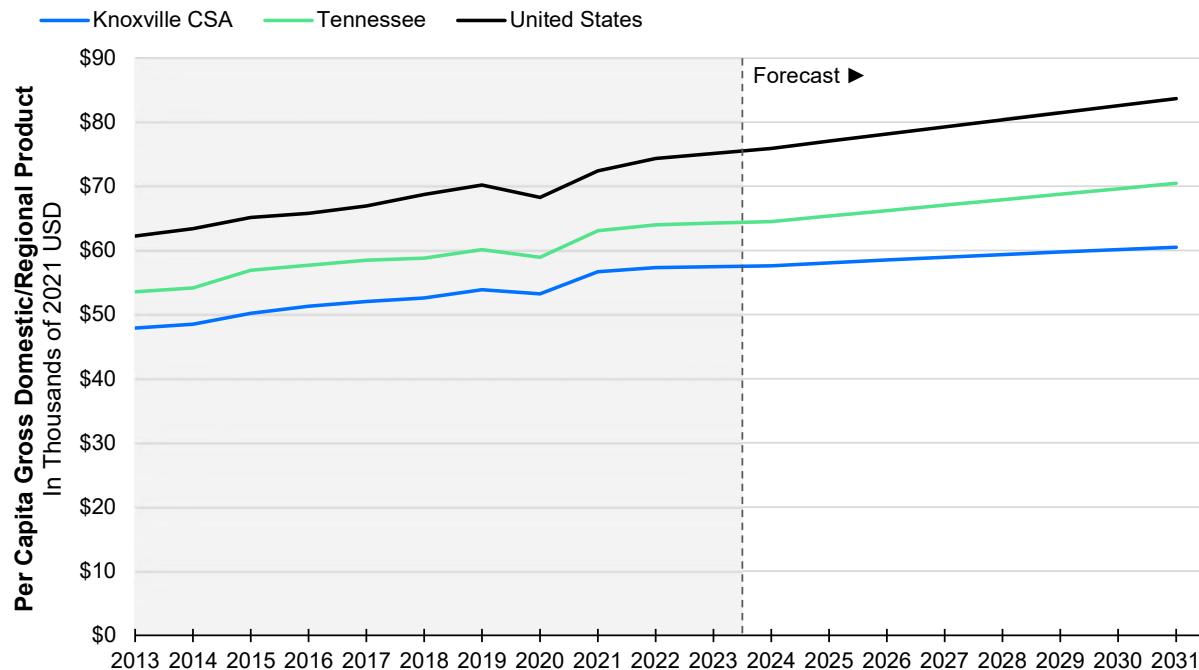


Source: Bureau of Economic Analysis, Regional Price Parities by State and Metro Area.

1.2.5 Gross Domestic/Regional Product

Gross domestic product (GDP) and gross regional product (GRP) are measures of the value of all final goods and services produced within a geographic area. These measures are general indicators of the economic health of a geographic area and, consequently, of the area's potential demand for air transportation services. **Figure 1-8** presents the historical and projected GDP for the U.S. and the GRP for the Air Service Area on a per capita basis from CY 2013 through CY 2031. Over the period shown, GRP for the Air Service Area on a per capita basis has consistently been lower than that of the U.S. GRP in the region is forecast to remain well below the state GRP and the GDP through the Projection Period.

Figure 1-8 Historical and Forecast Per Capita Gross Domestic/Regional Product Trends (CY 2013 – CY 2031)

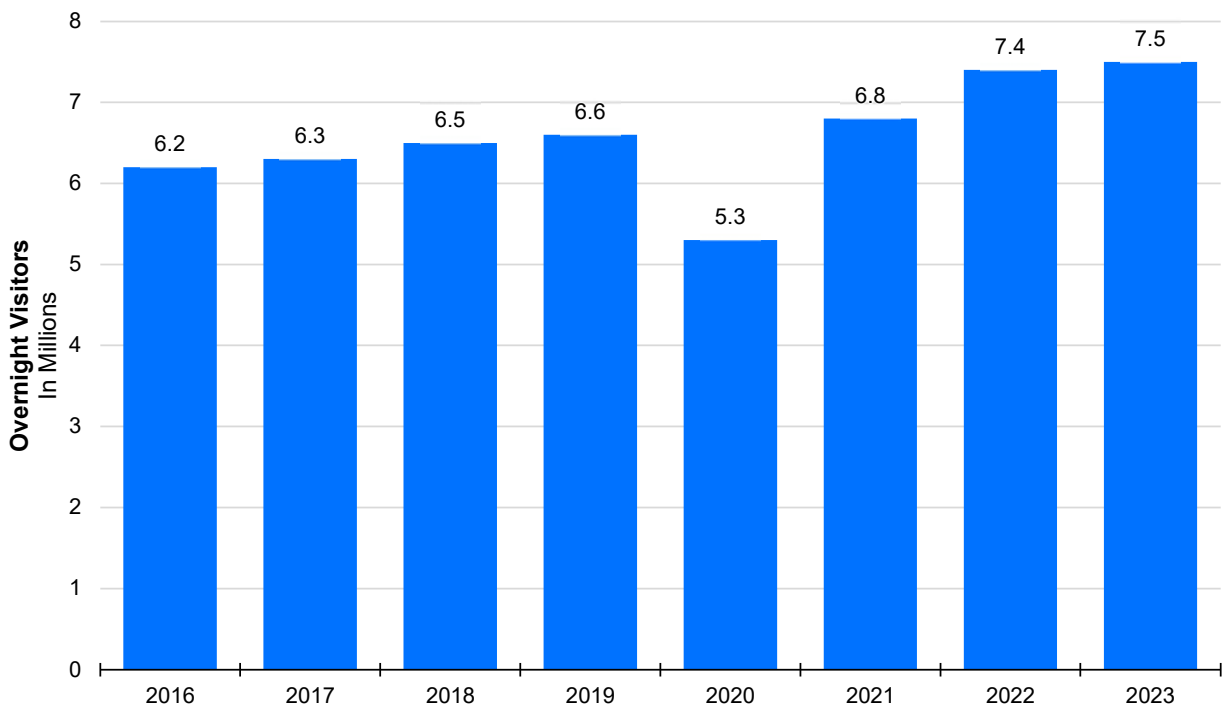


Source: Woods & Poole Economics, Inc., 2023 Complete Economic and Demographic Data Source, June 2024.

1.2.6 Regional Tourism

In CY 2023, the Knoxville MSA had 7.5 million overnight visitors spending an estimated \$1.88 billion. The 7.5 million overnight visitors were the most in the region's history and supported approximately 14,170 jobs in the region. **Figure 1-9** provides the number of overnight visitors from CY 2016 through CY 2023. According to the region's tourism board, Visit Knoxville, 49.0% of the overnight trips were by visitors traveling more than 250 miles.¹⁰

¹⁰ Visit Knoxville, Visit Knoxville Tourism Dashboards.

Figure 1-9 Overnight Visitors to Knoxville MSA (CY 2016 – CY 2023)

Source: Visit Knoxville, Visit Knoxville Tourism Dashboards.

Knoxville Urban Wilderness is located three miles from downtown and provides over 60 miles of trails and greenways that connect the Ijams nature center, lakes, historic sites, quarries, adventure playgrounds, five city parks, and a 600-acre wildlife area. The Ijams Nature Center has more than 10 miles of trails to hike, a lake where visitors can kayak or paddleboard, and plenty of opportunities to rock climb.

Market Square is one of the most popular places in Knoxville, located near the University of Tennessee and the Knoxville Urban Wilderness. It has stages that provide spaces for outdoor concerts, movies, and plays. There are also several local restaurants and breweries. Gay Street is in the central business district of Knoxville and spans ten blocks. It is home to art galleries, Knoxville's Theatre District which includes the Tennessee Theatre and Bijou Theatre, the East Tennessee History Center, and more. The Old City is being revitalized and the area is home to some of the City's newest shops, restaurants, distilleries, and music venues. The World's Fair Park sits on the former fairgrounds of the 1982 World's Fair. The World's Fair Park is home to the Sunsphere that offers an observation deck and hosts private events. The Park also includes a two-acre festival lawn which is used for concerts, festivals, parties, and other events.

Knoxville caters to visitors who are seeking an outdoor adventure. The Airport is located approximately 25 miles from the Great Smoky Mountains National Park. The Great Smoky Mountains National Park is an 800-square-mile mountain wilderness. In CY 2023, the park had 13.3 million visits, more than Yellowstone, Yosemite, and Grand Canyon national parks combined. There are a number of activities that people enjoy at the Great Smoky Mountains National Park including camping, horseback riding, fishing, and biking on the Cades Cove Loop Road. At the foothills of the Smoky Mountains lie the cities of Gatlinburg and Pigeon Forge. Both cities have several

attractions to enjoy in-between hiking in the mountains including mountain coasters, white water rafting, an aquarium, Ripley's Believe it or not, go-karts, and mini golf. There are also several restaurants, breweries, wineries, distilleries, and a cidery. Pigeon Forge is the home of Dollywood, a theme park consisting of rides, a water park, and a museum of the country singer Dolly Parton.

The University of Tennessee, Knoxville is a public land-grant research university in Knoxville, Tennessee. Founded in 1794, it is the flagship campus of the University of Tennessee system, with ten undergraduate colleges and eleven graduate colleges. In 2023, the University of Tennessee, Knoxville had an enrollment of nearly 29,000 undergraduate students and over 7,400 graduate and professional students from all 50 states and more than 100 foreign countries. The University of Tennessee's ties to nearby Oak Ridge National Laboratory allow for considerable research opportunities for faculty and students. Also affiliated with the university are the Howard H. Baker Jr. Center for Public Policy, the University of Tennessee Anthropological Research Facility, and the University of Tennessee Arboretum, which occupies 250 acres of nearby Oak Ridge. The university is a direct partner of the University of Tennessee Medical Center, which is one of two Level I trauma centers in East Tennessee.

1.2.7 Economic Outlook

Table 1-3 presents a summary of historical and projected economic variables for the ASA and for the U.S. through 2031 including population, employment, personal income, and gross regional and domestic product.

Table 1-3 Passenger Demand Forecast Variables (CY 2013 – CY 2031)

Year		Population in thousands		Employment in thousands		Per Capita Personal Income in 2023\$		Per Capita Gross Domestic/Regional Product in millions of 2023\$	
		ASA	U.S.	ASA	U.S.	ASA	U.S.	ASA	U.S.
Historical	2013	1,097	316,668	604	182,325	43,724	53,219	47,936	62,251
	2018	1,103	319,197	615	186,234	44,597	54,870	48,474	63,407
	2019	1,109	321,753	627	190,326	46,485	56,896	50,173	65,138
	2020	1,119	324,288	639	193,426	47,002	57,359	51,290	65,790
	2021	1,130	326,541	649	196,394	47,565	58,528	52,037	66,933
	2022	1,140	328,460	660	200,281	48,873	59,792	52,591	68,700
	2023	1,148	330,155	666	201,648	50,954	61,609	53,882	70,195
Forecast	2024	1,160	331,512	663	195,302	53,840	64,728	53,206	68,258
	2025	1,173	332,032	686	201,143	55,506	66,756	56,682	72,408
	2026	1,190	333,288	698	208,287	53,420	65,616	57,329	74,349
	2027	1,199	335,547	703	211,874	53,774	66,599	57,462	75,127
	2028	1,208	337,810	709	215,461	54,134	67,578	57,595	75,898
	2029	1,216	340,070	719	218,458	54,958	68,692	58,070	77,025
	2030	1,225	342,321	728	221,287	55,785	69,810	58,498	78,140
	2031	1,234	344,557	737	224,080	56,618	70,932	58,917	79,251
Range		Compounded Annual Growth Rate							
2013-23		0.9%	0.6%	1.5%	1.5%	2.1%	2.3%	1.8%	1.9%
2023-31		0.7%	0.6%	1.2%	1.3%	1.4%	1.6%	0.7%	1.4%

Source: Woods & Poole Economics, Inc., 2023 Complete Economic and Demographic Data Source, June 2024.

2 Air Service and Air Traffic Analysis

This chapter describes and evaluates the state of air service at the Airport, analyzes historical trends in air traffic, identifies key factors that generally affect demand for air travel, and provides projections of air traffic activity.

2.1 Air Service at the Airport

The following sections evaluate current air service capacity and operating performance for the primary passenger airlines serving the Airport. The Airport's overall O&D market is also assessed at the market level, comparing performance with prior years.

2.1.1 Airlines Operating at the Airport

The Airport has historically experienced diverse air service from the primary U.S. airlines. As of August 2024, the Airport had scheduled passenger service by three U.S. network airlines (American Airlines, Delta Air Lines, and United Airlines) and three ultra-low-cost carriers (ULCCs) (Allegiant Air, Avelo Airlines, and Frontier Airlines). Nine regional airlines also operated at the Airport as affiliates to American Airlines, Delta Air Lines, and United Airlines. Cargo service at the Airport is also provided by FedEx and United Parcel Service. **Table 2-1** provides a list of the scheduled passenger and all-cargo airlines that served the Airport as of August 2024.

Table 2-1 Airlines Serving the Airport (as of August 2024)

Passenger Airlines		All-Cargo Airlines (2)
Major Airlines (6)	Regional Airlines (9)	
Allegiant Air	Air Wisconsin ¹	FedEx
American Airlines	CommuteAir ²	United Parcel Service
Delta Air Lines	Endeavor Air ³	
Frontier Airlines	Envoy Air ¹	
United Airlines	GoJet Airlines ²	
Avelo Airlines	Piedmont Airlines ¹	
	PSA Airlines ¹	
	Republic Airlines ^{1,2}	
	SkyWest Airlines ^{1,2}	

¹ Doing business as American Airlines

² Doing business as United Airlines

³ Doing business as Delta Air Lines

Sources: Metropolitan Knoxville Airport Authority.

To illustrate specific trends in changes to the passenger market share, **Table 2-2** provides the enplaned passengers by airline with the associated market share from FY 2019 through FY 2024. As shown, in FY 2019, Delta Air Lines accounted for 30.5% of the total enplaned passengers at the Airport, just ahead of American Airlines (29.8%), while Allegiant Air had an 18.6% share. From FY 2020 through FY 2024, both American Airlines and Allegiant Air significantly increased their market share. In FY 2024, American Airlines accounted for 35.4% of the total enplaned passenger at the Airport, the most of any airline, and Allegiant Air accounted for the second highest share of total enplaned passengers at 24.7%. While American Airlines and Allegiant Air both have exceeded their pre-pandemic levels, Delta Air Lines and United Airlines have remained below pre-pandemic levels.

2.1.2 Nonstop Service

From CY 2014 through the first quarter of CY 2018, there were between 17 and 20 nonstop destinations at the Airport. Nonstop destinations increased to 27 in the second quarter of CY 2020 before declining in the second half of the calendar year. Following the start of the COVID-19 pandemic, the number of nonstop destinations declined to 20 in the fourth quarter of 2020, but quickly returned to 27 in the second quarter of 2021, where it mostly remained through the second quarter of 2023. As of August 2024, there is scheduled nonstop service to 30 destinations (23 year-round and 7 seasonal) from the Airport¹¹.

New nonstop service recently added at the Airport over the last year is summarized below:

- Allegiant Air added new nonstop service to four markets including Orlando (FL) in May 2024 and Belleville (IL), Jacksonville (FL), and South Bend (IN) in June 2024.
- Avelo Airlines began service at the Airport in May 2024 with twice weekly service to New Haven (CT).
- From July through December 2024 as compared to the same period in 2023, American Airlines has added additional flights and scheduled seats to its hubs in Charlotte, Chicago, Dallas/Fort Worth, and Philadelphia, with an average of approximately 113, 49, 107, and 69 additional daily seats to each of these hub markets, respectively.
- Delta Air Lines added a daily flight to its hub in Minneapolis in June 2024. In addition, from July through December 2024 as compared to the same period in 2023, Delta Air Lines has also added additional flights and scheduled seats to its hubs in Atlanta and Detroit, with an average of approximately 37 and 33 additional daily seats to each, respectively.
- Frontier initiated new service with three weekly flights to Philadelphia in May 2024. However, in August 2024 Frontier announced it was halting this service, as well as service to Orlando, as part of an overall rebalancing effort by the carrier. Frontier announced it will review seasonal performance of certain routes and may resume certain service in 2025.
- From July through December 2024 as compared to the same period in 2023, United Airlines added additional flights and scheduled seats to its hubs in Chicago and Houston, with an average of approximately 84 and 50 additional daily seats to each, respectively.

¹¹ Some service is seasonal and may not operate in a given month.

Figure 2-1 illustrates the scheduled nonstop markets at the Airport. As shown, the Airport's nonstop service is focused primarily on larger O&D markets in the Northeast, top leisure destinations in Florida, Las Vegas, and Phoenix, along with connecting service to each of the network airlines' major hub airports.

Figure 2-2 illustrates the Airport's number of nonstop destinations and average daily flights by quarter since CY 2014. The average number of daily flights generally increased from approximately 44.0 per day in the first quarter of 2014 to a peak of 61.1 per day in the third quarter of 2019. The number of average daily flights decreased to a low of 22.5 immediately following the COVID-19 pandemic. As of third quarter 2024, the Airport has an average of 59.9 daily flights, are scheduled to increase to an average of 61.1 daily departures by the fourth quarter of 2024. Increases in seats per departure resulted in scheduled seats in 2024 being higher than any prior period (including 2019) even at fewer departures.

2.1.3 Origin and Destination Markets

The Airport's top domestic O&D markets reflect travel demand from the region, and consequently, where airline capacity is allocated. As expected, the Airport's O&D demand is generated from the largest metropolitan areas around the U.S., particularly on the east coast and highly desirable leisure destinations.

Table 2-3 provides information regarding the Airport's top domestic O&D markets, including the number of daily O&D enplaned passengers for year-end FY 2023. The table also presents daily departing seats. For example, the Orlando market (the largest O&D market served from the Airport) had an average of 259.9 daily O&D enplaned passengers with 252.4 total nonstop departing seats to the market during FY 2023.

The Airport's top O&D international markets are Cancun, Mexico; London, England; and Toronto, Canada. As the Airport does not currently have nonstop service to any international destination, passengers from the Airport must connect through other airports in order to reach these destinations.

2.1.4 Airlines Revenue Performance at the Airport

Airline revenue performance at an airport can be measured primarily by three key airline revenue metrics: revenue per available seat mile, load factor, and yield. Each of these metrics are summarized below.

- **Revenue per available seat mile (RASM)** – RASM is the unit metric used by airlines, expressed in cents, to measure the amount of revenue received per available seat mile (ASM) flown. ASMs are measured by airlines for the purpose of determining capacity; one ASM unit equates to one seat flying one mile. For example, an aircraft with 100 seats operating on a route of 1,000 miles would equate to 100,000 ASMs. For the purposes of this analysis, RASM only measures passenger revenue derived from air fares and does not include other revenues received by airlines such as baggage fees.
- **Load factor** – Load factor measures how an airline is performing on a specific route or in aggregate in terms of filling its available seat capacity. Load factor is calculated as total revenue passenger miles (RPMs) divided by ASMs. RPMs are the general airline metric for measuring the number of miles traveled by paying passengers. For example, a revenue passenger flying one mile equates to one RPM.
- **Yield** – The last measure is airline yield, represented by fare revenue paid per passenger mile (RPM). RPM is like RASM, however, yield measures revenue for each passenger-mile sold (RASM measures revenue for each passenger-mile available to be sold). Yield is the industry measurement for price, while load factor is a volume-related measurement.

Table 2-2 Historical Airport Enplaned Passenger Market Share (FY 2019 – FY 2024)

Airline	Enplaned Passengers (In Thousands)						Market Share					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
American Airlines	355	316	233	372	417	537	29.8%	32.4%	33.4%	31.6%	31.7%	35.4%
Allegiant Air	222	201	191	303	360	374	18.6%	20.6%	27.3%	25.7%	27.3%	24.7%
Delta Air Lines	363	272	143	296	318	353	30.5%	27.9%	20.5%	25.1%	24.1%	23.2%
United Airlines	218	159	110	170	187	210	18.3%	16.3%	15.7%	14.4%	14.2%	13.9%
Frontier Airlines	29	24	19	30	30	31	2.4%	2.4%	2.7%	2.6%	2.3%	2.1%
Other	6	4	4	7	6	10	0.5%	0.4%	0.5%	0.6%	0.5%	0.6%
Total	1,193	976	700	1,177	1,317	1,515	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

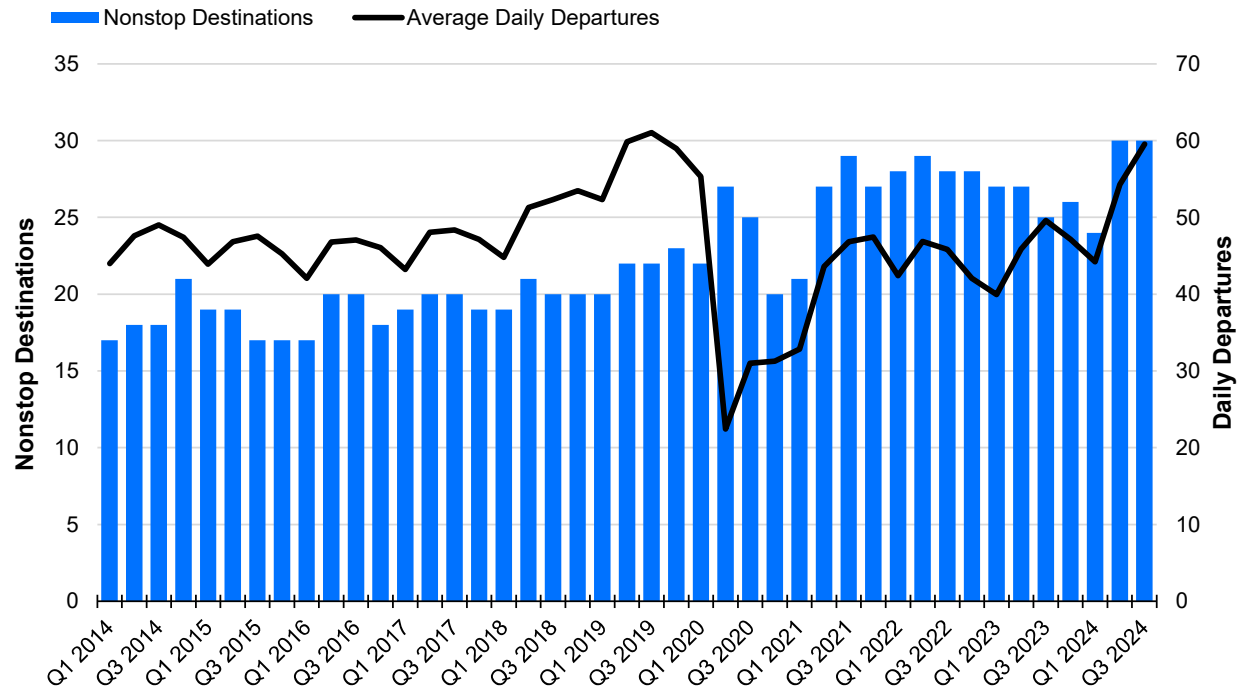
Note: Amounts may not add total because of rounding.

Source: Metropolitan Knoxville Airport Authority.

● Year-Round ● Seasonal



20 | Landrum & Brown

Figure 2-2 Historical Nonstop Destinations (CY 2014 – 2024 Q3)

Source: Cirium, Diio Mi, Schedule – Dynamic Table.

Table 2-3 Top-25 Domestic O&D Markets from the Airport (FY 2023)

City	Airlines with Direct Service	O&D Enplaned Passengers		Nonstop Scheduled Departing Seats	
		Per Day	Share	Per Day	Share
Orlando ¹	G4	259.9	8.4%	252.4	6.1%
Fort Lauderdale	G4	158.7	5.1%	155.4	3.7%
Denver	G4, UA, F9	157.0	5.1%	262.7	6.3%
St. Petersburg	G4	155.1	5.0%	176.0	4.2%
Chicago ¹	AA, G4, UA	150.0	4.8%	317.5	7.7%
Washington D.C. ¹	AA, UA	129.0	4.2%	286.8	6.9%
New York	AA, DL	122.5	4.0%	191.1	4.6%
Houston	G4, UA	113.7	3.7%	177.6	4.3%
Dallas	AA	109.0	3.5%	391.2	9.4%
Las Vegas	G4	90.5	2.9%	53.4	1.3%
Boston	G4	84.7	2.7%	55.5	1.3%
Phoenix	G4	81.8	2.6%	53.0	1.3%
Los Angeles		78.9	2.5%	0.0	0.0%
Newark	G4	74.3	2.4%	61.7	1.5%
Punta Gorda	G4	69.1	2.2%	86.7	2.1%
Austin	G4	58.9	1.9%	41.1	1.0%
Philadelphia	AA	51.7	1.7%	105.7	2.5%
Minneapolis/St. Paul	G4, DL	45.9	1.5%	24.0	0.6%
San Francisco		42.0	1.4%	0.0	0.0%
Detroit	DL	41.1	1.3%	87.6	2.1%
Destin	G4	35.4	1.1%	38.3	0.9%
Miami	AA	34.9	1.1%	64.3	1.6%
Seattle		34.1	1.1%	0.0	0.0%
Sarasota		31.2	1.0%	32.6	0.8%
San Diego		31.2	1.0%	0.0	0.0%
Top 25		2,240.5	72.4%	2,914.7	70.2%
Other		853.7	27.6%	1,235.2	29.8%
Total		3,094.3	100.0%	4,149.8	100.0%

Notes: G4 = Allegiant Air, F9 = Frontier Airlines, UA = United Airlines, AA = American Airlines, DL = Delta Air Lines.

¹ Includes service to two airports in each market

Source: Cirium, Diio Mi: US DOT Reports DB1A, accessed February 2024.

In general, the higher the RASM or yield the more profitable an airline is assuming that the number of ASMs remain constant over time. Since an airline's revenue does not necessarily increase proportionately with the distance it flies (reflecting the variable portion of an airline's cost structure), both RASM and yield will typically decrease as the overall length of the trip or stage length increases. Therefore, if an airline increases its overall stage length, it should be expected that RASM and yield will decrease. To account for this, RASM and yields have been adjusted based on the airline's average stage length. For the purposes of this Report and to normalize for varying stage lengths, all stage length adjusted (SLA)¹² values are expressed in a base of 1,000 miles.

Table 2-4 compares key airline revenue metrics for all U.S airlines and the five largest airlines serving the Airport in FY 2019 versus FY 2023. Key airline revenue metrics exhibited some decreases during the COVID-19 pandemic. However, as shown for FY 2023, these metrics for the Airport are better than the national average, the average small hub airport, and better than those for the Airport prior to the COVID-19 pandemic, which indicates that the Airport is a strong and profitable market for the airlines. Note that the data presented do not include airline ancillary fees for items such as ticket changes, checked bags, priority seating, etc., as these data are not available by airport. Over the years, U.S. airlines have realized significant revenues from these ancillary fees.

Table 2-4 Key Airline Revenue Metrics at the Airport (FY 2019 vs. FY 2023)

Airline	SLA Passenger RASM		Load Factor		SLA Yield	
	FY 2019	FY 2023	FY 2019	FY 2023	FY 2019	FY 2023
American Airlines	15.1¢	18.8¢	72%	84%	20.9¢	23.2¢
Allegiant Air	5.3¢	6.6¢	87%	89%	6.5¢	7.7¢
Delta Air Lines	16.3¢	20.9¢	76%	80%	20.7¢	40.8¢
United Airlines	15.5¢	21.6¢	81%	89%	19.3¢	25.7¢
Frontier Airlines	5.3¢	5.6¢	87%	75%	5.8¢	5.5¢
Airport Average	12.8¢	14.9¢	78%	85%	16.4¢	20.3¢
Small Hub Average	11.5¢	12.8¢	81%	82%	14.4¢	15.7¢
National Average	11.6¢	13.7¢	84%	84%	14.7¢	16.5¢

Notes: Data include regional affiliates, as applicable, and do not include airline ancillary fees such as charges for checked baggage, etc.

Stage length adjustments are a common practice used to normalize comparisons of passenger yields and revenue per available seat mile. Stage length adjustments for 1,000 miles are made using the formula.

SLA Value = Value * (observed length of haul/1,000)^{0.5}

Source: Cirium, Diio Mi: US DOT Reports DB1A and T100, accessed February 2024.

¹² Stage length adjustments are a common practice used to normalize comparisons of passenger yields and revenue per available seat mile. Stage length adjustments for 1,000 miles are made using the formula:
SLA Value = Value * (observed length of haul/1000)^{0.5}.

2.2 Air Traffic Activity and Trends

This section analyzes historical trends in air traffic activity at the Airport including enplaned passengers, aircraft operations, and landed weight. It also discusses the primary factors affecting these trends.

2.2.1 Enplaned Passengers

Passenger activity drives many of the revenues generated and some key capital funding sources at the Airport including key non-airline revenues, such as parking, rental car, and terminal concessions; Passenger Facility Charge (PFC) Revenues; Customer Facility Charges (CFC) Revenues; and FAA Airport Improvement Program (AIP) entitlement grant distributions. **Table 2-5** presents the historical passenger trends at the Airport from FY 2013 through FY 2024.

As shown, total enplaned passengers at the Airport grew at an increasing rate each year from FY 2013 through FY 2019 from 850,304 to approximately 1.19 million, reflecting an overall CAGR of 5.8% for this period. In FY 2020 and FY 2021, enplaned passengers declined as a result of the COVID-19 pandemic. However, enplaned passengers at the Airport recovered more quickly than the U.S., and by FY 2023, the Airport reported a record-high 1.32 million enplaned passengers, an increase of 11.9% over FY 2022. In FY 2024, enplaned passengers at the Airport increased approximately 14.9% to a new record-high 1.51 million.

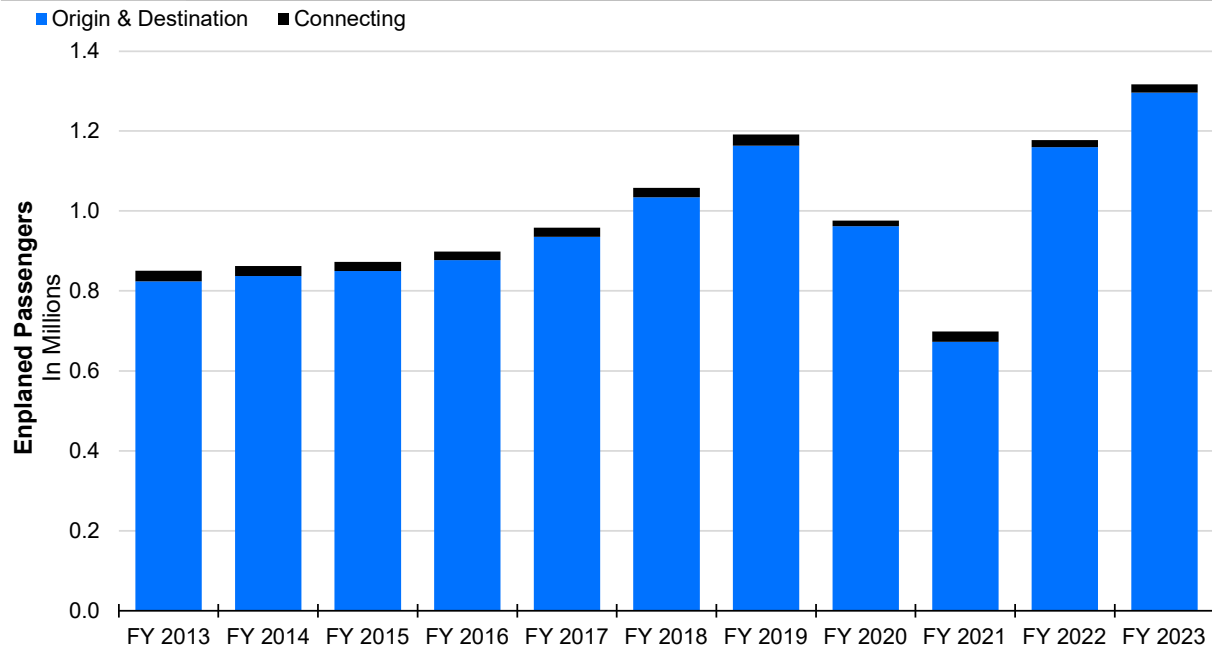
To further discuss the trends in enplaned passengers, the past decade has been segregated into certain time periods discussed below:

- **FY 2013 – FY 2016:** In FY 2013, traffic at the Airport was handled primarily by network carriers which charged high fares for service. The average fare at the Airport in FY 2013 was \$251 and remained more than \$250 over this four-year span. As a result, total enplaned passengers at the Airport grew at a modest 1.8% CAGR.
- **FY 2016 – FY 2019:** While, ULCC carriers Allegiant Air and Frontier Airlines were already operating at the Airport prior to FY 2016, the carriers saw the growth opportunity at the Airport and increased capacity while reducing their fares. The network carriers in turn reduced their fares to combat the increased competition. Airport wide, average fares declined from \$254 in FY 2016 to \$225 in FY 2019. The result of the combination of increased capacity and decreased fares was an increase in enplaned passengers from 898,671 in FY 2016 to 1.19 million in FY 2019, representing a CAGR of 9.8%.
- **FY 2019 – FY 2021:** Beginning in March 2020, enplaned passengers at the Airport decreased because of the impacts associated with the COVID-19 pandemic. These impacts included international travel restrictions and stay-at-home orders throughout the U.S. At the Airport, enplaned passengers declined by 18.1% in FY 2020 and 28.4% in FY 2021.
- **FY 2021 – FY 2024:** The Airport recovered quickly as soon as most of the direct effects of the COVID-19 pandemic subsided. In FY 2022, the Airport had the second most enplaned passengers in its history, just shy of the record set in FY 2019. The recovery at the Airport was completed in FY 2023 and natural growth in enplaned passengers has resumed through FY 2024. In FY 2024, there were 1.51 million enplaned passengers, 27.2% higher than the Airport's pre-pandemic peak in FY 2019.

Table 2-5 Historical Enplaned Passengers (FY 2013 – FY 2024)

Fiscal Year	Origin & Destination	Connecting	Total	Growth Rate
2013	823,617	26,687	850,304	--
2014	837,348	25,358	862,706	1.5%
2015	849,690	23,159	872,849	1.2%
2016	876,735	21,936	898,671	3.0%
2017	935,580	22,849	958,429	6.6%
2018	1,034,432	23,146	1,057,578	10.3%
2019	1,163,643	27,555	1,191,198	12.6%
2020	961,634	14,276	975,910	-18.1%
2021	672,831	25,439	698,270	-28.4%
2022	1,159,349	18,018	1,177,367	68.6%
2023	1,296,092	21,158	1,317,250	11.9%
2024			1,514,648	14.9%

Range	Compound Annual Growth Rate			
FY 2013-19	5.8%	5.5%	5.8%	
FY 2019-24			4.9%	



Note: The breakout of O&D vs connecting enplaned passengers for FY 2024 is not yet available.

Source: Metropolitan Knoxville Airport Authority, Annual Comprehensive Financial Report (2013-2023); MCAA Air Traffic Statistics (2024).

2.2.2 Aircraft Operations

Airlines’ decisions on aircraft type and the number of operations to accommodate passenger demand ultimately determine overall aircraft landed weight. Airlines are constantly evaluating how to best serve passenger demand with their available aircraft fleet. In markets that exhibit strong business travel, an airline may decide to operate smaller aircraft on the route several times per day to offer customers more choice and redundancy. In other cases, an airline may choose to offer larger aircraft and less frequency. Airlines also make decisions to change aircraft capacity on particular routes in response to load factors and profitability. Aircraft fleet mix and operations are important considerations for airport operators when planning for the appropriately sized airport facilities and to ensure the airport has sufficient capacity to accommodate operations in the future.

Table 2-6 presents the aircraft operations trends at the Airport from FY 2013 through FY 2024.

From FY 2013 through FY 2018, passenger aircraft operations, which comprise most of the air carrier and air taxi aircraft operations stayed relatively flat as airlines opted to increase capacity through increased aircraft size in lieu of more aircraft. In FY 2019, passenger aircraft operations increased more in-line with passenger growth. However, during the COVID-19 pandemic, airlines accelerated retirement of smaller regional jets. As a result, as the Airport recovered in terms of enplaned passengers, however, passenger aircraft operations have decreased since FY 2019.

General aviation aircraft operations increased significantly prior to the COVID-19 pandemic but were largely offset by the decline in military operations. While general aviation activity remained relatively flat through the pandemic and subsequent recovery, military activity continues to decline.

Total aircraft operations remain below pre-COVID levels despite the record number of enplaned passengers as a result of the increased passenger aircraft size and reduction of military operations.

Table 2-7 presents historical passenger airline trends at the Airport for enplaned passengers, scheduled seats and departures, seats per departure, and aircraft load factors from FY 2013 through FY 2023. As shown, while the number of passenger aircraft departures has decreased by 11.3%, the number of enplaned passengers, scheduled aircraft seats, seats per departure, and aircraft load factors have all increased over the last 10 years. Even with the increased aircraft capacity at the Airport, enplaned passengers and passenger load factors have reached a high of 1.32 million and 85.5% in FY 2023.

2.2.3 Aircraft Landed Weight

Aircraft landed weight, expressed in 1,000-pound units, is the sum of the maximum gross certificated landing weight as certified by the FAA for passenger and all-cargo aircraft landing at the Airport. Per the Airline Agreements with the Signatory Airlines that operate at the Airport (described in Section 4), aircraft landed weight is used as the denominator in the calculation of landing fees. Therefore, landed weight is an important measure for the Authority as it provides a method to recover costs from each airline based on its share of landed weight.

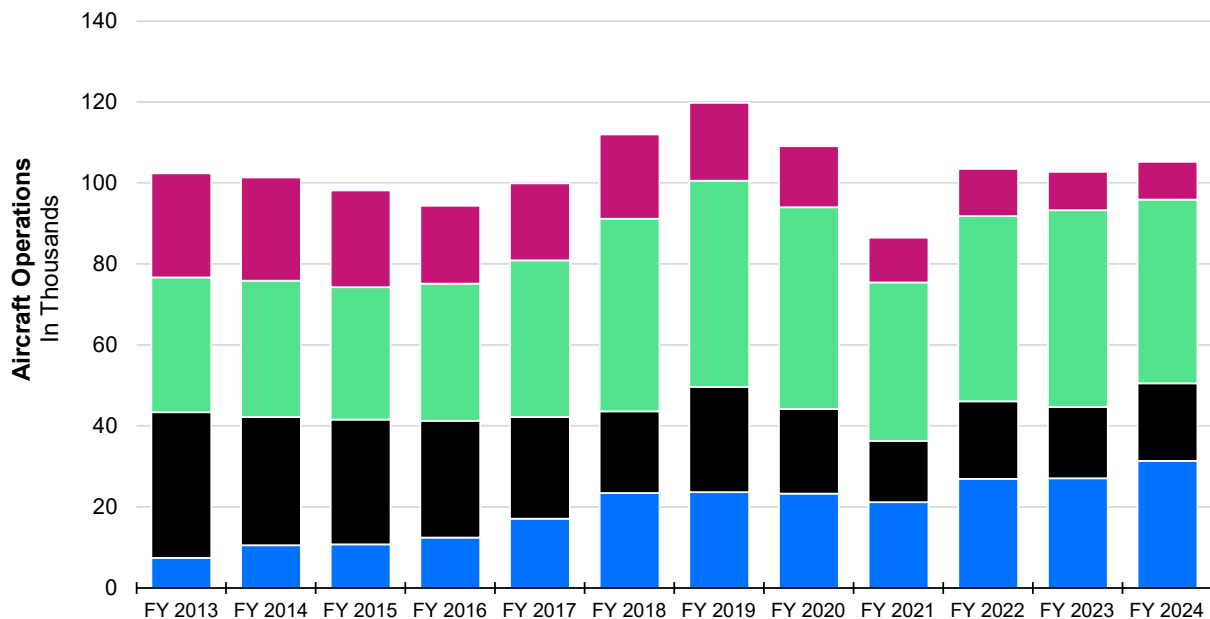
Table 2-8 presents landed weight activity at the Airport for the period of FY 2013 through FY 2024 for passenger airlines and cargo airlines. As shown, in FY 2024, total Airport landed weight was 16.5% higher than in FY 2019, mainly due to the rebound of passenger activity, new service at the Airport, and continued growth of cargo landed weight.

Table 2-6 Historical Aircraft Operations (FY 2013 – FY 2024)

Fiscal Year	Air Carrier	Air Taxi	General Aviation	Military	Total	Growth Rate
2013	7,381	36,012	33,273	25,685	102,351	--
2014	10,562	31,672	33,636	25,485	101,355	-1.0%
2015	10,778	30,812	32,645	23,874	98,109	-3.2%
2016	12,460	28,823	33,882	19,211	94,376	-3.8%
2017	17,115	25,120	38,631	18,993	99,859	5.8%
2018	23,417	20,204	47,532	20,836	111,989	12.1%
2019	23,613	26,037	50,895	19,257	119,802	7.0%
2020	23,254	20,960	49,785	15,072	109,071	-9.0%
2021	21,176	15,155	39,083	11,078	86,492	-20.7%
2022	26,903	19,150	45,779	11,636	103,468	19.6%
2023	27,070	17,729	48,636	9,553	102,988	-0.5%
2024	31,346	19,167	45,377	9,295	105,185	2.1%

Range	Compound Annual Growth Rate					
FY 2013-19	21.4%	(5.3%)	7.3%	(4.7%)	2.7%	
FY 2019-24	5.8%	(5.9%)	(2.3%)	(13.6%)	(2.6%)	

■ Air Carrier ■ Air Taxi ■ General Aviation ■ Military



Source: Metropolitan Knoxville Airport Authority, Annual Comprehensive Financial Report (2013-2023); MCAA Air Traffic Statistics (2024).

Table 2-7 Passenger Airline Activity Trends (FY 2013 – FY 2023)

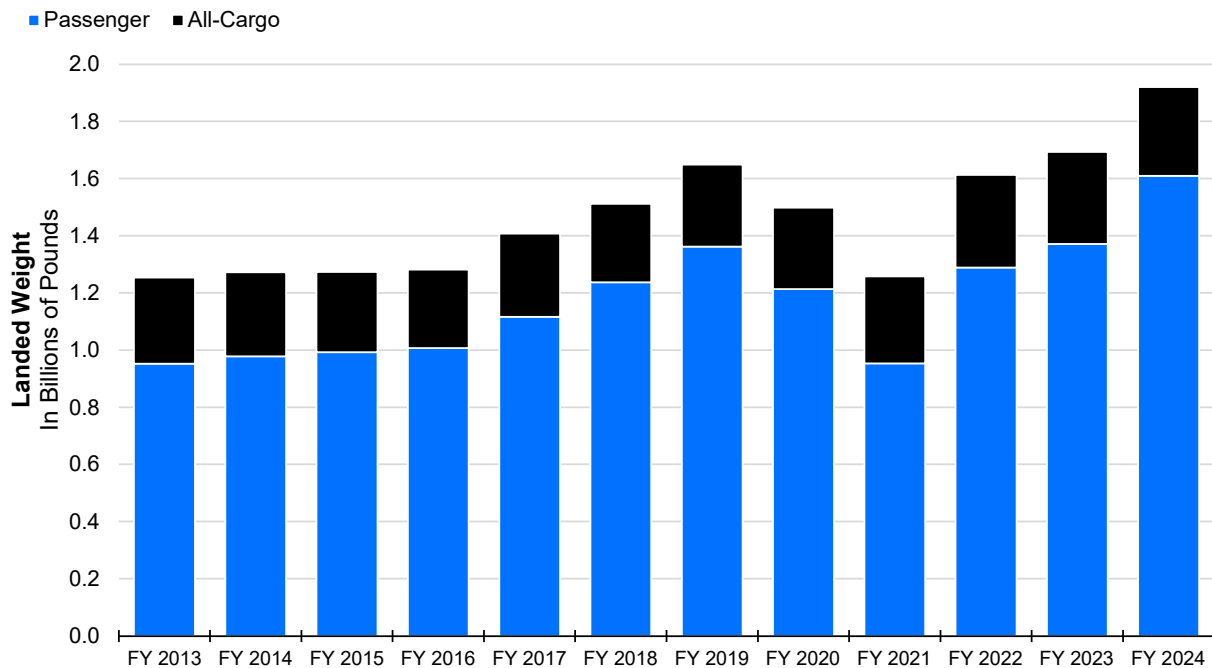
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	% Increase FY23 over FY13
Enplaned Passengers (000's)	850.3	862.7	872.8	898.7	958.4	1,057.6	1,191.2	975.9	698.3	1,177.4	1,317.3	54.9%
Scheduled Seats (000's)	1,022.9	1,047.1	1,053.4	1,060.7	1,171.4	1,302.7	1,439.7	1,300.0	1,033.0	1,376.2	1,483.6	45.0%
Departures	17,538	16,983	16,491	16,305	16,523	17,099	19,483	17,101	12,660	16,382	15,562	-11.3%
Seats per Departure	58.3	61.7	63.9	65.1	70.9	76.2	73.9	76.0	81.6	84.0	95.3	63.5%
Load Factor	80.0%	79.4%	78.7%	79.6%	78.5%	77.2%	78.3%	71.1%	65.4%	82.3%	85.5%	6.9%

Note: FY 2024 complete data from US DOT not yet available. Load factors are calculated using US DOT data and may differ from those presented in the Authority's Annual Comprehensive Financial Reports.

Sources: Cirium, Diio Mi: US DOT Report T100, accessed June 2024 and Metropolitan Knoxville Airport Authority.

Table 2-8 Historical Landed Weight in Thousand Pound Units (FY 2013 – FY 2024)

Fiscal Year	Passenger Airlines	All-Cargo	Total	Growth Rate
2013	952,411	301,345	1,253,756	--
2014	978,462	293,983	1,272,445	1.5%
2015	992,300	280,670	1,272,970	0.0%
2016	1,006,907	274,808	1,281,715	0.7%
2017	1,116,339	290,938	1,407,277	9.8%
2018	1,236,961	274,653	1,511,614	7.4%
2019	1,361,581	286,676	1,648,257	9.0%
2020	1,213,223	285,236	1,498,459	-9.1%
2021	952,933	304,368	1,257,301	-16.1%
2022	1,288,790	323,433	1,612,223	28.2%
2023	1,370,624	322,314	1,715,646	6.4%
2024	1,609,740	309,755	1,919,494	11.9%
Range	Compound Annual Growth Rate			
FY 2013-19	6.1%	-0.8%	4.7%	
FY 2019-24	3.4%	1.6%	3.1%	



Source: Metropolitan Knoxville Airport Authority, Annual Comprehensive Financial Report (2013-2023); MKAA Air Traffic Statistics (2024).

Passenger airline landed weight shows a similar trend as enplaned passengers from FY 2013 through FY 2019. Overall, total passenger landed weight increased at a CAGR of approximately 6.1% from FY 2013 to FY 2019. In FY 2020, passenger landed weight decreased by 9.1% compared to a decline of 18.1% in enplaned passengers. This discrepancy is due in large part to a significant drop in load factors due to lower demand and the need to implement social distancing practices. This trend continued in FY 2021, as passenger landed weight decreased 21.5% versus 28.4% for enplaned passengers. Since FY 2021, passenger landed weight at the Airport has continued to increase, exceeding the peak experienced in FY 2019, to approximately 1.60 million thousand-pound units in FY 2024. There has been a significant increase in passenger landed weight despite a decrease in operations which is due to airlines replacing smaller aircraft with larger aircraft, consistent with the general industry trend of up-gauging their aircraft.

Cargo operations also represent an important component of activity at the Airport. The amount and growth of cargo activity at the Airport underscores the strength of the local market for air cargo. As shown in Table 2-8, cargo landed decreased modestly in FY 2020 due to the COVID-19 pandemic. However, while the decrease in passenger landed weight was more in line with the decrease in passenger traffic, cargo landed weight increased by 6.7% in FY 2021. This trend was generally experienced throughout the U.S. as all-cargo carriers have experienced growth since the COVID-19 pandemic as the demand for cargo services has remained strong. Cargo landed weight increased from 301,345 thousand-pound units in FY 2013 to 322,314 thousand-pound units in FY 2023, representing a 3.0% CAGR. Cargo landed weight totaled 309,724 thousand-pound units in FY 2024.

2.3 Key Factors Affecting Air Traffic Demand

The following section addresses certain key factors that could impact air traffic activity, both nationwide and at the Airport.

2.3.1 Economic Conditions and Exogenous Events

Historically, the U.S. economy as measured by GDP has grown at a relatively steady rate, averaging 3.1% per annum between CY 1960 and CY 2019. The rate of growth has been remarkably stable reflecting both the size and maturity of the U.S. economy. Individual years have fluctuated from the long-term trend for a variety of reasons including macroeconomic factors, fuel shocks, war, and terrorist attacks.

Traditionally, two consecutive quarters of contraction is the benchmark used to determine if a country has entered a recession. The National Bureau of Economic Research defines a recession as a significant decline in economic activity that is spread across the economy and last more than a few months.¹³

Prior to CY 2020, there were two official economic recessions in the U.S. in the 21st century. The first occurred between March 2001 and November 2001. The recession itself was short-lived by historical standards and the economy returned to positive growth quickly, fueled by a gradual but prolonged reduction in interest rates. The Great Recession occurred between December 2007 and June 2009.¹⁴ As a result of the Great Recession, the nation's unemployment rate rose from 5.0% in December 2007 to a high of 10.0% in October 2009.¹⁵

The outbreak of COVID-19 in early CY 2020 and declaration of a pandemic by the World Health Organization on March 11, 2020, coupled with the subsequent stay-at-home orders led to the disruption of economies around the world, resulting in dramatic increases in unemployment. According to the Bureau of Economic Analysis (BEA), real GDP decreased at an annual rate of 31.4% in the second quarter of CY 2020 after decreasing by 5.0% in the

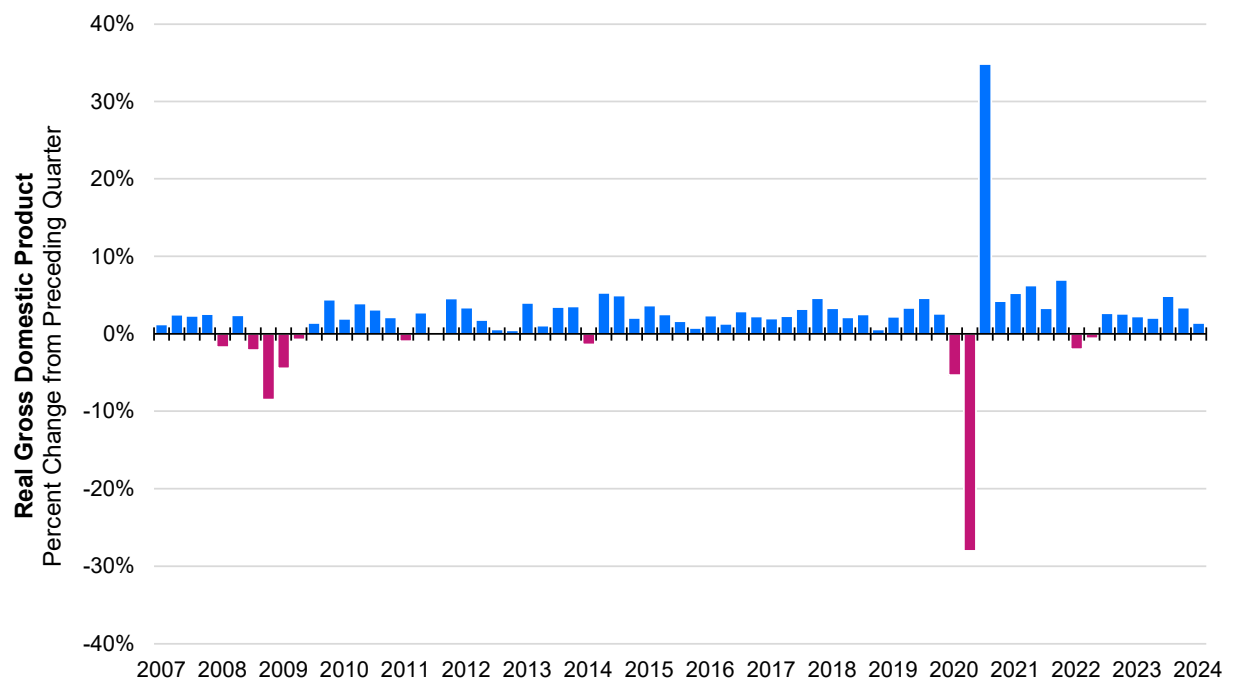
¹³ National Bureau of Economic Research, Business Cycle Dating.

¹⁴ National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, September 20, 2010.

¹⁵ Ibid.

first quarter of CY 2020. By comparison, the worst quarterly decrease in GDP during the Great Recession was 8.4% in the fourth quarter of CY 2008. There was a significant recovery in GDP in the third quarter of CY 2020, increasing 33.4% year-over-year. The initial recovery was followed by five consecutive quarters of positive growth. In the second quarter of CY 2021, GDP exceeded that for the fourth quarter of CY 2019. Starting in the first quarter of CY 2022, there were contractions in GDP for two consecutive quarters. However, it was determined that the low unemployment rates and consumer spending indicated that the economy was healthy enough to avoid a recession. The advanced estimate for the first quarter of CY 2024 shows a growth in GDP of 1.6%, the seventh consecutive quarter of positive growth. **Figure 2-3** depicts the magnitude of the impact the COVID-19 pandemic had on the U.S. economy and the subsequent recovery when compared to the Great Recession.

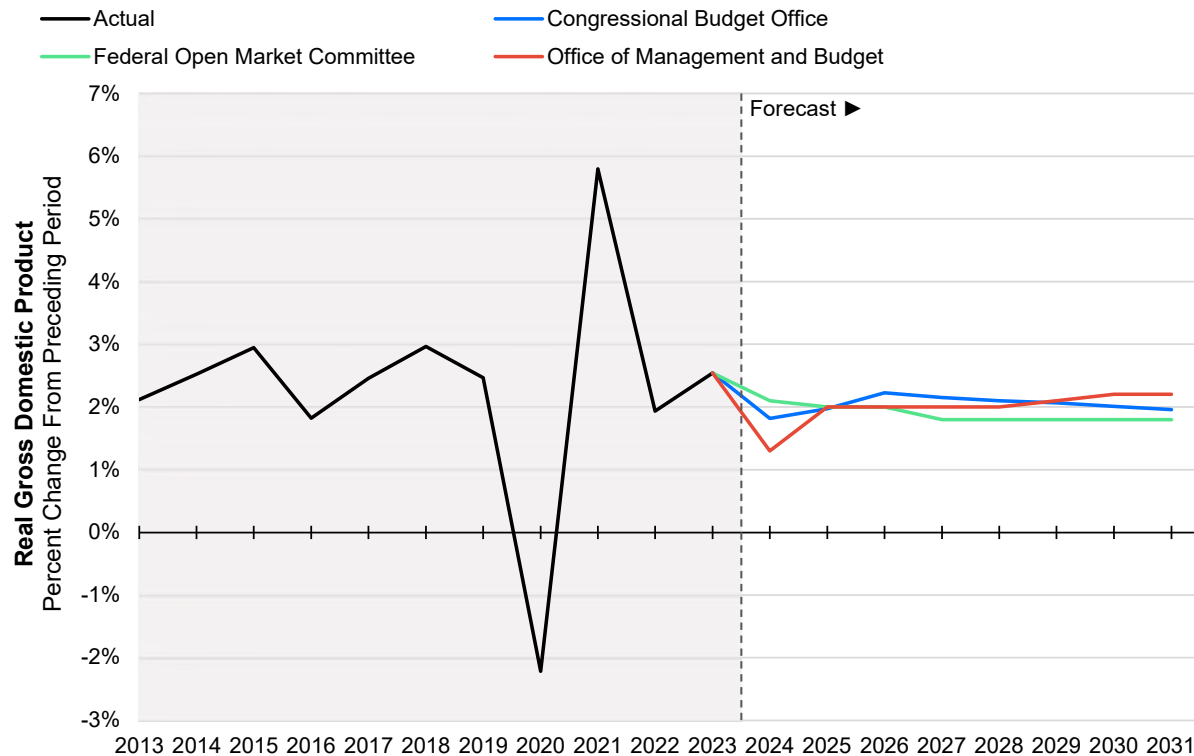
Figure 2-3 Change in U.S. Gross Domestic Product by Quarter



Source: U.S. Bureau of Economic Analysis, National Income and Product Accounts, February 2024.

Figure 2-4 shows the historical real U.S. GDP growth from the Bureau of Economic Analysis (BEA) and growth forecasts for the U.S. between 2024 and 2031 from three different sources, Congressional Budget Office (CBO), Federal Open Market Committee (FOMC), and the Office of Management and Budget (OMB). All of these sources forecast GDP will increase between 1.8% and 2.2% for the Projection Period.

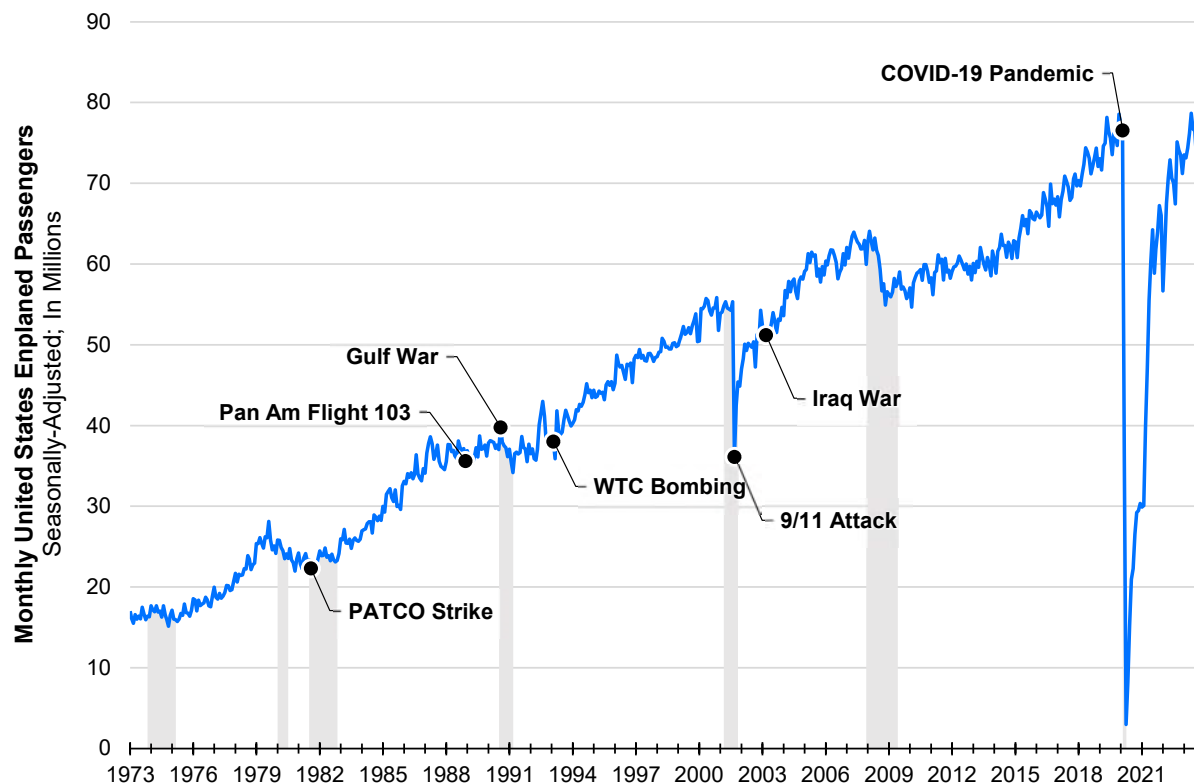
Figure 2-4 U.S. Real GDP Growth Forecasts



Sources: Congressional Budget Office, Budget and Economic Data: 10-Year Economic Projections, February 2024. Board of Governors of the Federal Reserve System, Federal Open Market Committee, Summary of Economic Projections, March 20, 2024. Office of Management and Budget, Budget of the U.S. Government for Fiscal Year 2025, March 11, 2024. Bureau of Economic Analysis, Gross Domestic Product, First Quarter 2024 (Advance Estimate), April 2024.

Although the economy is the main driver for aviation activity, exogenous events can magnify the impacts of changes in the economy. For instance, the economic recession that occurred in CY 2001 had a direct impact on air travel, but its impact was compounded by the September 11, 2001 terrorist attacks. The negative impact of this event on the airline industry is well documented. More recently, the COVID-19 pandemic and subsequent resulting travel restrictions resulted in dramatic decreases in air traffic. **Figure 2-5** shows how enplaned passenger traffic in the U.S. has experienced long-term growth. During periods of economic contractions, there is a notable decline in passenger volumes, and during the subsequent economic expansions and recovery periods, there is significant growth in passenger volumes. Exogenous shocks such as terrorist attacks have generally had a short but significant impact on passenger volumes. As presented in this figure, the COVID-19 pandemic has been the most disruptive event to impact aviation in history.

Figure 2-5 U.S. Aviation System Shocks and Recoveries (through April 2024)

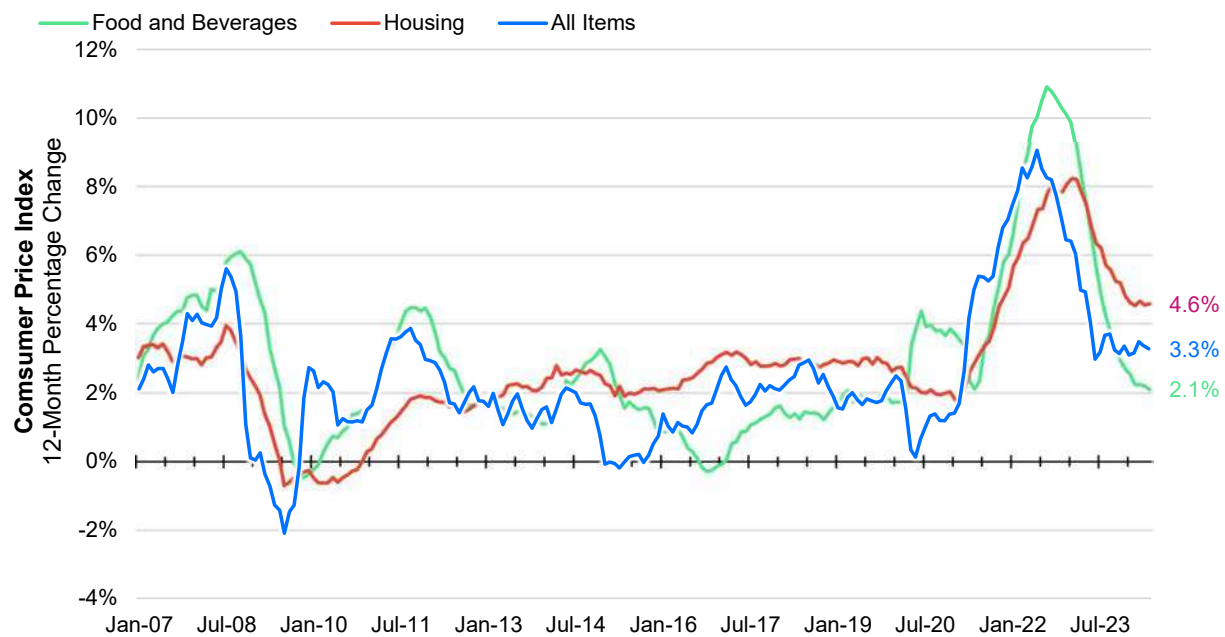


Note: Excludes non-revenue enplaned passengers.
Shading indicates recessions.

Source: U.S. Bureau of Transportation Statistics, U.S. Air Carrier Traffic Statistics; National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions.

Increases in inflation can have a negative impact on passenger traffic if inflation increases at a faster rate than income. The consumer price index (CPI) is a measure of the average change over time in the prices paid by urban consumers for consumer goods and services. Consumer prices began to increase in April 2021 as the country continued to recover from the recession associated with the COVID-19 pandemic, driven in large part by rising fuel and food prices. Global supply chain issues also attributed to increases to the CPI. The average cost of goods and services began to climb at an accelerated rate in June 2021 with items like food, fuel, and housing being directly impacted. In June 2022, the CPI increased to 9.1% over June 2021. Since June 2022, the increase in CPI has slowed. In June 2024, the CPI increased 3.0% over June 2023. **Figure 2-6** graphically depicts how CPI in the U.S. has changed since January 2007.

Figure 2-6 Consumer Price Index (January 2007 – May 2024)



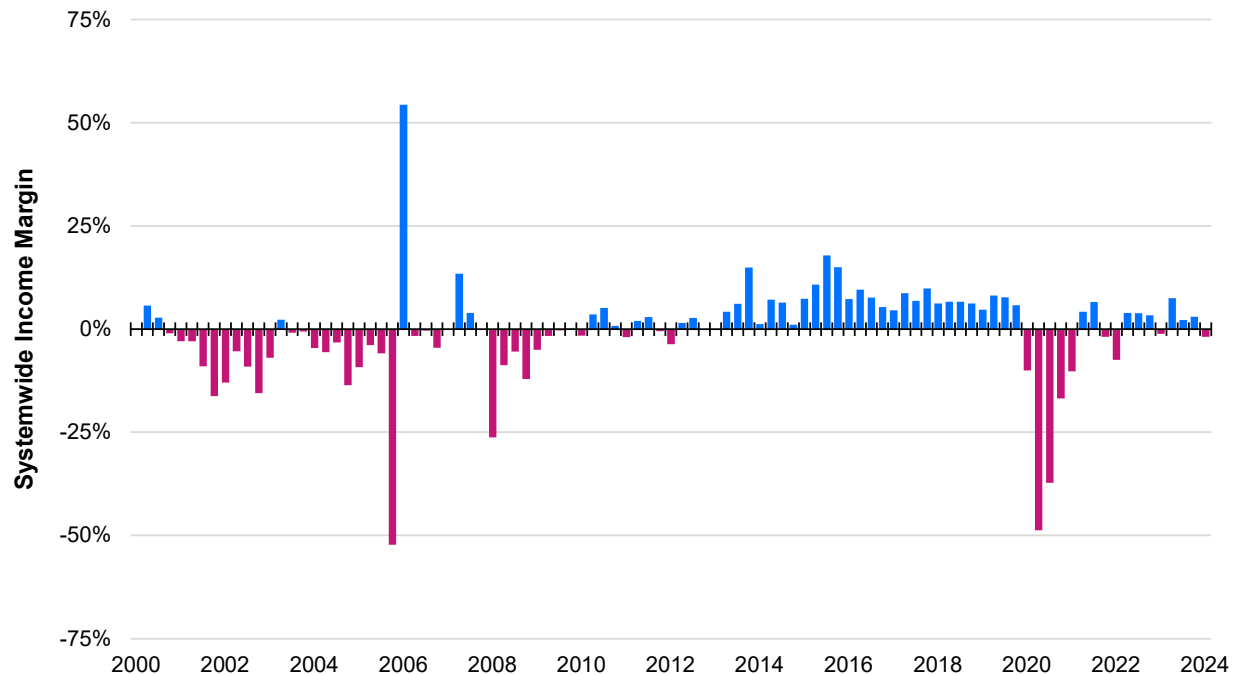
Source: United States Bureau of Labor Statistics, Consumer Price Index (CPI) Databases.

2.3.2 The U.S. Airline Industry

2.3.2.1 Airline Profitability

Airlines decide on route availability based on connectivity and profitability. When an airline's profitability is reduced, the airline will review each market's profitability and will typically act by reducing or eliminating an unprofitable market from their network. **Figure 2-7** provides the systemwide income margin for U.S. carriers since the first quarter of CY 2000. Triggered initially by the economic recession and compounded by the September 11 terrorist attacks, the airline industry as a whole experienced nearly 20 consecutive quarters of negative income margins beginning the fourth quarter of 2000 (with the second quarter of 2003 being the only exception). During this period, several airlines filed for bankruptcy protection, most notably Trans World Airlines, US Airways, United Airlines, Northwest Airlines, and Delta Air Lines. These airlines ultimately merged with other airlines. Most of these airlines returned to profitability in 2006 and maintained that status until CY 2008.

Figure 2-7 Systemwide Income Margin for U.S. Carriers (CY 2000 Q1 – CY 2024 Q1)



Source: Bureau of Transportation Statistics, Net Income: All U.S. Carriers - All Regions.

The Great Recession had a significant impact on the airline industry. In response the U.S. airline industry decreased capacity, particularly in short-haul markets with smaller, short range aircraft types in CY 2008 and CY 2009. The result was significant improvement in yields, RASM, and profitability prior to outbreak of the COVID-19 pandemic. In the years prior to the COVID-19 pandemic, the U.S. airline industry was at its most stable, profitable point in history. According to the Bureau of Transportation Statistics (BTS), the 23 U.S. scheduled passenger airlines collectively reported a pre-tax net operating profit of \$15.8 billion in CY 2019, which was a 19.7% increase from CY 2018 and marked the eleventh consecutive year of pre-tax operating profits for the industry as a whole. The scheduled passenger airlines reported an operating profit margin of 7.5% in 2019, which was up from 6.3% in 2018.¹⁶ Profitability during this period can also be attributed to airlines unbundling services and increasing the use of ancillary fees such as charges for checked baggage.

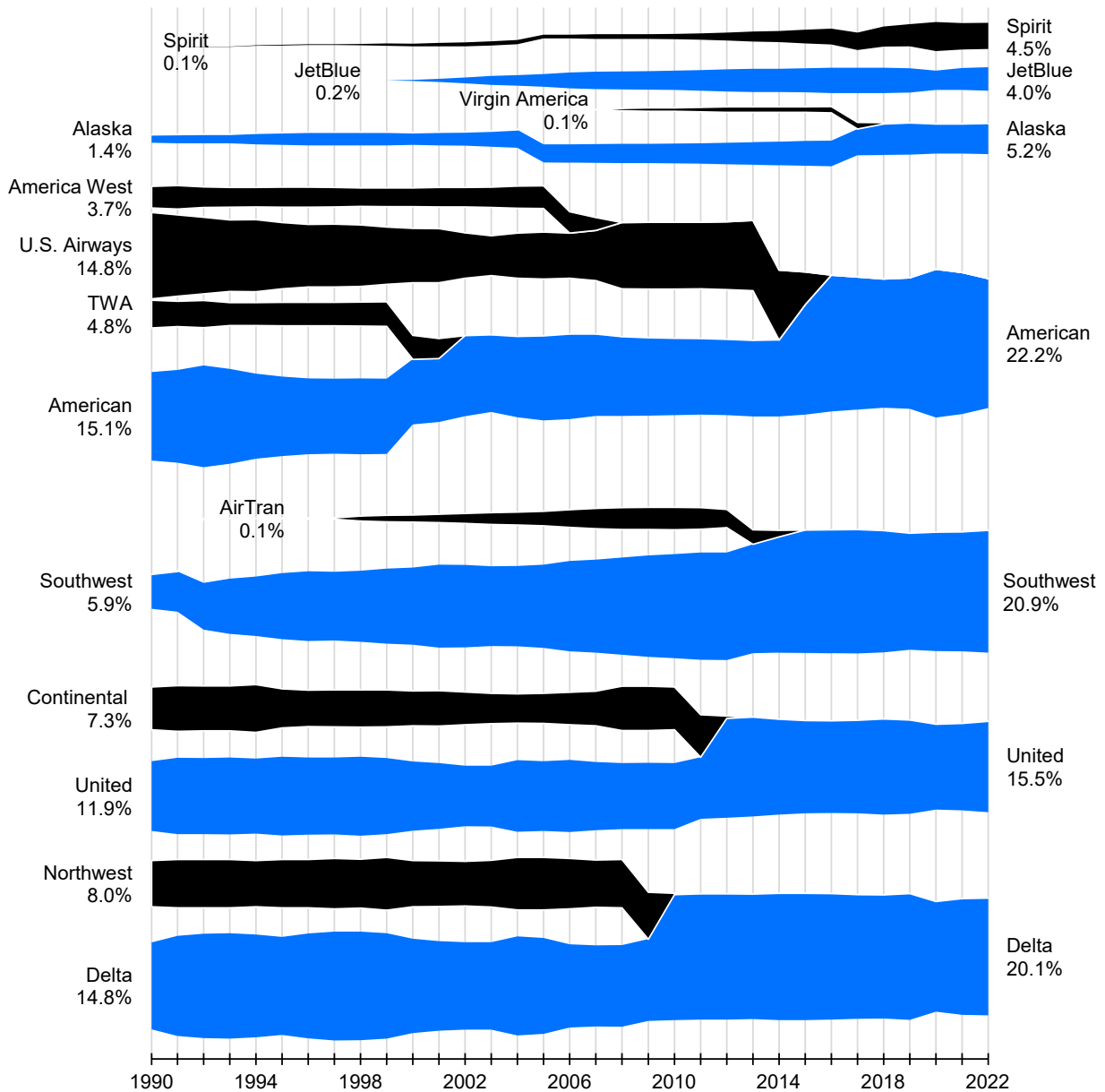
As a result of the impacts of the COVID-19 pandemic, U.S. airlines incurred record losses in 2020 and into 2021. The U.S. DOT has reported that U.S. scheduled passenger airlines reported four straight quarters of after-tax net losses beginning in the second quarter of 2020. To help support U.S. air carriers through the pandemic crisis, in March 2020, the U.S. Congress passed by unanimous vote the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under Title IV of the CARES Act, Congress approved \$500 billion in federal assistance to severely distressed sectors of the economy as part of the larger \$2 trillion stimulus package. Enacted on December 27, 2020, the Consolidated Appropriations Act (including CARES) created the Payroll Support Program Extension (PSP2) which allocated another \$15 billion to passenger air carriers and \$1 billion to contractors. On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was signed and provided \$2 billion in economic relief to airports. The American Rescue Plan Act of 2021 extended assistance to passenger air carriers and contractors that received financial assistance under PSP2 for an additional \$14 billion and \$1 billion respectively. Despite the assistance, airlines were still forced to reduce staffing, retired older fuel-inefficient aircraft, and removed unprofitable routes from their networks to minimize losses.

2.3.2.2 *Airlines Consolidation*

Over the past two decades, the U.S. airline industry has undergone a significant transformation. Although it had been profitable in recent years prior to the impacts associated with the COVID-19 pandemic, the U.S. airline industry cumulatively experienced losses of approximately \$62 billion from 2000 through 2009 on domestic operations. Many airlines filed for Chapter 11 bankruptcy protection and some ceased operations altogether. During this period, airlines suffered from excess capacity, which drove down yields. Yields adjusted for inflation had dropped by approximately 70%. With oil prices spiking to nearly \$150 per barrel in 2008, industry changes were critical. As a result, all the major network airlines restructured their route networks and reached agreements with lenders, employees, vendors, and creditors to decrease their cost structure.

Industry consolidation has taken place because of competitive pressures and economic conditions. Many airlines have merged or been acquired since the turn of the 21st century. **Figure 2-8** provides a graphical representation of the major U.S. airline mergers during this period. As shown, in CY 1990 there were 10 carriers accounted for 87.7% of the passenger traffic in the U.S. The introduction of low-cost and ultra-low-cost carriers increased competition and by CY 2001 there were 13 carriers accounting for 86.4% of the passengers. However, the run of mergers in the 2000s resulted in only 7 carriers accounting for 92.4% by CY 2022. These mergers have resulted in less competition among the airlines, increased pricing power, and by extension, increased profitability. The impacts associated with consolidation include limited industry seat capacity, limited capacity growth, and increases in fares.

¹⁶ Bureau of Transportation Statistics, 2019 Annual and 4th Quarter U.S. Airline Financial Data.

Figure 2-8 U.S. Airline Consolidation

Source: US DOT Reports DB1A; US DOT T100 Report, accessed via Cirium, Diio Mi.

It is expected that airlines will continue to enter into code-share agreements in attempts to seek competitive advantages. For example, in early 2021, American Airlines entered partnerships with both Alaska Airlines for markets in the western U.S. and JetBlue Airways for markets in the eastern U.S. However, in May 2023, a federal judge ruled that American Airlines must end alliance with JetBlue Airways because of competition issues. In July 2023, JetBlue Airways announced it would not appeal the ruling, withdrawing from the alliance.

On December 2, 2023 Alaska Air Group announced it was planning to buy Hawaiian Airlines. The merged company would operate as independent brands but combine its operating platform. The shareholders of Hawaiian Airlines voted to approve the merger deal in February 2024. The combined airline is hoping to complete the merger within 18 months but requires the approval of U.S. regulators. In April 2024, consumers filed a lawsuit in an effort to block the merger.

2.3.2.3 *Aircraft and Personnel Shortages*

Airlines parked and decommissioned aircraft during the pandemic as demand declined but now are struggling with capacity to meet the demand as air travel volume has essentially returned to 2019 levels. Supply chain issues and staffing shortages have resulted in a significant slowdown in production of new aircraft. In CY 2019, Boeing delivered 380 aircraft which quickly fell to 157 in CY 2020. Boeing was able to return to pre-pandemic delivery levels in 2022 but is still behind in deliveries. Through September 2023, Boeing has delivered 371 aircraft, representing an increase of 13% from the same period in 2022. Boeing expects to deliver between 375 and 400 737 MAX family aircraft in 2024, down from the previous estimate of 400 to 450.¹⁷ In 2019, Airbus delivered 863 aircraft which decreased to 566 in 2020. In 2022, Airbus delivered 661 aircraft. Through October 2023, Airbus has delivered 559 units and is on target to meet its full-year target of 720 despite continued supply issues.¹⁸

The shortages due to production are compounded by maintenance delays. According to the management consulting company Oliver Wyman, there is a 12,000- to 18,000-person shortage in the number of needed mechanics.¹⁹ In order to overcome this shortage of mechanics, airlines will have to employ similar solutions as they have been doing with pilots including increased pay and subsidizing the training process.

At the onset of the COVID-19 pandemic, airlines were faced with a surplus of personnel resulting from the sudden and dramatic decline in traffic. As a result, airlines offered their employees buyouts and early retirement packages. In total, it is estimated that approximately 10% of commercial pilots took early retirement during the pandemic.²⁰ In addition, an aging pilot population is expected to continue to compound the issues arising from early retirements caused by the pandemic. FAA airman certification statistics shows that 13% of the 170,086 people with an airline transport pilot (ATP) certificate are 60 years of age or older and are due to retire over the next five years with another 33% set to retire within the next 15 years. In contrast, only 8% of people with an ATP certification were under the age of 30.

¹⁷ CNBC, Boeing cuts 737 Max delivery forecast as production issues dent third-quarter results, October 26, 2023.

¹⁸ Reuters, Airbus Delivered 71 Aircraft in October – Sources, November 6, 2023.

¹⁹ Oliver Wyman, Not Enough Aviation Mechanics, January 2023.

²⁰ CNN, A shortage of pilots could keep the airlines from making a real comeback.

The recovery of air traffic demand in the U.S. was relatively modest from April 2020 through February 2021. However, starting in March 2021, passenger demand increased more rapidly and has since recovered to more than 90% of the U.S. passenger levels experienced in 2019. As a result of this rapid recovery and the airlines' inability to quickly replace their retired pilots, airlines have experienced shortages of trained pilots to fly aircraft. The pilot shortage problem has been amplified during peak travel periods throughout the year. Regional airlines have been hit the hardest by the pilot shortage. Unable to provide the wages of the larger airlines, the regional airlines have been losing their pilots to the mainline carriers who are attempting to fill their needs. As a result, the regional airlines have had to scale back, or in some cases eliminate service, to smaller markets including some subsidized through the FAA's Essential Air Service Program.

In order to meet this demand, airlines are quickly attempting to backfill the positions left open by pilot retirements by hiring and training new pilots. However, in addition to offering early retirement to their pilots, the airlines also trimmed back their pilot training programs to cut costs during the pandemic. The Regional Airline Association states that only 8,927 new pilots qualified for their ATP certificates over the two-year span of CY 2020 to CY 2021 compared to 6,664 in CY 2019 alone.²¹ In 2022, there were 9,323 new pilots that qualified for ATP certificates.²²

According to a report from Oliver Wyman, by 2029 the increased demand for pilots is expected to outpace the supply creating a pilot shortage of approximately 60,000 pilots worldwide and nearly 21,000 in North America.²³ In the U.S., there are currently several potential measures being explored to help alleviate the pilot shortage, including:

- Raising the federally mandated retirement age for airline pilots from 65 to 67
- Reducing flight-hour requirements before joining a U.S. carrier
- Lowering the barrier to entry for training programs such as dropping the requirement for a four-year degree
- Creating gateway programs such as Alaska's Ascend Pilot Academy and United's Aviate Academy which offer financial aid and scholarships to lessen the cost of becoming a pilot.

If the pilot shortage becomes more widespread in the industry, the passenger airlines may not be able to meet future passenger demand, and would be required to reduce their seat capacity, resulting in material impacts to future passenger traffic in the U.S and internationally.

On March 1, 2023, Delta ratified a new Pilot Working agreement. The contract, which runs through December 2026, provides the 15,000 pilots with an immediate 18% pay increase and pay increases in each of the subsequent three years. Under the agreement, Delta will also provide a 1% increase of any pay offered by its competitors (American Airlines and United Airlines) under any those airline's negotiated contracts. The contract also provides paid maternity and paternal leave, better crew meals, improved health insurance, and more which is hoped to help improve employee retention.

In January 2024, B-737 MAX 9 aircraft were temporarily grounded following an incident where a panel in an aircraft fuselage blew out in flight. An investigation found that bolts meant to hold the panel in place had not been installed. Following inspections, the aircraft type was returned to service. As a result of the incident, the FAA announced increased oversight of Boeing's manufacturing processes and stated that it will not permit the company to increase aircraft production rates until the FAA is satisfied that adequate manufacturing quality

²¹ Regional Airline Association, 2023 Regional Airline Association Annual Report.

²² Federal Aviation Administration, U.S. Civil Airmen Statistics.

²³ Oliver Wyman, After COVID-19, Aviation Faces a Pilot Shortage.

controls are in place. Such restriction will constrain Boeing's ability to deliver aircraft as planned and could delay the ability of some airlines to upgrade their fleets with more fuel-efficient aircraft and increase capacity.

2.3.3 Aviation Fuel

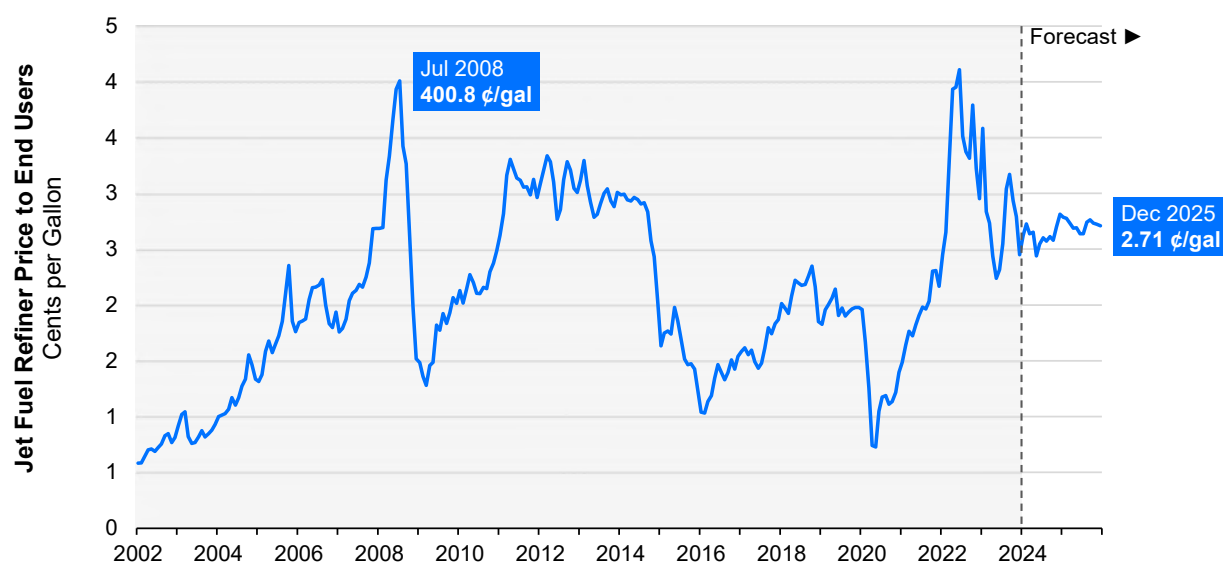
The price of oil and the associated cost of jet fuel has historically been one of the largest operating costs affecting the airline industry. In 2000, jet fuel sold to end users averaged \$0.89 per gallon. The average cost of jet fuel increased steadily through 2007. However, in 2008, crude oil prices and, consequently, jet fuel surged in price as a result of strong global demand, a weak U.S. dollar, commodity speculation, political unrest, and a reluctance to materially increase supply. In July 2008, jet fuel reached an average price of \$4.01 per gallon, nearly double the price the year prior. Reduced demand in 2009 stemming from the global financial crisis and subsequent economic downturn resulted in a sharp decline in price. However, as the economic climate improved and political unrest continued in the Middle East, oil prices increased in the subsequent three years. The increase in the price of jet fuel put upwards pressure on airline operating costs. As a result, airlines cut capacity or increased fares, and sometimes both. The average price of jet fuel dropped significantly in 2015 and 2016, reaching a low of \$1.03 per gallon in February 2016. Since then, jet fuel prices increased steadily to a peak of \$2.25 in October 2018 before falling to \$1.70 per gallon in December 2019 due to increased oil supplies. In 2019, jet fuel prices remained fairly stable, averaging approximately \$1.90 per gallon from February 2019 through January 2020.

As a result of the COVID-19 pandemic, the global demand for crude oil and fuel decreased dramatically starting in January 2020. As a result, the price of crude oil dropped below \$20 per barrel in April 2020. Since then, crude oil supply curtailments have caused oil prices to recover. Prices hovered near \$40 per barrel from early June 2020 through December 2020, then increased significantly to \$92 per barrel in February 2022. Following the start of the war between Russia and Ukraine, crude oil prices reached nearly \$109 per barrel in March 2022, receded to approximately \$102 per barrel in April 2022 and increased again back to nearly \$115 per barrel in June 2022. After such time, prices steadily declined through June 2023 before a slow climb through September 2023 where prices were at approximately \$89 per barrel. Energy disruptions leading to price increases have been occurring since the start of the Ukraine war with Russia. Oil prices have increased by about 6% since the start of the conflict between Israel and Hamas. The World Bank has reported if there is a major escalation, widening the conflict, a global energy shock would likely occur. A large disruption could send oil prices up by as much as 75%.²⁴

The U.S. Energy Information Administration (EIA) provides forecasts of jet fuel refiner price to end users in a report entitled Short-Term Energy Outlook. These prices are reported in cents per gallon as opposed to per barrel. In the June 2024 release, the EIA projects that jet fuel prices will be \$2.71 per gallon by December 2025. **Figure 2-9** presents the historical price for jet fuel refiner price to end users and the EIA's forecast of that price.

²⁴

New York Times, Middle East War Could Cause Oil Price Shock, World Bank Warns,
<https://www.nytimes.com/2023/10/30/business/economy/middle-east-war-oil-prices-world-bank.html>

Figure 2-9 Jet Fuel Prices (January 2002 – December 2024)

Source: U.S. Energy Information Administration, Short-Term Energy Outlook (June 2024).

Future fuel prices and availability are uncertain and fluctuate based on numerous factors. These can include supply-and-demand expectations, geopolitical events, fuel inventory levels, production capacity, monetary policies, and economic growth estimates. Historically, certain airlines have also employed fuel hedging as a practice to provide some protection against future fuel price increases.

Aviation fuel costs will continue to impact the airline industry in the future. If aviation fuel costs increase significantly over current levels, air traffic activity could be negatively affected as airlines attempt to pass costs on to consumers through higher airfares and fees to remain profitable. Currently, alternative fuels are not yet commercially cost effective.

2.3.4 Aviation Security

Since September 11, 2001, terrorist attacks, government agencies, airlines, and airport operators have upgraded security measures to guard against threats and to maintain the public's confidence in the safety of air travel. Security measures have included cargo and baggage screening requirements, passenger screening requirements, deployment of explosive detection devices, strengthening of aircraft cockpit doors, the increased presence of armed air marshals, awareness programs for personnel at airports, additional intelligence in identifying high-risk passengers and new programs for flight crews. Aviation security is controlled by the federal government through the Department of Homeland Security and the TSA.

Although terrorist event targeting aviation interests would likely have negative and immediate impacts on the demand for air travel, the industry and demand have historically recovered from such events relatively quickly. There have been terrorist attacks at airports internationally including at Brussels Airport in March 2016, the Istanbul Atatürk Airport in June 2016, and the Paris Orly Airport in March 2017. So long as government agencies continue to seek processes and procedures to mitigate potential risks and to maintain confidence in the safety of

aircraft, without requiring unreasonable levels of costs or inconvenience to the passengers, economic influences are expected to be the primary driver for aviation demand as opposed to security and safety.

2.3.5 National Air Traffic Capacity

The U.S. aviation system has a major impact on the national economy because it provides a means of transporting people and cargo over long distances in a relatively short period. As demand for air travel increases, the national aviation system must maintain enough capacity to allow for travel without unacceptable delays or congestion. It is generally assumed that the required infrastructure improvements needed to maintain capacity will keep pace with demand, and that a sufficient number of air traffic controllers will be available. Although not likely over the Projection Period evaluated herein, the inability of the national aviation system to keep pace with demand could create congestion and delays on a national level that could adversely affect the passenger experience and impact future demand.

2.4 Air Traffic Activity Projections

This section presents the air traffic activity projections including the key assumptions used to develop those projections. The air traffic activity projections included in this Report represent L&B's opinion, based on information available to L&B as well as estimates, trends and assumptions that are inherently subject to economic, political, regulatory, competitive and other uncertainties, all of which are difficult to predict and which will be beyond the control of L&B. Projected results may not be realized, and actual results could be significantly higher or lower than projected. L&B is not obligated to update, or otherwise revise, the projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

2.4.1 Projection Assumptions

The forecast analysis presented herein is based on a number of assumptions. Most notably, it assumes that the underlying economic conditions of the Air Service Area are expected to be the primary driver for passenger demand at the Airport, especially as it relates to O&D traffic. Economic disturbances are likely to occur over the Projection Period. In general, it was assumed that in the long-term, growth in O&D passenger traffic at the Airport will occur as a function of growth in socioeconomic conditions within the Air Service Area. In addition, several other assumptions are incorporated into the projections including the following:

- Over the short-term, supply issues, including pilots, other airline staffing, and aircraft shortages, will continue to impact capacity; these issues, however, are expected to subside over the next few years.
- Over the long-term, the airlines will continue to add capacity that is in line with demand and economic growth.
- Long-term nationwide growth in air travel will occur over the Projection Period consistent with forecast growth in the economy.
- There will be no major disruption of airline service or airline travel behavior over the Projection Period.

2.4.2 Enplaned Passengers Projection

A number of standard industry forecasting techniques were considered in order to forecast enplaned passengers such as econometric regression modeling, trend analysis, market share, and time series. It was determined that economic regression models, conducted separately for domestic and international, were the most appropriate to forecast enplaned passengers at the Airport. Econometric regression modeling quantifies the relationship between enplaned passengers and key socio-economic variables. This methodology recognizes that the key independent variables will change over time and assumes that their fundamental relationships to the dependent variables will remain.

The first step in developing the appropriate models was to test the independent, or explanatory, variables against the dependent variables, domestic and international enplaned passengers. In order for an econometric model to be considered appropriate, the following has to be true:

- Adequate test statistics (i.e. high coefficient of determination (R^2) values and low p-value statistics), which indicate that the independent variables are good predictors of passengers at the Airport.
- The analysis does not result in theoretical contradictions (e.g., the model indicates that GDP growth is negatively correlated with traffic growth).
- The results are not overly aggressive or conservative or are incompatible with historical averages.

Through the testing of multiple sets of independent variables, a multivariate linear model was selected to project enplaned passengers at the Airport. The selected model uses the Air Service Area's per capita personal income with two dummy variables to account for the unexpected downturn in traffic due to the COVID-19 pandemic.

Based on models and the set of assumptions detailed above, enplaned passengers are forecast to increase 4.0% per annum from FY 2024 through FY 2031. The result is that enplaned passengers are forecast to increase from 1.51 million in FY 2024 to 2.00 million in FY 2031.

2.4.3 Aircraft Landed Weight Projection

During the height of the pandemic, passenger aircraft landed weight per enplaned passenger increased significantly as load factors dropped due to lower demand and the need to implement social distancing practices. However, the passenger aircraft landed weight per enplaned passenger declined in FY 2022 and FY 2023, and remained near FY 2023 levels in FY 2024. It was assumed that the passenger landed weight per passenger would remain constant at the FY 2024 level over the Projection Period. Passenger landed weight is projected to increase from 1.61 million-pound units in FY 2024 to 2.08 million-pound units in FY 2031, which represents a CAGR of 3.7% from FY 2024 through FY 2031.

It was assumed that all-cargo landed weight would increase at the same rate as the national domestic all-cargo revenue ton miles as presented in the FAA's Aerospace Forecast.²⁵ The result is that all-cargo landed weight is projected to increase at a CAGR of 2.1%, increasing from 310,000 thousand-pound units in FY 2024 to approximately 369,000 thousand-pound units in FY 2031.

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Federal Aviation Administration, Aerospace Forecast: FY 2023–2043 Forecast, May 2023.

2.4.4 Activity Summary

Table 2-9 provides the historical Airport traffic from FY 2019 through FY 2024, the Authority's budgeted enplaned passengers and landed weight for FY 2025, and the enplaned passenger and the landed weight projections for the Airport from FY 2026 through FY 2031 used for the financial analysis provided in this Report.

Table 2-9 Aviation Activity Projections (FY 2019 – FY 2031)

Fiscal Year		Enplaned Passengers		Landed Weight ¹	
		Passengers (in thousands)	Growth Rate	Total (in million-pound units)	Growth Rate
Actual	FY 2019	1,191	--	1,648	--
	FY 2020	976	-18.1%	1,498	-9.1%
	FY 2021	698	-28.4%	1,257	-16.1%
	FY 2022	1,177	68.6%	1,612	28.2%
	FY 2023	1,317	11.9%	1,716	6.4%
	FY 2024	1,515	14.9%	1,919	11.9%
Budget	FY 2025	1,699	12.2%	2,023	10.9%
Projection	FY 2026	1,748	2.9%	2,081	2.9%
	FY 2027	1,797	2.8%	2,137	2.7%
	FY 2028	1,847	2.8%	2,194	2.7%
	FY 2029	1,897	2.7%	2,251	2.6%
	FY 2030	1,947	2.6%	2,308	2.5%
	FY 2031	1,998	2.6%	2,367	2.5%
Range					
FY 2019-24		4.9%		3.1%	
FY 2024-31		4.0%		3.0%	

¹ Excludes charters

Sources: Metropolitan Knoxville Airport Authority, Air Traffic Statistics. Landrum & Brown.

3 Airport Facilities and Capital Improvement Program

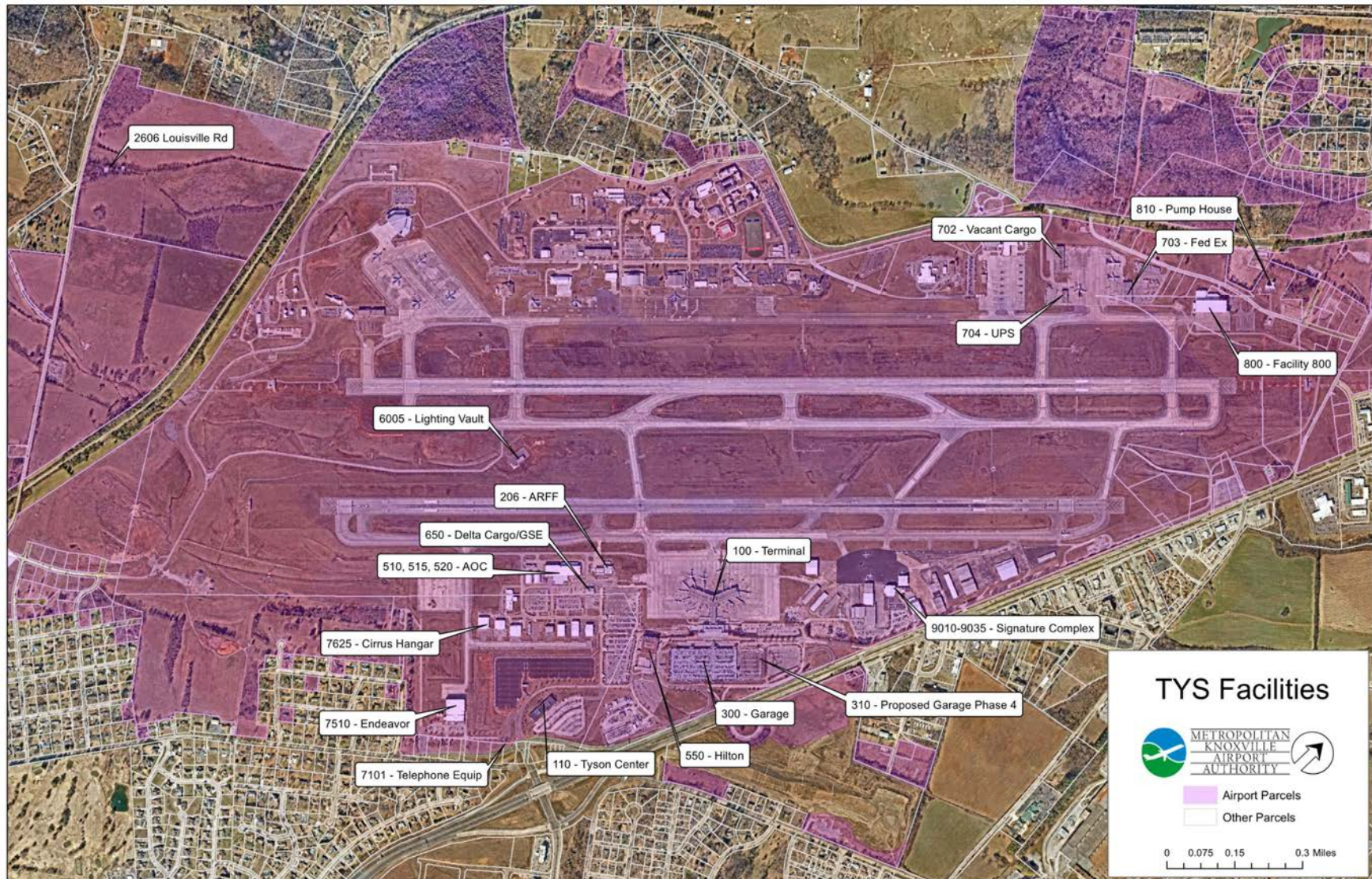
This Chapter provides an overview of existing Airport facilities and describes the New Parking Garage project and other planned capital improvements at the Airport, referred to as Other Capital Projects for the purposes of this Report.

3.1 Existing Airport Facilities

The Airport is located in Blount County, just 12 miles from downtown Knoxville on 2,755 acres in Eastern Tennessee directly off the Alcoa Highway (U.S. Highway 129). The Airport is classified by the Federal Aviation Administration (FAA) as a small hub airport. The Airport has two parallel runways, Runway 5L/23R and Runway 5R/23L and is served by most major U.S. airlines and/or their regional partner. These airlines provide numerous non-stop flights to destinations throughout the United States. In addition to daily by scheduled commercial airline service, the Airport also serves the needs of general aviation, including business aviation and privately owned/operated aircraft, military aircraft, and aircraft used in flight training activities. The Airport is also home to the Tennessee Air National Guard's (TN TANG) 134th Air Refueling Wing.

The MCAA also owns and operates the Knoxville Downtown Island Airport (DKX), which is a general aviation airport located less than three miles from downtown Knoxville. It is the base for more than 150 private and corporate aircrafts. The airport has a 3,500-foot runway and is served by three published instrument approaches: a localizer approach to Runway 26, a GPS-based approach to Runway 26, and a VHF Omni-Directional Range (VOR) circling approach procedure.

Existing Airport facilities are described in sections below and are graphically illustrated on **Figure 3-1**.

Figure 3-1 **Airport Layout**

Source: Metropolitan Knoxville Airport Authority.

3.1.1 Airport History

The Airport, originally located on a 60-acre tract in West Knoxville, was opened in 1927 and named in honor of a local aviator, Charles McGhee Tyson, Lieutenant, U.S. Naval Air Corps, who was shot down and killed during World War I. In 1935, the City of Knoxville purchased 351 acres of property at the Airport's current site to develop a facility capable of accommodating air carrier traffic. Since that time there has been significant development at the existing Airport site including the following:

- 1941** – A new air traffic control tower was constructed.
- 1943** – The City continued development of the Airport with its two 5,000-foot long runways.
- 1951** – The U.S. Air Force constructed a 7,500-foot long runway and other facilities.
- 1959** – The FAA installed an Instrument Landing System (ILS) on Runway 4L/22R.
- 1961** – Runway 4L/22R was extended to 9,000 feet by the Tennessee Air National Guard.
- 1968** – Runway 18/36 was closed and new facilities were constructed including an air cargo building.
- 1974** – A new passenger terminal building was constructed.
- 1978** – The MKAA was established as an independent nonprofit agency to own and operate the Airport and Downtown Island Airport.
- 1985** – The two parallel runways were re-designated as Runways 5R/23L and 5L/23R.
- 1990** – Partial construction of the parking garage was completed and Runway 5R/23L was extended to 9,000 feet.
- 1992** – A 21-acre cargo complex was constructed in the north side of the airfield.
- 1995** – The parking garage's second phase was completed.
- 2000** – A terminal improvement project was completed which included renovations and a new 12-gate concourse area, as well as an aircraft maintenance facility for Continental Express.
- 2002** – Northwest Airlines constructed an aircraft maintenance facility.
- 2019** – The security checkpoint was expanded from three lanes to four lanes.
- 2021** – Completion of the Airfield Modernization Project, which included a complete reconstruction of Runway 5L/23R and extension to 10,000 feet, as well as reconstruction of connecting taxiways.

3.1.2 Airfield Facilities

The Airport's airfield is made up two parallel runways. Runway 5L/23R is 10,000'x150' and runway 5R/23L is 9,000x150'. Runway 5L/23R is served by two parallel taxiways and a series of taxiway exits and is connected to Runway 5R/23L by four taxiway connectors. Runway 5R/23L is served by one parallel taxiway and several taxiway exits.

Both runways are equipped with high intensity runway lighting systems, centerline lighting, and touchdown zone lights. Precision instrument landing systems (ILS) are installed on all four ends of the runways for approaches during instrument flight rules (IFR) conditions.

3.1.3 Terminal Facilities

The Airport's existing terminal building, located midfield on the south side of the Airport, encompasses a total of 260,936 square feet of space. The terminal includes 12 passenger boarding bridges and public boarding holdrooms; six gates are located on the eastern half and six gates are located on the western half of the concourse. The building also houses the administrative offices of the MKAA, as well as ticket counter, office, storage and other required spaces for airlines, concessions, rental car, and other commercial tenants who lease space in the building. The terminal apron, approximately 1.2 million square feet in area, is located adjacent to the main terminal building and is used by the commercial airlines to transfer passengers and luggage to and from aircraft.

The original terminal structure opened in 1974 with two separate piers and has undergone multiple remodels and expansions over its service life. In 2000, the portion of the terminal from the secured checkpoint on was reconstructed and became the current T-shaped concourse. The portion of the terminal located prior to the security checkpoint, which includes the baggage claim and ground transportation facilities on the first floor, the ticketing lobby on the second floor, and airport administrative space on the third floor, remains from the original construction.

3.1.4 Public Parking and Rental Car Facilities

In order to accommodate growth in air traffic, the Authority added approximately 1,750 new public parking spaces between February and May of 2024. The additional parking spaces created a need to restructure the parking program at the Airport. Effective June 1, 2024, the Authority implemented a restructuring of its parking products and pricing at the Airport and provides the following parking options:

Existing parking garage

- Located directly across from the terminal building
- 2,111 public parking spaces
- \$22 maximum daily rate

Surface Lot

- Located adjacent to the north end of the existing parking garage
- 838 public parking spaces
- \$16 maximum daily rate
- Will be permanently closed when New Parking Garage project construction, anticipated November 2024

Terminal Lot A&B

- Located to the southwest of the terminal building
- Short walk to the terminal building
- 1,045 public parking spaces
- \$16 maximum daily rate

Economy Parking

- Located to the southwest of Terminal Lot A&B, shuttle service provided
- Approximately 1,094 public parking spaces in Lot C
- Additional spaces (Economy Lots D&E) available for overflow parking when needed
- \$11 maximum daily rate

Additional information on the New Parking Garage project is provided in Section 3.2, and information on historical parking products and pricing, as well as assumptions regarding parking products and pricing during the Projection Period is provided in Chapter 4 of this Report.

3.1.4.1 *Cell Phone Lot*

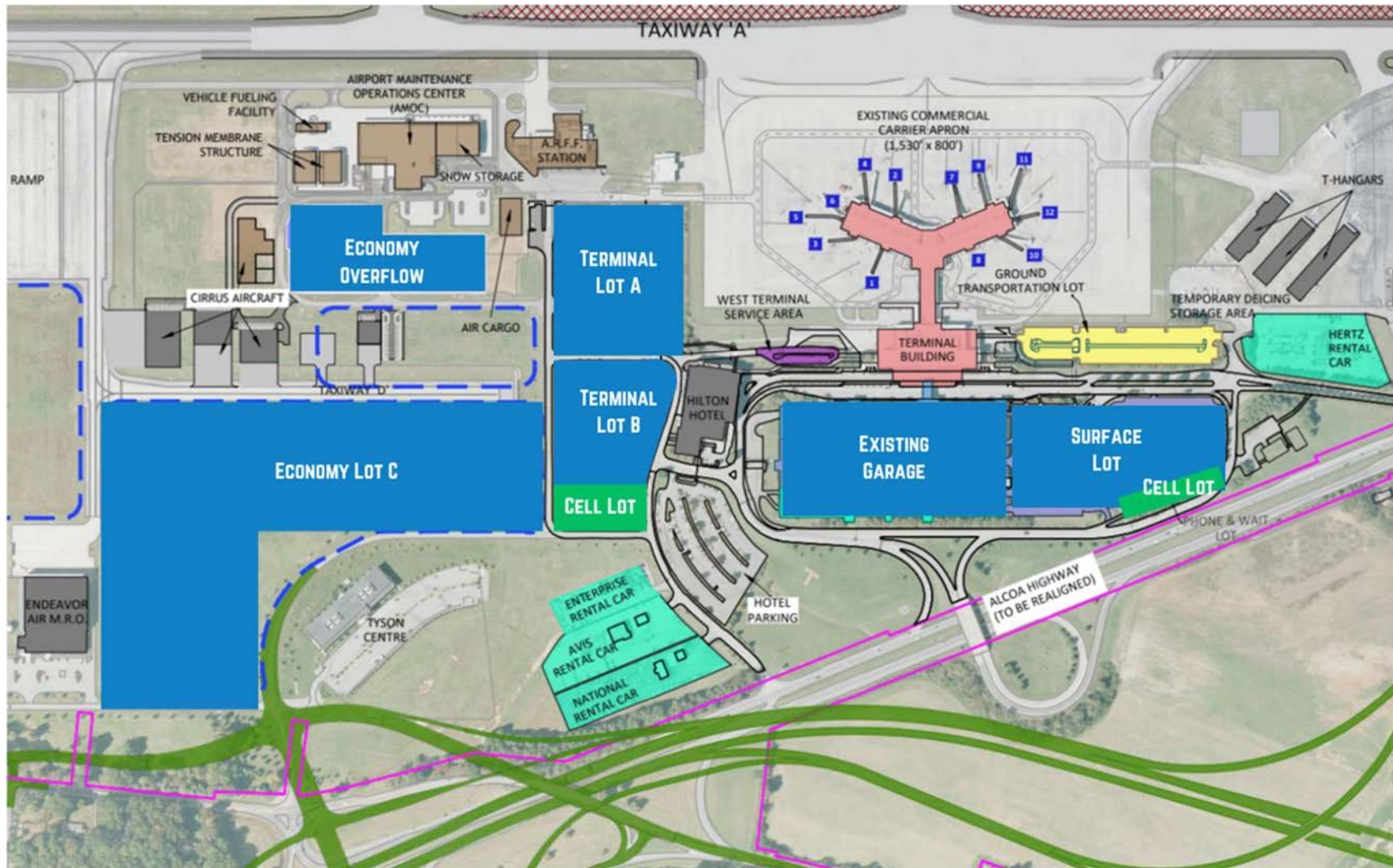
TYS also provides a parking lot that serves only passenger pick-up purposes, known as the Cell Phone Lot. The Cell Phone Lot, located next to Terminal Lot B, allows persons to stay with his or her vehicle while waiting for arriving passengers. Upon arrival to TYS, the deplaning passengers can use their personal cell phones to call and arrange a pick-up location.

3.1.4.2 *Rental Car Facilities*

Nine rental car brands provide service at TYS, including Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, and Thrifty. Each brand, except for Payless, is represented at a counter in the terminal. Dedicated rental car ready/return parking is located on the lower level of the parking garage. A total of 486 rental car ready/return spaces are provided; 435 stalls are on the lower level of the parking garage and 51 surface stalls are in the surface lot adjacent to the Airport Parking Garage. However, a total of 65 rental car ready/return spaces are expected to no longer be available once construction on the New Parking Garage begins in November 2024. The rental car companies also utilize four on-site rental car maintenance and car wash facilities: the Avis facility, the Enterprise facility, the National facility, and the Hertz facility. The Avis facility is shared by Avis and Budget and comprises a space measuring 87,210 square feet. The Enterprise facility is 43,730 square feet. The National facility is shared by Alamo and National and is 80,212 square feet. Hertz operates and shares a facility with Dollar and Thrifty, which is 99,932 square feet. Within the area of each facility is a consolidated service facility that is operated by the companies. The rental car service facilities provide car washing equipment, gasoline pumps and vacuums to fuel and clean vehicles, vehicle lifts, and pressurized air and vehicle fluids.

Additional information regarding changes to rental car operations at the Airport after completion of the New Parking Garage project is completed is provided in Section 3.2.

Figure 3-2 illustrates the Airport's terminal area, including the terminal building, roadways, public parking lots and rental car facilities.

Figure 3-2 Airport Terminal Area, Parking, and Rental Car Facilities

Note: The Cell Phone Lot located adjacent to the Surface Lot has been permanently closed.
 Source: Metropolitan Knoxville Airport Authority.

3.1.5 General Aviation and Other Aviation-Related Facilities

Multiple general aviation facilities and apron areas on the northeast side of the airport provide access to various aircraft hangars, offices, commercial businesses, and airport support facilities.

3.1.5.1 Fixed Base Operator

Signature Aviation operates the only full service FBO at the Airport which is located east of the Airport's terminal area. Signature Aviation has been granted the right to provide aviation services and amenities to airlines and general aviation operators, and provides the following amenities:

- Jet-A and 100 LL aviation fuel
- Ground services
- Line service
- Weather Services International (WSI) flight planning

Horizon Avionics and The Jet Shop lease hangar space at Signature Aviation and provide maintenance services. Current hangar space consists of thirteen bulk-storage hangars ranging from 8,000 square feet to 22,000 square feet, as well as 30 T-hangars and 25 plane ports. Signature Aviation also operates a recently renovated and expanded general aviation terminal facility for pilots and passengers. The facility includes additional features and amenities such as free Wi-Fi and computers, a pilot lounge, and a conference room.

3.1.5.2 Aerospace Facilities

In 2015, Cirrus Aircraft announced plans to expand to Knoxville with a new Vision Center, including sales, delivery, training, maintenance, personalization, support operations, and more for all Cirrus airplanes. The Vision Center includes administration and delivery space, as well as a show room. Construction of the new facilities began in fourth quarter 2015, with the first full year of deliveries in 2017. Cirrus Aircraft has become one of the leading manufactures of piston powered aircraft, accounting for over one third of all single-engine piston powered aircraft sales worldwide. Cirrus's facilities are located west of the Airport terminal in the Aerospace Industry Area. Cirrus Aircraft's facilities include a factory service center, delivery center, and training center, which includes a Level D full-motion simulator approved for FAR Part 142 flight training, a maintenance hangar, aircraft parking apron, and the Vision Center.

3.1.5.3 Maintenance, Repairs, and Overhaul (MRO)

Endeavour Air provides maintenance, repairs, and overhaul (MRO) services at the Airport. MRO maintenance includes various services such as airframe maintenance, landing gear services, engineering services, or component repairs. Endeavor Air is owned and operated by Delta Air Lines and has one of ten maintenance bases in the U.S. located at the Airport, southwest of the terminal building in the Airport's Aerospace Industry Area. This MRO focuses on performing maintenance and service only on Delta Air Line's regional jet aircraft (CRJ900s, CRJ700s, and CRJ200s).

A second MRO facility is located on the northeast side of the airfield formerly operated by ExpressJet as one of nine maintenance bases in the U.S. ExpressJet ceased operations at the Airport in November of 2020. This facility is currently available for lease from the Authority.

3.1.5.4 Air Cargo

The MKAA leases property for one air cargo-dedicated area that is shared by FedEx and UPS. The cargo area is on the northeast side of the airfield and is made up of three multipurpose processing buildings. The facility in the

west corner, which was previously used as a mail sort facility, is approximately 20,000 square feet and available for rent. The south building is primarily operated and maintained by UPS and is approximately 9,900 square feet. The third building, located on the east side of the cargo ramp, is primarily operated and maintained by FedEx. It is approximately 28,000 square feet. The cargo ramp has a perimeter of approximately 2,700 feet and an area of approximately 456,000 square feet.

3.1.6 Tennessee Air National Guard (TN ANG)

The TN ANG base is the only military tenant at the Airport. It is home to the 134th Air Refueling Wing, the 119th Command and Control Squadron, I.G. Brown Air National Guard Training and Education Center, Air National Guard Band of the South, and the 1st Squadron - 230th Armored Cavalry Regiment's Army Aviation Support Facility. The TN ANG consists of 362.62 acres on the northwest side of the Airport with a total of 39 buildings: 22 industrial, 10 administrative, 3 dormitories, and 4 service buildings; totaling 651,000 square feet.

3.1.7 Ancillary Facilities

Ancillary facilities support the aviation-related activities at the Airport, and are summarized below:

- **Fuel Farm Facilities** – The fuel farm at TYS is located in a central facility at the northeast end of the Airport, between East General Aviation Drive and the approach end of Runway 23L. The Facility includes seven below-ground storage tanks, which are owned by Signature Aviation and provide 165,000 gallons of Jet-A and 15,000 gallons of Avgas storage. Fueling operations are handled by Signature Aviation.
- **Aircraft Rescue and Fire Fighting (ARFF) Facility** - The Airport's ARFF facility is located near the center of Runway 5R/32L, just south of the terminal building. The ARFF facility houses firefighting vehicles, equipment, and staff offices.
- **Airport Operations Center** – Located west of the terminal is the Airport Operations Center (AOC). The AOC campus encompasses a group of facilities, buildings, fuel pumps, a car wash, and parking areas. The AOC is approximately 65,200 square feet and includes: four bay doors and one roll-up door, an equipment washing station, a library, a kitchen, and a multi-purpose meeting, training, or assembly room. Snow removal equipment is also stored in a portion of the building under an overhang. Three additional maintenance support facilities are located adjacent to the AOC. Two of the buildings are Tensioned Membrane Structures (Building #515 and #520), measuring approximately 8,500 square feet each. The smallest of the three buildings serves at the Vehicle Fueling Facility (Building #525), measuring approximately 3,000 square feet.
- **Air Traffic Control Tower (ATCT)** – The Airport's ATCT is centrally located northwest of Runway 5L/23R within the area occupied by the TN ANG.
- **Hotel** – The Hilton Knoxville Airport Hotel is owned and operated by Cooper Realty Company, Inc. and is located on land leased from MKAA. The terminal can be accessed from the hotel via a covered walkway.
- **Tyson Centre** – The Tyson Centre is a business center located on the Airport property, owned and operated by the Authority. Multiple tenants currently lease building space from MKAA.

3.2 Authority Capital Program

The Authority maintains an ongoing process of identifying and evaluating the capital needs and improvements required for the Airport System. This process includes the development of a capital improvement program, which (CIP), which is approved annually but refined by the Authority on an on-going basis. The CIP covers a five-year planning horizon and identifies needed improvements to the Airport System facilities, along with anticipated funding sources, such as FAA Airport Improvement Program (AIP) entitlements and AIP discretionary grants, state funds, passenger facility charges (PFCs), customer facility charges (CFCs), as well as funds from the Airport's unrestricted cash accounts, or funds secured through the issuance of bonds. The Authority also purchases equipment and completes capital maintenance projects that may not be reflected in the CIP to address certain needs as they arise in the course of operating the Airport System.

Table 3-1 summarizes the planned capital projects at the Airport from FY 2025 through FY 2029. As shown in Table 3-1, for purposes of this Report, the Authority's capital program, refined as of August 2024, is organized into the New Parking Garage project to be funded, in part, with proceeds from the Series 2024 Bonds as well as airfield, terminal, and other capital projects anticipated to be undertaken by the Authority at the Airport and at DKX through FY 2029, referred to in this Report as Other Capital Projects. The capital projects assumed in this Report may differ from the Authority's Airport Capital Improvement Plan (ACIP) based on certain refinements made throughout the year. Additional information on the New Parking Garage and Other Capital Projects is provided below.

Table 3-1 **Airport Capital Program (Dollars in Thousands)**

	Estimated Project Cost	Funding Sources					
		Federal and State	Series 2024 Bonds	PFC PAYGO	CFC PAYGO	Other/ Unfunded	MKAA Cash
New Parking Garage Project	\$185,536	\$25,247	\$142,289	\$0	\$12,000	\$0	\$6,000
<u>Other Capital Projects:</u>							
Airfield Projects	\$92,180	\$62,215	\$0	\$5,205	\$0	\$19,250	\$5,510
Terminal Projects	243,165	12,078	0	17,950	0	200,250	12,888
Other Projects	37,422	9,513	0	0	7,700	0	20,210
DKX Projects	11,699	1,994	0	0	0	7,500	2,205
Total Other Capital Projects	\$384,466	\$85,799	\$0	\$23,155	\$7,700	\$227,000	\$40,812
Total Capital Program	\$570,002	\$111,047	\$142,289	\$23,155	\$19,700	\$227,000	\$46,812

Source: Metropolitan Knoxville Airport Authority

3.2.1 New Parking Garage

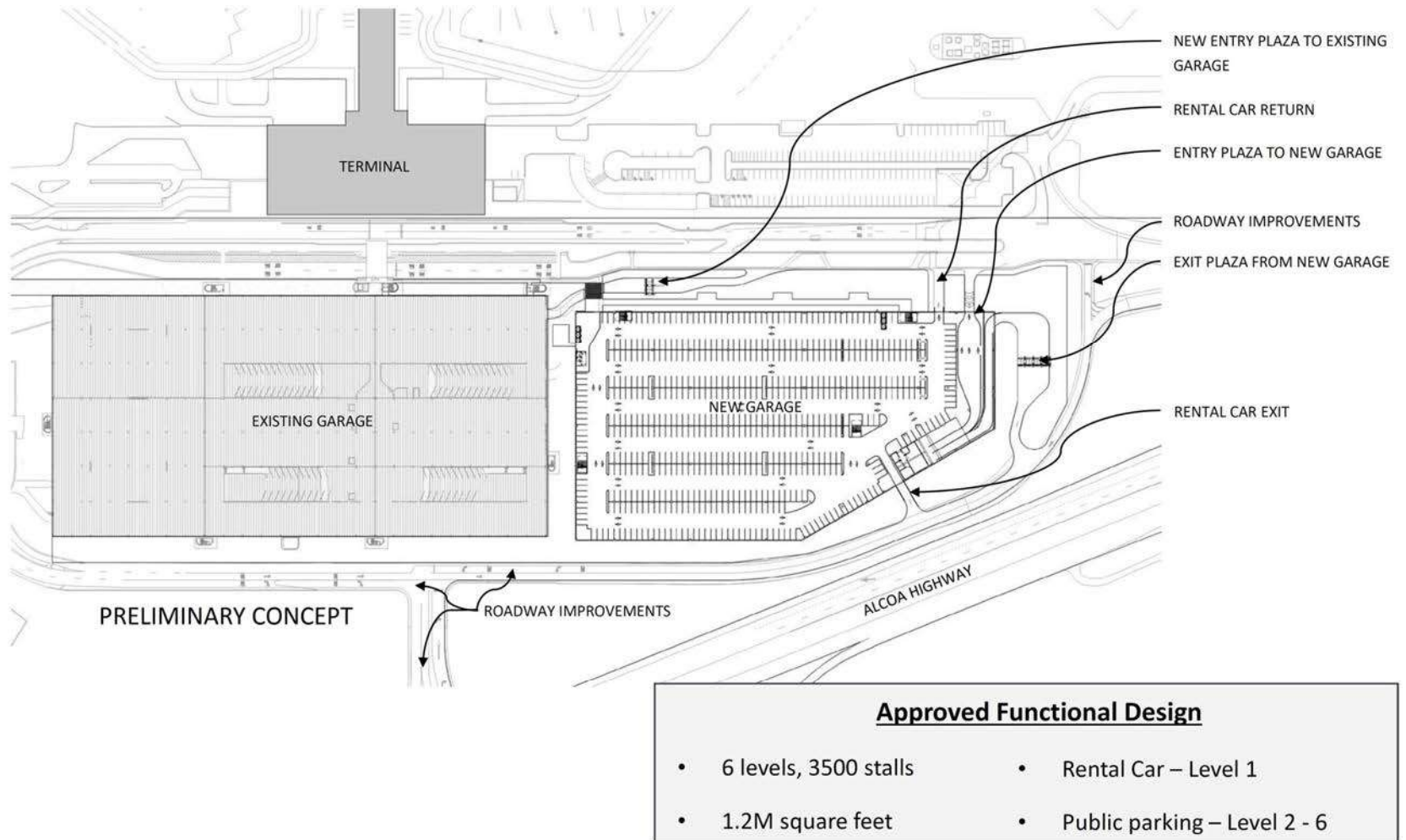
The New Parking Garage project currently planned to expand the Airport's parking capacity over the next few years. Based on projections provided by the Airport's engineer, Gresham Smith, the Airport's public parking and ready/return rental car facilities in the existing parking garage are currently operating at effectively 100 percent of their capacity. As described in Section 3.1.4, in order to accommodate growth in air traffic, the Authority added approximately 1,750 new public parking spaces between February and May of 2024.

To meet future demand projections, the Authority intends to construct a new parking garage located just north of the Airport's existing parking garage. The new garage will consist of a new six-story garage that will provide an additional 3,500 parking stalls. The first level of the garage will provide approximately 600 rental car ready/return stalls and levels two through six will provide approximately 2,900 public parking spaces.

As shown in Table 3-1, the New Parking Garage project is estimated to cost \$185.5 million, and is planned to be funded, in whole or in part, with proceeds of the Series 2024 Bonds, along with State funds, CFCs, and Authority discretionary cash. The New Parking Garage project is the only project to be funded with the proceeds of the Series 2024 Bonds. The capital and operating costs associated with the New Parking Garage project have been included in the financial analysis in this Report and are also further described in Chapter 4.

Figure 3-3 presents the location of the planned new parking garage at the Airport.

Figure 3-3 New Parking Garage



Source: Gresham Smith.

3.2.2 Other Capital Projects

Other Capital Projects, defined for the purposes of this Report as all projects currently anticipated by the Authority to be undertaken during the Projection Period that are not part of the New Parking Garage project, are also shown in Table 3-1. Preliminary cost estimates for the Other Capital Projects at the Airport and DKX total approximately \$384.5 million through FY 2029, and include the following major components:

- Terminal concourse expansion - \$200.0 million
- Runway 5R/32L rehabilitation and Runway Safety Area improvements - \$60.4 million
- Remain overnight apron expansion - \$18.0 million
- Terminal envelope improvements - \$10.0 million
- Rental car service facilities rehabilitation - \$7.7 million
- Physical plant upgrades – \$6.5 million
- Fuel farm capacity expansion - \$5.0 million
- Concourse development program – Two-gate expansion - \$4.5 million
- ARFF firetruck replacement - \$3.5 million

In addition to planned projects at the Airport, the MKAA also has approximately \$11.7 million of capital projects planned for DKX, including a new terminal facility, terminal parking, T-hangar and taxiway extension, hangar rehabilitation, ramp lighting improvements, among others.

The Authority is currently in the initial planning phase of a terminal concourse expansion project, which is currently estimated at \$200 million with construction anticipated to begin in FY 2028. Due to the uncertainty of the project cost and timing, an initial plan of finance for this project has yet to be solidified. It is anticipated that the terminal concourse expansion will be funded using a combination of federal and state funds, PFCs, Authority funds, as well as proceeds from future bond issuances. As the plan of finance and other key assumptions for this project have not yet been developed, no assumptions as to the timing, funding, or implementation of this project are reflected in the financial analysis in this Report.

It should also be noted that other projects included in Other Capital Projects could be potentially deferred or not otherwise undertaken by the Authority during the Projection Period, depending on circumstances such as aviation demand levels and availability of project funding. However, in order to demonstrate the financial effect of the undertaking of the Authority's capital program, the estimated capital funding, operating costs, and estimated revenue impacts associated with the implementation of the Authority's capital program, with the exception of the unfunded projects presented in Table 3-1, have been incorporated into the financial analysis contained in this Report.

3.3 Plan of Finance

Table 3-1 also presents the estimated funding sources for the New Parking Garage project and Other Capital Projects along with estimated project costs. These estimates are based on currently available information regarding the estimated cost and timing of the New Parking Garage project and Other Capital Projects, and the estimated receipt of federal, state, and other grants and other funds. As presented in Exhibit A, the New Parking Garage project is estimated to cost approximately \$185.5 million and the Other Capital Projects are estimated to cost \$384.5 million. Additional detail regarding the estimated funding sources for the New Parking Garage project and Other Capital Projects is presented in this section.

3.3.1 Federal, State and Other Grants

The Authority receives federal grants for Airport capital development under the FAA Airport Improvement Program (AIP). On May 16, 2024, H.R. 3935, the “FAA Reauthorization Act of 2024,” was signed into law by President Biden which reauthorizes \$105 billion for the FAA and related revenue authorities for another five years through September 30, 2028.

The Authority received AIP entitlement grants of approximately \$3.8 million in FY 2023 based on the levels of funding authorized and appropriated by Congress for the program and its number of enplaned passengers. The Authority also occasionally receives AIP discretionary grants for specific projects pursuant to grant applications for such funding, and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA’s prioritization of competing projects.

On November 15, 2021, the President signed into law an approximately \$1 trillion investment of the federal government into U.S. infrastructure BIL. The BIL contains an investment of approximately \$25 billion into the aviation sector, which includes \$15 billion of Airport Infrastructure Grant (AIG) funding for airport infrastructure projects that increase safety and expand capacity, \$5 billion of Airport Terminal Program (ATP) discretionary funding for new airport terminal facilities, and \$5 billion of funding to improve air traffic control facilities.

In addition to FAA AIP and discretionary grants, the Airport also receives grant funds from the Tennessee Department of Transportation (TDOT) Aeronautics Division’s Transportation Equity Fund. The TDOT’s Aeronautics Division administers federal and state funding to assist in the location, design, construction, and maintenance of Tennessee’s public aviation system. In 1986, the Tennessee General Assembly adopted legislation that created the State Transportation Equity Fund. This fund allocates receipts from taxes collected from transportation fuels for distribution to airports, rail and waterways based upon their contribution to the fund. For aviation, these funds are used for statewide grants to Tennessee air carrier and general aviation airports. Certain items are covered up to 95 percent of the total cost of airport projects, depending on the type of project. Each request for funding is evaluated on the basis of demonstrated need, consistency with state and local plans, compliance with state licensing standards, availability of funds and any unique circumstances. Airports must secure Transportation Equity Funding for a project within the fiscal year the project is proposed plus two additional fiscal years. A project must be started within the above time frame, or dollars will revert back to the Transportation Equity Fund and be made available for other aviation approved projects.

The Authority expects to receive approximately \$11.0 million annually in State funds. For the purposes of the financial analysis herein, existing State funds, as well as expected State fund reimbursements to be received in FY 2025, are assumed to be used for the New Parking Garage project, totaling approximately \$25.2 million.

State funds are expected to continue to be received by the Authority in the amount of \$11.0 million annually through the Projection Period. The Authority anticipates using New Parking Garage project costs for reimbursement of State funds from FY 2026 through FY 2028 and utilizing those funds to prepay principal on the Series 2024C Bonds. However, for the purposes of conservatism, the financial analysis contained in this Report makes no assumption on the use of these funds.

As shown in Table 3-1, in total, the Authority anticipates funding approximately \$111.0 million of its capital program with federal and state grants, comprised of \$43.6 million in state funds and approximately \$67.4 million of federal grants.

3.3.2 Customer Facility Charges

On February 1, 2020, the Authority began requiring the rental car companies at the Airport to charge a CFC to be used to pay, or to reimburse the MKAA, for capital costs for construction and improvement of rental car facilities at the Airport. The CFC was initially \$4.00 per transaction day and subsequently increased to \$5.50 effective November 1, 2023.

Although federal law does not restrict the use of CFCs, the Authority's Resolution #19-03 (CFC Resolution) establishes the utilization of CFCs by the Authority. The uses of CFCs pursuant to the CFC Resolution include:

- to build reserves for and to pay or reimburse the Authority's cost of the construction of new and ancillary rental car facilities, services and Associated Infrastructure Costs (as defined in the CFC Resolution) for use by the Car Rental Operators;
- to pay or reimburse the Authority's cost of the replacement of or remodeling of existing airport rental car facilities, to pay or reimburse the Authority's costs for financing, planning, designing, managing, constructing and improving airport rental car facilities;
- to fund debt service for the above improvements;
- to fund the ongoing cost of the maintenance of the rental car facilities at the Airport to the extent the Authority (as opposed to a Car Rental Operator) is responsible therefor; and
- for such other related purposes that the Authority deems necessary and appropriate, including the establishment of reasonable reserves for each of the foregoing (the "Eligible CFC Projects").

As shown on Table 3-1, the Authority intends to use future CFC revenues on a pay-as-you-go basis to fund approximately \$12.0 million of New Parking Garage costs and to fund approximately \$7.7 million of rental car service facilities rehabilitation projects included in Other Capital Projects.

The rental car related components of the New Parking Garage project are being funded in part with proceeds from the Series 2024B Bonds. For the purposes of this Report, it is assumed that CFCs will be used to pay debt service on the Series 2024 Bonds. Additional information on the use of CFC Revenues is provided in Chapter 4 of this Report.

3.3.3 Series 2024 Bonds

For the purposes of this Report, the Series 2024A Bonds and the Series 2024B Bonds, together with the short-term variable rate financing (defined in the Official Statement as the Series 2024C Bonds), are referred to herein as the Series 2024 Bonds. As shown in Exhibit A, the remaining portions of the New Parking Garage are planned to be funded with approximately \$142.3 million in proceeds from the Series 2024 Bonds. The Series 2024 Bonds are payable solely from and secured by a lien upon and a pledge of Net Revenues and other security in accordance with the provisions of the Master Resolution, described in Section 4.4. of this Report.

3.3.4 Passenger Facility Charge Revenues

PFC revenues are used to pay for certain FAA-approved, PFC-eligible projects, either by using certain PFC revenues to pay for approved project costs on a pay-as-you-go basis or by applying certain PFC revenues to pay debt service associated with bonds used to fund approved projects.

As of June 30, 2024, the MKAA is authorized by the FAA to impose and use approximately \$107.2 million of PFC revenues (at the \$4.50 level) for various projects and had collected approximately \$97.9 million of its total approved collection and had disbursed virtually all PFC collections on approved projects, including reimbursements to the Authority for previous expenditures on PFC-approved projects originally funded using Authority cash. As a result, the Authority had exhausted the full balance of the PFC Fund, with the exception of approximately \$13,000, as of the end of FY 2024. The current estimated charge expiration date is December 1, 2025. The Authority is currently in the early stages of preparing a new PFC application for certain Other Capital Projects.

The Airport collected approximately \$5.6 million of PFC revenue in FY 2024 (including interest). The Airport is currently using PFCs to pay for approximately \$3.0 million of debt service annually on the Series 2019 Note, which refunded bonds originally issued to finance the rehabilitation of the terminal building in 2000, as well as a number of other PFC pay-as-you-go projects.

As presented in Exhibit A, at this time, the MKAA anticipates using future PFCs on a pay-as-you-go basis to fund approximately \$23.2 million of Other Capital Projects costs.

3.3.5 MKAA Funds

The MKAA has historically used its internal funds from the operation of the Airport to fund certain projects in the CIP. As presented in Exhibit A, the MKAA is currently planning to apply approximately \$6.0 million of MKAA cash towards the New Parking Garage project as well as approximately \$40.8 million toward Other Capital Projects. Additional discussion of the Authority's cash position and projected net operating revenues is provided in Chapter 4.

3.3.6 Unfunded/ Other Funding

As shown in Table 3-1, approximately \$227.0 of Other Capital Projects costs have not yet been assigned an anticipated funding source, including \$200.0 million of terminal concourse expansion project costs. As described in Section 3.2.2, it is anticipated that the terminal concourse expansion will be funded using a combination of federal and state funds, PFCs, Authority funds, as well as proceeds from future bond issuances, however, the amounts of funding are not yet known and therefore are not included in the financial analysis in this Report.

4 Financial Framework and Analysis

This Chapter discusses the financial framework for the Authority, including an overview of the governing body, management structure, financial structure including Airport System cost centers, certain obligations of the Master Resolution, and certain provisions contained in the Airport Lease and Use Agreements (defined herein) and in other key agreements at the Airport System. Additionally, the planned Series 2024 Bonds sources and uses, estimated debt service, and projections of operating expenses, revenues, debt service coverage, and other key financial metrics are described in this Chapter.

Exhibits contained at the end of this Chapter present financial projections for the Projection Period.

4.1 Airport Governing Body

The Airport is owned and operated by the Authority. The Authority was established in 1978 under Chapter No. 174, Public Acts on the State of Tennessee, 1969, and pursuant to Resolution No. R-63-78 of the Council of the City of Knoxville. The Authority also owns and operates Knoxville Downtown Island Airport, a general aviation airport located less than three miles from downtown Knoxville (Downtown Island Airport), which serves the general aviation needs of regional corporate and private aircraft in the region.

The principal purpose of the Authority is the ownership, management, operation and maintenance of the Airport, the Downtown Island Airport (together, the Airport System) and other airports and auxiliary fields, either acquired or placed under its control. Financial policies for the operation of the two airports are included in the Authority's by-laws. The Authority adopted a comprehensive set of financial policies in an effort to standardize the issuance and management of debt and provide additional guidance on cash reserves and capital improvements on April 18, 2001.

4.2 Management Structure

The Authority is an instrumentality of the City of Knoxville, governed by a nine-member Board of Commissioners appointed by the Mayor of the City of Knoxville. Each Commissioner is appointed for a seven-year term and must be confirmed by the Knoxville City Council.

The Board employs a President, who is the chief administrative and executive officer of the Authority. The President manages the airports under the Authority's control with a staff of 185 full-time equivalent employees. The staff is responsible for the day-to-day financial, administration, operational and personnel matters pertaining to the airports and the contractual arrangements with various aviation and non-aviation businesses. An annual operating budget is prepared and approved by the Authority's Board of Commissioners.

4.3 Financial Structure

The Authority's Airport System includes the Airport and the Downtown Island Airport. Since the Authority was established, it has been financially self-sufficient, with no local tax support.

The Authority reports as a Business Type Activity. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and

the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets. Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as nonoperating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

4.4 Master Resolution

The Series 2024 Bonds are being issued pursuant to the terms of the Master Resolution, as supplemented, and are secured by and payable from the Net Revenues and other security provided in the Master Resolution and in accordance with the terms of the Master Resolution.

4.4.1 Security and Sources of Payment

The Series 2024 Bonds are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues, (2) Eligible CFC Revenues, (3) Eligible PFC Revenues (but only if included in Pledged Funds as to this series of Bonds pursuant to a Supplemental Resolution), (4) any Hedge Receipts, and (5) until applied in accordance with the provisions of the Master Resolution, all moneys, including investments thereof, in the funds and accounts established in the Master Resolution, except (A) (i) moneys in the PFC Account and the PFC Capital Improvement Fund, (ii) moneys in the CFC Account and the CFC Capital Improvement Fund (but only to the extent not legally available to pay debt service on the Bonds) and (iii) moneys in the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses in accordance with the terms of the Master Resolution, and (C) moneys on deposit in a subaccount of the Reserve Account to the extent such moneys shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Master Resolution (collectively, the "Pledged Funds"), subject in each case to the application thereof for the purposes and on the conditions permitted by the Master Resolution.

Eligible PFC Revenues may only be included in Pledged Funds pursuant to a Supplemental Resolution.

Pursuant to the Master Resolution, Gross Revenues shall mean for any period all moneys paid or accrued for the use of and for services and facilities furnished by, or in connection with the ownership or operation of, the Airport System, or any part thereof or the leasing or use thereof, including, but not limited to (1) rentals, (2) concession fees, (3) use charges, (4) landing fees, (5) license and permit fees, (6) service fees and charges, (7) moneys from the sale of fuel, and or other merchandise, and (8) Investment Earnings; provided, however, that Gross Revenues shall not include (A) proceeds received from the sale of Bonds, Subordinated Indebtedness or Special Purpose Facilities Bonds, (B) proceeds from the sale or taking by eminent domain of any part of the Airport System, (C) gifts or Government Grants, (D) any insurance proceeds received by the Issuer (other than insurance proceeds paid as compensation for business interruption), (E) amounts received which are required to be paid to any other governmental body, (F) PFC Revenues, (G) CFC Revenues, (H) revenues from Special Purpose Facilities to the extent used to pay debt service on Special Purpose Facilities Bonds, (I) Released Revenues, and (H) any noise abatement charges received for disbursement to others.

Net Revenues shall mean Gross Revenues less Operating Expenses.

Eligible CFC Revenues are CFC Revenues which shall be legally available to pay the principal of and interest on Bonds in accordance with the resolutions under which the CFC Revenues are established. The Authority may identify Eligible CFC Revenues with respect to any particular Series of Bonds in a Supplemental Resolution.

4.4.2 Flow of Funds

Pursuant to Section 4.05 of the Master Resolution, the Authority agrees to establish the following funds:

- Authority Revenue Fund
- Authority Operation and Maintenance Fund
- Authority Sinking Fund
- Authority Surplus Fund
- Authority PFC Capital Improvement Fund
- Authority CFC Capital Improvement Fund
- Authority Rebate Fund

The Master Resolution authorizes the issuance of Airport Revenue Bonds by the Authority. The requirements of the Master Resolution were adhered to in developing the application of revenues included in these financial analyses. The principal funds and accounts established within the Resolution and their use are summarized below:

- **Revenue Fund** – all Gross Revenues received by the Authority shall be deposited into the Revenue Fund. Within the Revenue Fund, all PFC Revenues and CFC Revenues shall be deposited into the PFC Account and CFC Account, respectively. Moneys in the PFC Account and CFC Account shall first be transferred to the Authority Sinking Fund and used to pay eligible debt service and then the remaining amounts shall be transferred to the PFC Capital Improvement Fund and CFC Capital Improvement Fund, respectively. Moneys in the Revenue Account shall be transferred to the following funds and/or accounts in the order listed:
- **Operation and Maintenance Payment Account.** Moneys in the Revenue Account shall first be used each month to deposit in the Operation and Maintenance Payment Account such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Authority may transfer moneys from the Revenue Account or the Airport Surplus Fund or the Operation and Maintenance Reserve Account to the Operation and Maintenance Payment Account at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Payment Account for such purpose. Amounts in the Operation and Maintenance Payment Account shall be paid out from time to time by the Authority for Operating Expenses.
- **Sinking Fund.** The Authority shall maintain four separate accounts in the Sinking Fund: the Interest Account, the Principal Account, the Term Bonds Redemption Account and the Reserve Account. Moneys on deposit in the Revenue Account shall be applied by the Authority in the order of priority described in the Master Resolution in the amounts required to pay debt service and maintain required reserve funds.
- **Surplus Fund.** The balance of any moneys remaining in the Revenue Account shall be deposited in the Airport Surplus Fund and applied for any lawful purpose relating to the Airport System.

4.4.3 Rate Covenant

As described in Section 5.03 of the Master Resolution, for each FY, the Authority shall fix, establish, maintain and collect such rates, fees, rentals and charges for the services and facilities of the Airport System, and revise the same from time to time, whenever necessary, so as always to provide in each FY:

- (a) Net Revenues, together with Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount, equal to at least 125% of the Debt Service becoming due in such FY; and
- (b) the Net Revenues, together with Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues, shall be adequate at all times to pay in such Fiscal Year at least 100% of (1) the Debt Service becoming due in such Fiscal Year, (2) any amounts required to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (3) any amounts required by the terms hereof to be deposited in the Operation and Maintenance Reserve Account in such Fiscal Year, and (4) any Subordinated Indebtedness coming due in said Fiscal Year to the extent the Authority reasonably expects to pay such Subordinated Indebtedness from Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) or CFC Revenues or to the extent such Subordinated Indebtedness is paid from Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) or CFC Revenues.

When calculating Debt Service for purposes of clauses (a) and (b) above, Debt Service shall be reduced by the amount of principal and/or interest paid with Eligible PFC Revenues that have not been included in Pledge Funds pursuant to a Supplemental Resolution. Additionally, for purposes of clause (a) above, the amount of any Transfer Amount taken into account shall not exceed 25% of Debt Service becoming due in such Fiscal Year.

Such rates, fees, rentals and other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and the Transfer Amount for the purposes provided by the Master Resolution.

4.4.4 Additional Bonds

Obligations may be issued by the Authority from time to time on parity with the Bonds pursuant to the terms of the Resolution.

Pursuant to Section 6.02 of the Master Resolution, no Additional Bonds payable on a parity with the Series 2024 Bonds shall be issued except upon the conditions and in the manner provided in the Master Resolution. The Authority may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing or refinancing Costs of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

- (A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Authority shall certify that it is current in all deposits into the various funds, accounts and subaccounts established by and all payments theretofore required to have been deposited or

made by it under the provisions of the Master Resolution have been deposited or made and it has complied with the covenants and agreements of the Master Resolution.

- (B) There shall have been filed with the Authority:
- (i) a certificate of the Finance Officer setting forth for the last complete Fiscal Year or a period of 12 consecutive months of the 24 months most recently concluded prior to the issuance of the Additional Bonds (the "12-Month Period") (1) Gross Revenues received by the Authority during the 12-Month Period; (2) the Operating Expenses incurred during the 12-Month Period; (3) the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and the Eligible CFC Revenues received during the 12-Month Period; (4) the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued; (5) that Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and Eligible CFC Revenues received by the Issuer during the 12-Month Period were in an amount at least equal to 125% of the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued; and (6) that Net Revenues, the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and Eligible CFC Revenues received by the Authority during the 12-Month Period were in an amount equal to at least (a) 100% of the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued, (b) 100% of any amounts required by the terms of the Master Resolution to be deposited in the Reserve Account or with the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy during the 12-Month Period, and (c) 100% of any Subordinated Indebtedness coming due during the 12 months immediately succeeding the issuance of the proposed Additional Bonds to the extent the Authority reasonably expects such Subordinated Indebtedness to be paid from Net Revenues, Eligible PFC Revenues or Eligible CFC Revenues; or
 - (ii) a certificate prepared by an Airport Consultant showing that:
 - (1) the rate covenant set forth in Section 5.03(a) and (b) of the Master Resolution was met for the last complete Fiscal Year immediately prior to the date of issuance of the Additional Bonds (not including that proposed Additional Bonds); and
 - (2) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Additional Bonds during which no interest on such Series of Additional Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Additional Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Additional Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and Eligible CFC Revenues, are equal to at least 125% of the Debt Service becoming due in each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Additional Bonds (calculated as if the proposed Series of Additional Bonds were then Outstanding).

- (C) With respect to Additional Bonds that are issued to complete a Project, the Authorized Authority Representative shall have filed with the Finance Officer a certificate demonstrating that the proceeds of such Additional Bonds to be issued (net of issuance costs and any discounts) will be not more than 10% of the original Cost of such Project for the completion of which such Additional Bonds are then being issued. If the Authorized Issuer Representative files such certificate with the Finance Officer, the conditions of Section 6.02(B) of the Master Resolution shall not apply to the issuance of such Additional Bonds.
- (D) For the purpose of determining the Debt Service under Section 6.02 of the Master Resolution, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.
- (E) For the purpose of determining the Debt Service under Section 6.02 of the Master Resolution, the interest rate on Outstanding Variable Rate Bonds (not subject to a Qualified Hedge Agreement) shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the highest of (a) the actual rate of interest borne by such Variable Rate Bonds on the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the higher of (a) the actual rate of interest borne by the Variable Rate Bonds on the date of sale, and (b) the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.
- (F) Additional Bonds shall be deemed to have been issued pursuant to the Master Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Master Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Master Resolution. Except as provided in Sections 4.02 and 4.05 of the Master Resolution, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.
- (G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Section 6.02(B) of the Master Resolution shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in Maximum Annual Debt Service. The conditions of Section 6.02(B) of the Master Resolution shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

4.5 Airport Lease and Use Agreement

The Authority has five-year Airport Lease and Use Agreements (Airline Agreements) with the airlines that serve the Airport. The current Airline Agreements became effective on July 1, 2018, and were set to expire on June 30, 2023, however, in accordance with the provisions of the agreement, the Authority elected to extend the Airline Agreements on a month-to-month basis. As part of the Airport Development Initiative, the Authority is working to

move toward a common use gate system in early FY2025, and new agreements are expected to be entered into with the airlines to reflect the new common use gate system.

The Airline Agreements establish, among other things, procedures for setting and adjusting Signatory Airline rentals, fees and charges to be collected for the use of Airport facilities. The Airline Agreements also govern airline use of certain Airport facilities, including the airfield, aircraft aprons, terminal building, including baggage claim, ticket counters and gate areas and permits the Signatory Airlines to lease space on an Exclusive Use, Preferential Use, and Common Use basis. Exclusive Use Premises generally include ticket counters and queuing, office space, and storage rooms leased to a Signatory Airline and to which the Signatory Airline has an exclusive right of use over all other air carriers. Preferential Use Premises generally include holdroom areas and gates and aircraft parking positions on the apron leased to a Signatory Airline and to which the Signatory Airline has a preferential right of use over all other air carriers. Common Use Premises are space and facilities at the Airport used jointly or in common by air carriers and generally includes baggage claim areas and common areas in the center of each concourse.

The Agreement provides for a mid-year adjustment, if projections vary by more than ten percent, and a year-end settlement. If airline rentals, fees and charges paid during the fiscal year are more than required, the excess will be issued as a credit to the airlines. If they are less, the airlines will be invoiced the deficiency. Although the airlines are presently on month-to-month agreements, the Authority fully expects that these agreements will remain in effect until new agreements are entered into and that the true up mechanism as of the end of each fiscal year will stay in effect until new agreements take effect.

4.5.1 Accounting Structure

Pursuant to the Airline Agreements, various direct and indirect cost centers are used for the purpose of accounting for and allocating costs and revenues of the Airport System in order to establish airline rentals, fees, and charges for the use of the Airfield, Terminals, and various other areas. The Authority has also established a non-airline-supported cost center for air cargo and other properties, which includes parking and ground transportation. The Series 2024 Bonds are payable from Revenues from all cost centers of the Airport System.

The direct Airport System cost centers are:

- **Aviation Area (Airfield)** – the runways, taxiways, approach and clear zones, safety areas, infield areas, landing and navigational aids, and other facilities and land areas which are not leased to any entity and are required by or related to aircraft operations (landings, takeoffs, and taxiing) at the Airport and other facilities including, but not limited to, the control tower, roads, tunnels, and collection and processing facilities for deicing agents.
- **Terminal** – the passenger terminal complex including concourses
- **Terminal Apron** – the terminal aircraft parking apron
- **Passenger Boarding Bridges**
- **Air cargo and other properties (established by the Authority)** – the terminal roadways, parking and rental car areas, Airport hotel, Airport office building, Downtown Island Airport, and all other direct cost building and ground areas at the Airport provided for general aviation, cargo, aircraft maintenance, and other aviation- and nonaviation-related activities.

Indirect cost centers include safety and administration, which are allocated to direct cost centers based on a combination of fixed percentages set by the Authority and the share of direct expenses.

4.5.2 Airline Rate-Setting Methodologies

The Airport Lease and Use Agreement with the signatory airlines is a hybrid agreement. Airfield costs are recovered using the residual method. The Authority recovers the airfield cost by charging commercial aircraft a landing fee and general aviation aircraft a fuel flowage fee. The military pays a joint use fee for their share of the airfield costs. Airline terminal rents are calculated using a compensatory method.

4.5.2.1 *Landing Fee*

The landing fee is calculated by dividing the net airfield requirement by the estimated certified maximum gross landed weight of all airlines' revenue aircraft and commercial on-demand arrivals. The net airfield requirement is calculated as the sum of the following for each FY:

- O&M Expenses allocated to the Airfield cost center;
- Bond Debt Service allocated to the Airfield cost center; and
- Amortization of capital outlays allocated to the Airfield cost center
- Minus, for such FY, revenues, other than airline landing fees, generated by the use of the Airfield, including but not limited to general aviation landing fees, fuel flowage fees, and military joint use payments.
- Landing fee revenues are derived by multiplying the landing fee by 1,000-pound units of actual airline landed weight.

4.5.2.2 *Terminal Rental Rate*

The terminal rental rate is calculated by dividing the total annual costs of the terminal complex by total usable space in the terminal building. The total cost of the terminal complex is calculated by adding together the following for each FY:

- O&M Expenses allocated to the Terminal cost center;
- Bond Debt Service allocated to the Terminal cost center, net of PFCs applied to debt service and restaurant credit; and
- Amortization of capital outlays allocated to the Terminal cost center;

Airline terminal rental revenues for exclusive use and preferential space are derived by multiplying the terminal rental rate by airline rented exclusives use and preferential use space. Airline terminal common use revenues are generated by multiplying the terminal rental rate by airline common use space and each airline paying an allocable portion of the total cost based on its share total enplaned passengers at the Airport.

4.5.2.3 *Terminal Apron Rate*

The terminal apron rate is calculated by dividing the total annual costs of the terminal apron by the total number of aircraft parking positions. The total cost of the terminal apron is calculated by adding together the following for each FY:

- O&M Expenses allocated to the Terminal Apron cost center;
- Bond Debt Service allocated to the Terminal Apron cost center, net of PFCs applied to debt service; and
- Amortization of capital outlays allocated to the Terminal Apron cost center;

4.5.2.4 *Passenger Boarding Bridges*

Each signatory airline that has the preferential assignment of a gate position with a passenger boarding bridge attached shall pay an annual passenger boarding bridge charge for the use of the passenger boarding bridge. The total annual costs of the passenger boarding bridges cost center will be calculated by adding together the following for each FY:

- O&M Expenses allocated to the Passenger Boarding Bridge cost center;
- Bond Debt Service allocated to the Passenger Boarding Bridge cost center, net of PFCs applied to debt service; and
- Amortization of capital outlays allocated to the Passenger Boarding Bridge cost center;

The annual passenger boarding bridge charge for preferential use of a passenger boarding bridge will then be calculated by dividing the total annual cost of the passenger boarding bridges by the total number of passenger boarding bridges anticipated to be in service at the Airport during the applicable Fiscal Year.

4.5.2.5 *Other Fees and Charges*

The Authority may assess fees to recover certain costs which include, but are not limited to, costs of utilities and services, telecommunications charges, security measures, such as key cards and identification badges and the like, common use system fees, and law enforcement fees (net of TSA reimbursement).

4.5.3 **Signatory Airline Approval of Certain Capital Improvement Projects (Majority-In-Interest approval)**

The Authority and the Signatory Airlines agreed in the Airline Agreements that certain capital projects are subject to Signatory Airline approval, referred to as Majority-In-Interest approval. Majority-in-Interest means, with respect to the Terminal Complex, those Signatory Airlines accounting for at least 66 2/3% of the total Terminal Rentals, Terminal Apron Charges and Passenger Boarding Bridge Charges paid by all Signatory Airlines at the Airport during the immediately preceding Fiscal Year, and, with respect to the Airfield, those Signatory Airlines accounting for at least 66 2/3% of the total Landing Fees paid by all Signatory Airlines (including the signatory cargo/express airlines) at the Airport during the immediately preceding Fiscal Year.

The Airline Agreements specify that the Authority may recover through airline rents, fees, or charges the capital costs of any capital project with a net Authority cost of less than \$150,000 (up to an aggregate of \$750,000) or is necessary to:

- Ensure compliance with a mandatory rule, regulation, law, ordinance, or order of any federal, state or other governmental agency with jurisdiction over the operation of the Airport;
- Maintain and operate the Airport's functional capability at a level required pursuant to the terms of the Airline Agreements;
- Satisfy judgments against Authority pertaining to the Airport rendered by a court of competent jurisdiction;
- Repair casualty damage to the Airport property and facilities to be made net of insurance proceeds, if any; or
- Acquire land or rights in land or take such other reasonable measures as may be required or warranted to (i) preserve and protect the Airport or (ii) mitigate noise effects as part of an approved Part 150 study,

without being approved by a Majority-In-Interest of Signatory Airlines.

The Authority may proceed with any capital project that was disapproved by a Majority-In-Interest of Signatory Airlines provided that the Authority does not recover the capital costs of the project through airline rents, fees, or charges. The Authority does not need approval, and does not plan to seek approval, from the Majority-In-Interest of the Signatory Airlines to construct the New Parking Garage.

4.5.4 Negotiation of Future Airline Agreement and Assumptions for Projected Airline Revenues

As described above, the Authority intends to begin negotiations with the Signatory Airlines regarding new signatory passenger airline agreements and end the existing month-to-month agreements. As part of those negotiations, the Authority may consider changes to the existing airline rate-setting methodologies and other key provisions, such as gate utilization and Majority-In-Interest approval, and those changes may be material. The Authority also intends to assess potential changes to the existing rate-setting methodologies required to recover the costs of future capital projects, including Authority cash-funded and future bond-funded costs, associated with the terminal concourse expansion project described in section 3.3.6 of this Report. Given the uncertainty as to the future airline rates and charges methodology to be included in such future airline agreements, solely for the purposes of projecting airline revenues in this analysis, it is assumed that the airline rate-setting methodologies in the existing month-to-month agreements remain in place during the Projection Period. Airline rate-setting methodologies used by the Authority may ultimately differ from those presented herein; however, the Authority's obligations to bond holders set forth in the Master Bond Resolution, including the obligation to set rates and charges sufficient to meet the Rate Covenants and the ability to charge airline rates by ordinance, remain.

4.6 Other Agreements

The Authority has agreements with other entities that operate, provide services or occupy space at the Airport, including restaurants, newsstands, retail shops, and display advertising, among other specialties. In addition, several Airport tenants have executed lease agreements with the Authority governing their occupancy and use of space on Airport property. These other agreements are as follows:

- The Authority has entered into an agreements with HMS Host, Paradies, and Ruby Tuesday to provide certain in-Terminal concessions at the Airport.
- The Authority has a parking management agreement with Republic Parking to provide management of the on-Airport parking facilities and an agreement with RTW Management to provide parking shuttle services.
- The Authority has entered into agreements with the following rental car brands to operate at the Airport: Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, and Thrifty. All of these rental car companies pay privilege fees to the Authority.
- In addition, the Authority has agreements for ground transportation services and with cargo facility, FBO, and other tenants leasing hangars and other buildings.

In general, the business terms of the Airport's non-airline agreements are based on industry standards and practices. Additional summaries of key non-airline agreement terms are provided below:

In-Terminal Concessions Agreements:

- Agreement with Paradies for retail shops
 - Executed in 2005, expires at the end of FY 2030
 - Percentage rents vary based on the cumulative sales and the type of outlet
 - Effective percentage rent is approximately 13.5% of gross sales, no minimum annual guarantee (MAG)
- Agreement with HMS Host for food court and Starbucks
 - Expired in March 2024, six-year extension expected to be executed
 - Percentage rent is 10% of gross sales, no MAG
- Agreement with Ruby Tuesday for sit-down restaurant concession
 - Executed in 1999, expires February 2025
 - Graduated percentage rents – 8% on first \$166k of gross sales per month, then 10% of gross sales above \$166k, no MAG

Parking Management and Shuttle Agreements:

- Contract with Republic Parking System, Inc. for management of parking facilities
- Agreement with Republic Parking expires June 30, 2025 and can be operated on month-to-month basis thereafter
- Under the parking management agreement, the Authority pays all expenses plus a management fee
- Parking shuttle agreement with RTW Management through September 2027 with a one-year extension option for the operation of parking shuttles at the Airport

Rental Car Concession Agreements:

- Authority working on extension of existing rental car agreements with a two-year term in line with the completion of the New Parking Garage
- Concession fees under existing agreements equal to greater of 10% gross revenues or MAG
- New rental car agreements expected to be negotiated and commence on the date of beneficial occupancy of the New Parking Garage

Transportation Network Company Permits:

- Authority has permits with Uber and Lyft that originally went into effect in 2016
- Permittees pay \$2.50 per pick-up and per drop-off, prior to June 2021, permittees paid a pick-up fee only
- Term of permit renews on an annual basis

Turo Agreement:

- Year-to-year agreement
- Pay 10% of gross revenues

4.7 Federal Aid Related to COVID-19

The United States government provided assistance to U.S. airports as a result of air traffic impacts at the Airport associated with the COVID-19 pandemic. The following legislative actions were taken.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748, Public Law 116-136) was approved by the U.S. Congress and signed by the President on March 27, 2020. It is one of the legislative actions taken to address the crisis associated with the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for U.S. airports, as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The CARES Act provides \$10 billion of grant assistance to airports.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed by the President. Division M of that Act is the Coronavirus Response and Relief Supplemental Appropriation Act, 2021 (CRRSAA). Title IV of CRRSAA provides approximately \$2 billion in economic relief to airports to prevent, prepare for, and respond to the COVID-19 public health emergency, including relief from rent and minimum annual guarantees (MAGs) for eligible airport concessions at primary airports.

On March 11, 2021, the President signed the American Rescue Plan Act (ARP) Act of 2021, a \$1.9 trillion economic stimulus package designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic. In addition to other economic relief, ARP Act includes financial relief for certain eligible airports. For eligible airports, ARP Act appropriates \$8 billion to assist such airports to prevent, prepare for, and respond to COVID-19, and such amounts remain available until September 30, 2024.

Table 4-1 summarizes the COVID-19 Federal Relief Funds awarded to the Authority, excluding amounts used for concessionaire relief, and the use of those funds. As shown, the Authority was awarded a total of approximately \$42.6 million in relief funds, which were used for the reimbursement of O&M Expenses and the prepayment of principal on outstanding bonds at the Airport.

Table 4-1 COVID-19 Federal Relief Funds for the Airport (Dollars in Millions)

	CARES Act	CRRSAA	ARPA	TOTAL
Total Awarded	\$25.8	\$4.8	\$10.7	\$41.3
Uses				
FY 2020	\$6.3			\$6.3
FY 2021	14.1			14.1
FY 2022	5.4	\$0.8		6.2
FY 2023		2.5	\$6.2	8.7
FY 2024		1.5	4.2	5.7
Amounts Remaining	\$0.0	\$0.0	\$0.3	\$0.3

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority

4.8 Debt Service

Exhibit B at the end of this Report presents a summary of annual debt service, net of forecast PFCs applied to debt service, CFCs applied to debt service, and capitalized interest, for the Projection Period.

4.8.1 Outstanding Bonds

The Authority's most recent issuance of debt was the Airport Revenue Refunding Note, Series 2019A (Series 2019A Note), in the amount of \$39,570,000. The Series 2019A Note is secured by and payable solely from the net revenues derived from the operations of the Airport by the Authority. The Series 2019A Note was issued to refund a portion of the Authority's Series V-A-1 Bonds and to terminate the variable interest rate. The Authority utilized approximately \$15.9 million of COVID-19 Federal Relief Funds for interest payments, as well as the prepayment of principal, on the Series 2019A Note between FY 2020 and FY 2024. The Authority also utilized PFCs to prepay PFC-eligible portions of debt service. As of June 30, 2024, the outstanding principal remaining on the Series 2019A Note totals \$11.9 million. As shown in Exhibit B, debt service on the Series 2019A Note is assumed to be approximately \$302,000 in FY 2025 and FY 2026, reflecting interest only as the principal amounts were prepaid in those years as described above, and then assumed to be approximately \$6.2 million annually in FY 2027 and FY 2028.

4.8.2 The Series 2024 Bonds

The Authority is planning to issue the Series 2024 Bonds to: (1) fund a portion of the New Parking Garage project costs, (2) fund capitalized interest on a portion of the Series 2024 Bonds, (3) make a deposit to the Reserve Account, and (4) pay certain costs of issuance related to the Series 2024 Bonds.

Table 4-2 presents a listing of estimated sources and uses of funds for the proposed Series 2024 Bonds. The estimated sources and uses of funds and Debt Service for the proposed Series 2024 Bonds were prepared by the Authority's financial advisor, PFM Financial Advisors LLC (PFM).

Debt Service estimates for the Series 2024 Bonds were provided by PFM and include the following assumptions:

- Market interest rates as of July 26, 2024 plus 30 basis points
- Final maturity of 30 years
- The first principal payment is assumed to occur on June 1, 2028
- A portion of the bond proceeds will fund certain capitalized interest during construction
- A portion of the bond proceeds will fund a debt service reserve account deposit

Table 4-2 Series 2024 Bonds Sources and Uses

	Series 2024A Tax-Exempt	Series 2024B Taxable (CFC)	Series 2024C Variable Rate (Prepayable)	Total Series 2024 Bonds
<u>Sources:</u>				
Par Amount of Bonds	\$69,745	\$40,690	\$38,000	\$148,435
Premium/ (Discount)	6,372	-	-	6,372
Total Sources	\$76,117	\$40,690	\$38,000	\$154,807
<u>Uses:</u>				
Project Fund	\$70,439	\$34,000	\$37,850	\$142,289
Debt Service Reserve Fund	4,973	2,946		7,919
Capitalized Interest Fund		3,517		3,517
Cost of Issuance	706	226	150	1,082
Total Uses	\$76,117	\$40,690	\$38,000	\$154,807

Note: Amounts may not add due to rounding.

Source: PFM Financial Advisors LLC, August 2024

Debt service on the Series 2024 Bonds is estimated to be approximately \$3.6 million in FY 2025, and then to gradually increase to approximately \$10.8 million in FY 2028 and remain level at that amount through the end of the Projection Period. For the purposes of this Report, it is assumed that annual debt service on the Series 2024B Bonds will be paid using CFCs.

As described in Section 3.3.1 of this Report, State funds are expected to continue to be received by the Authority in the amount of \$11.0 million annually through the Projection Period. The Authority anticipates using New Parking Garage project costs for reimbursement of State funds from FY 2026 through FY 2028 and utilizing those funds to prepay principal on the Series 2024C Bonds. If portions of the Series 2024C Bonds are refunded, debt service on the Series 2024C Bonds would decrease from the amounts presented herein. However, for the purposes of conservatism, the financial analysis contained in this Report makes no assumption on the advanced refunding of the Series 2024C Bonds or the prepayment of debt service.

4.8.3 Future Bonds

As described in Section 3.3.6 of this Report, approximately \$227.0 of Other Capital Projects costs have not yet been assigned an anticipated funding source, including \$200.0 million of terminal concourse expansion project costs. It is anticipated that the terminal concourse expansion will be funded using a combination of federal and state funds, PFCs, Authority funds, as well as proceeds from future bond issuances, however, the amounts of funding are not yet known and therefore no assumptions have been made in this Report regarding the issuance of future bonds.

4.9 Operating Expenses

Table 4-3 presents actual O&M expenses for the Airport System by category for FY 2019 through FY 2023 and estimated FY 2024 actuals based on accounting trial balances as of August 1, 2024, the CAGR for each category of expenses over the five-year period, and the annual percent change in total O&M expenses. For the purposes of this analysis, O&M expenses have been categorized as follows: personnel (includes pension expense); purchased services; repairs and maintenance; materials and supplies; utilities; other Airport expenses; and DKX operating expenses. These categorizations were made by Landrum and Brown and differ from how O&M expenses are tracked by the Authority.

As shown in Table 4-3, overall, total Airport System O&M expenses increased from approximately \$23.6 million in FY 2019 to approximately \$29.6 million in FY 2024, reflecting an overall CAGR of approximately 4.6%. O&M expenses decreased in FY 2020 and FY 2021, 5.7% and 6.7%, respectively, due to cost-saving measures, including a hiring freeze, put in place by the Authority in response to the COVID-19 pandemic. O&M expenses increased 16.9% from FY 2021 to FY 2022 as air traffic recovered and cost saving measures were eased. As a result of the end of the hiring freeze, full-time equivalent positions at the Airport increased nearly 29% from 143.5 full-time equivalent positions in FY 2021 to 185 positions in FY 2024, and personnel expenses increased approximately 32.2%, from approximately \$12.5 million in FY 2021 to approximately \$16.5 million in FY 2024. Other increases in certain categories of O&M expenses between FY 2021 and FY 2024 are also attributable to growth in air traffic at the Airport and the end of expenses reductions made by the Authority during the COVID-19 pandemic.

Table 4-3 **Historical Operating Expenses (Dollars in Thousands)**

Operating Expense Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Est. FY 2024 ¹	FY19-FY24 CAGR
Personnel	\$13,164	\$13,265	\$12,460	\$13,169	\$15,669	\$16,473	4.6%
Purchased Services	2,616	2,594	2,261	3,366	3,844	4,395	10.9%
Repairs and Maintenance	1,089	927	755	1,217	1,694	1,425	5.5%
Materials and Supplies	1,476	644	643	1,004	1,137	1,205	(4.0%)
Utilities	1,467	1,406	1,481	1,708	1,847	1,600	1.7%
Other	2,368	2,122	1,810	2,097	2,255	2,534	1.4%
DKX	1,434	1,304	1,362	1,711	1,675	1,993	6.8%
Total Airport System Operating Expenses	\$23,615	\$22,262	\$20,772	\$24,273	\$28,120	\$29,625	4.6%
Annual Growth	--	(5.7%)	(6.7%)	16.9%	15.8%	5.4%	

Note: Amounts in this table may vary from those presented in the Authority's Annual Comprehensive Financial Reports (ACFR) because of certain reclassifications consistent with financial reporting standards. FY 2024 is estimated based on accounting trial balances for June 30, 2024 as of August 1, 2024 and may differ from the Authority's current estimates for June 30, 2024 reflected in the Official Statement for the Series 2024 Bonds.

Amounts may not add because of rounding.

Source: Metropolitan Knoxville Airport Authority

Exhibit C at the end of this Report presents O&M expenses by category and Airport cost center budgeted for FY 2025 and projections of O&M expenses from FY 2026 through FY 2031.

Total O&M expenses are estimated to be approximately \$29.6 million in FY 2024 and are budgeted to be approximately \$40.1 million in FY 2025. Increases in O&M Expenses in FY 2024 and FY 2025 are primarily related to additional increases in staff, increases in parking shuttle expenses, increases in janitorial and expenses related to growth, certain air service development and marketing expenditures, and terminal worker security screening costs.

O&M expenses estimated in FY 2024 are approximately 5.2% lower than budgeted, which is consistent with common practice of the Authority and is indicative that the Authority's FY 2025 budget provides a conservative yet reasonable base for the projections of O&M expenses over the Projection Period. Overall, the projection of O&M expenses is based on the Authority's budgeted FY 2025 expenses, historical trend reviews, the anticipated impacts of inflation, projected activity levels, and impacts associated with the completion of the Authority's capital

program. Key O&M expenses categories and assumptions in projecting future growth are summarized below. Overall, O&M Expenses are projected to increase to approximately \$52.9 million by FY 2031, reflecting a CAGR of 4.7% over the Projection Period.

- **Personnel.** This expense category includes salaries, wages, and benefits associated with Authority staff for 185 full-time employees. Employee benefits include expenses for active and retired employee health care, pension contributions, Federal Insurance Contributions Act (FICA) taxes, workers' compensation insurance, disability insurance, unemployment insurance, and tuition reimbursements. Personnel is the largest single category of Airport System expenses, representing approximately 51.8% of total budgeted FY 2025 O&M expenses. Personnel expenses are budgeted to be approximately \$20.8 million in FY 2025 and are projected to increase to approximately \$27.8 million by FY 2030, reflecting a CAGR of 5.0% during that time. Projected increases in personnel expenses are primarily related to assumed on-going compensation increases.
- **Purchased services.** This expense category includes costs associated with the Authority's outsourcing for outside professional services such as legal, engineering, and other consulting services as well as contracted services related to parking and parking shuttles, in-Terminal concessions, janitorial, and other services. These expenses increased at a CAGR of approximately 10.9% for the period FY 2019 through estimated actual FY 2024. Contractual services are budgeted to be approximately \$8.3 million in FY 2025 and are projected to increase at a CAGR of 5.0% from FY 2026 through FY 2031 to approximately \$11.1 million.
- **Repairs and Maintenance.** This expense category includes corrective and preventative maintenance expenses for facilities, systems, and non-capital infrastructure maintenance and repairs. These expenses vary from year to year based on the needs of the Authority and ranged from between approximately \$755,000 and \$1.7 million between FY 2019 and FY 2024. Maintenance and repairs are budgeted to be approximately \$1.9 million in FY 2025 and are projected to increase to approximately \$2.7 million by FY 2031, reflecting at a CAGR of 5.8% during the Projection Period.
- **Materials and Supplies.** This expense category includes costs associated with supplies and equipment needed for Airport operations. These expenses vary from year to year based on the needs of the Authority and ranged from between approximately \$643,000 and \$1.5 million between FY 2019 and FY 2024. Materials and supplies are budgeted to be approximately \$1.9 in FY 2025 and are projected to increase at a CAGR of 4.0% over the Projection Period to approximately \$2.5 million in FY 2031.
- **Utilities.** This expense category includes expenses for electricity, gas, water, and heating, ventilation, and air conditioning (HVAC). These expenses increased at a CAGR of approximately 1.7% for the period FY 2019 through FY 2024. Utilities are budgeted to be approximately \$2.0 million in FY 2025 and are projected to increase to approximately \$2.5 million by FY 2031, reflecting at a CAGR of 4.1% over the Projection Period.
- **Other expenses.** This category includes other miscellaneous and administrative Airport expenses. These expenses ranged between \$1.8 million and \$2.5 million for the period FY 2019 through FY 2024. Other expenses are budgeted to be approximately \$3.8 million in FY 2025 and are projected to increase at a CAGR 3.0% from FY 2025 through FY 2031.
- **DKX expenses.** This category includes operating expenses associated with DKX. These expenses ranged between \$1.4 million and \$2.0 million for the period FY 2019 through FY 2024. DKX expenses are budgeted to be approximately \$1.4 million in FY 2025 and are projected to increase at a CAGR 3.0% from FY 2025 through FY 2031.

4.10 Non-Airline Revenues

Table 4-4 presents historical non-airline revenues for the Airport from FY 2019 through estimated FY 2024 actuals based on accounting trial balances as of August 1, 2024. As shown, on average, non-airline revenue has accounted for approximately 70% of the Authority's total Operating Revenue. Non-airline revenue totaled approximately \$24.0 million in FY 2019 and then decreased to \$20.5 million and \$14.5 million in FY 2020 and FY 2021, respectively, resulting from the decreased travel demand associated with the COVID-19 pandemic. However, as traffic recovered, non-airline revenue increased each year between FY 2021 and FY 2024, to approximately \$33.9 million, reflecting an overall CAGR of approximately 7.1% from FY 2019 through FY 2024.

Table 4-4 Historical Airport Non-Airline Revenues (dollars in thousands)

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Est. FY 2024 ¹	FY19-FY24 CAGR
Public Parking	\$12,394	\$10,846	\$6,135	\$12,801	\$16,096	\$19,996	10.0%
Rental Car	4,326	3,550	3,403	5,562	5,922	6,151	7.3%
Ground Transportation	256	221	114	360	592	714	22.8%
In-Terminal Concessions	1,356	1,121	651	1,320	1,662	1,919	7.2%
Airfield	790	755	780	927	988	998	4.8%
Other	4,971	4,087	3,464	3,464	3,353	4,111	(3.7%)
Total Non-Airline Revenues	\$24,094	\$20,580	\$14,547	\$24,434	\$28,614	\$33,889	7.1%
% of Total Operating Revenue	71.3%	69.1%	64.8%	71.3%	71.4%	70.0%	

Notes: Amounts in this table may vary from those presented in the Authority's ACFR because of certain reclassifications consistent with financial reporting standards. FY 2024 is estimated based on accounting trial balances for June 30, 2024 as of August 1, 2024 and may differ from the Authority's current estimates for June 30, 2024 reflected in the Official Statement for the Series 2024 Bonds.

Amounts may not add because of rounding.

Source: Metropolitan Knoxville Airport Authority

Exhibit D at the end of this Report presents non-airline revenues projected from FY 2025 through FY 2031. Non-airline revenues are projected to be approximately \$36.3 million in FY 2025 and are projected to increase each year to approximately \$48.4 million by FY 2031, reflecting a CAGR of approximately 4.9% during the Projection Period.

Non-airline revenues are further described in the following sections.

4.10.1 Parking, Rental Car, and Ground Transportation

Parking, rental car, and ground transportation revenues represent the largest component of non-airline revenues at the Airport, accounting for nearly 80% of total non-airline revenues in FY 2024, and consist of parking revenues, rental car concessions, TNC fees, and taxi/limousine/shuttle fees. Parking, rental car, and ground transportation revenues are described further below.

4.10.1.1 Parking Revenues

Parking revenues represent the largest single component of non-airline revenues at the Airport, accounting for approximately 59.0% of total non-airline revenues in FY 2024. As presented on Table 4-4, parking revenues increased from approximately \$12.4 million FY 2019 to approximately \$20.0 million FY 2024, reflecting a CAGR of 10.0% over that period. On a per-enplaned passenger basis, parking revenues increased from \$10.40 per enplaned passenger in FY 2019 to \$13.20 per enplaned passenger in FY 2024.

Table 4-5 presents the public parking rates charged at the Airport between FY 2019 and May 31, 2024. Over this period, the Authority offered short-term and long-term parking options that included spaces in the existing parking garage as well as surface spaces, as well as economy parking options with Economy Lot A and Economy Lot B.

Table 4-5 Historical Public Parking Rates at the Airport (Daily Maximum Rates)

Parking Product	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 ¹
Short-Term ²	\$18.00	\$20.00	\$20.00	\$20.00	\$20.00	\$22.00
Long-Term ²	\$12.00	\$14.00	\$14.00	\$14.00	\$14.00	\$16.00
Economy Lot A	-	\$10.00	\$10.00	\$10.00	\$10.00	\$11.00
Economy Lot B	\$9.00	\$10.00	\$10.00	\$10.00	\$10.00	\$11.00

¹ Through May 31, 2024

² Garage and surface lots

Source: Metropolitan Knoxville Airport Authority

As described in Chapter 3, in order to accommodate growth in air traffic, the Authority added approximately 1,750 new public parking spaces between February and May of 2024. The additional parking spaces created a need to restructure the parking program at the Airport. Effective June 1, 2024, the Authority implemented a restructuring of its parking products and pricing at the Airport. **Table 4-6** presents the current public parking options at the Airport and the maximum daily parking rates for each option.

Table 4-6 Current Public Parking Rates at the Airport, Effective June 1, 2024

Parking Product	Daily Maximum Rate
Parking Garage	\$22.00
Surface Lot ¹	\$16.00
Terminal Lot A/B	\$16.00
Economy Parking	\$11.00

¹ To be permanently closed when construction begins on the New Parking Garage, anticipated November 2024

Source: Metropolitan Knoxville Airport Authority

Parking revenues were approximately \$20.0 million in FY 2024, which reflect 11 months of the previous parking options presented in Table 4-5 and one month of restructured parking offerings presented in Table 4-6 and were approximately 29.0% above the \$15.5 million budgeted in FY 2024. Due to uncertainty during the recovery of air traffic from the COVID-19 pandemic, the Authority added additional conservatism to its budgeting process, and actual parking revenues have been between 15%-20% above the amounts budgeted since FY 2021. Parking revenues are budgeted to be approximately \$18.7 million in FY 2025, however, the Authority's budget was developed prior to the restructuring of the Airport's parking offerings. Therefore, for the purposes of this report, instead of using the Authority's FY 2025 budget, parking revenues are projected for FY 2025, assuming the FY 2024 ratio of parking transactions per enplaned passenger and adjusted to reflect the current parking offerings and pricing.

Parking revenues are projected to increase from approximately \$21.9 million in FY 2025 to approximately \$31.6 million by FY 2031, reflecting a CAGR of 6.3% over the Projection Period. The projection assumes parking revenues of \$12.89 per enplaned passenger beginning in FY 2025, approximately 98% of actual FY 2024, and maximum daily parking rate increases of \$2 per day in FY 2028 and FY 2030. For the purposes of this Report, it is assumed that upon opening in FY 2028 the New Parking Garage will be priced the same as the existing parking garage. Also, for the purposes of projecting parking revenues in this analysis, it is assumed that, beginning in FY 2028, the demand for garage parking will be accommodated in both the existing parking garage as well as the New Parking Garage, and that the demand for terminal surface lot parking and economy parking will remain unchanged after the opening of the New Parking Garage. Although, if parking demand were to shift from terminal surface or economy lots to the New Parking Garage upon opening, that shift would likely result in additional parking revenues above those projected herein.

4.10.1.2 Rental Car Revenues

Rental car revenues, which consist of rental car facility/ ready-return space rents as well as concession fees paid pursuant to the rental car agreements described in section 4.6 herein, have, on average, historically comprised approximately 20.5% of non-airline revenues at the Airport. As a result of the decline in traffic from the COVID-19 pandemic, rental car revenues decreased from approximately \$4.3 million in 2019 to approximately \$3.6 million and \$3.4 million, in FY 2020 and FY 2021, respectively. Rental car revenues then increased each year from FY 2021 through FY 2024 as air traffic recovered, to approximately \$6.2 million in FY 2024, reflecting a CAGR of approximately 7.3% from FY 2019 through FY 2024.

Rental car revenues are budgeted to be approximately \$6.1 million in FY 2025, comprised of approximately \$5.7 million of rental car concession fees and approximately \$374,000 of rental car ready/return space and ground

rents. Rental car concession fees are projected to increase on a revenue per enplanement basis with gradual increases generally in line with inflationary trends, with revenues increasing as enplaned passengers at the Airport increase. Beginning in FY 2027, rental car ready/return spaces are anticipated to no longer be available due to the construction of the New Parking Garage, and ground rents are projected to decrease to approximately \$40,000 at that time. Overall, rental car revenues are projected to increase to approximately \$8.0 million by FY 2031, reflecting a CAGR of 4.8% during the Projection Period.

Projected rental car demand is further described in Section 4.8 of this analysis as it pertains to the generation of CFC Revenues.

4.10.1.3 *Ground Transportation Revenues*

Ground transportation revenues have historically consisted of revenues generated from taxi; two transportation network companies (TNCs), Uber and Lyft; Turo; and other public transportation operations at the Airport. As a result of the decline in traffic from the COVID-19 pandemic, ground transportation revenues decreased from FY 2019 levels, from approximately \$256,000 to a low of approximately \$114,000 in FY 2021. Ground transportation revenues then increased significantly between FY 2022 and FY 2024, totaling approximately \$714,000 in FY 2024, and representing a CAGR of approximately 22.8% from FY 2019 through FY 2024. The increase in ground transportation revenues in FY 2024 is attributable to a combination of air traffic recovery as well as an increase in TNC fees. TNCs currently pay both a pick-up and drop-off fee of \$2.50, whereas prior to June 2021 TNCs previously paid only a pick-up fee of \$2.50.

Ground transportation revenues are projected to increase from approximately \$664,000 budgeted in FY 2025 to approximately \$874,000 million by FY 2031, reflecting a CAGR of 4.7% over the Projection Period. The projection assumes gradual increases in revenues per enplanement generally in line with inflationary trends, with revenues increasing as enplaned passengers at the Airport increase.

4.10.2 **Terminal Concessions**

Terminal concessions include food and beverage, retail, and advertising revenues at the Airport. As presented on Table 4-4, concessions revenues increased at a CAGR of approximately 7.2% from FY 2019 through FY 2024, from approximately \$1.4 million to \$1.9 million annually. Terminal concessions revenues are budgeted to be approximately \$1.8 million in FY 2025. As presented in section 4.6 of this Report, the existing food and beverage agreements are expiring during the Projection Period and the Authority is in the process of assessing opportunities for the redevelopment of certain Airport concessions. Although a redevelopment of Terminal concessions would likely result in an increase in revenues, for the purpose of this Report, revenues are projected to increase on a per enplanement basis with gradual increases generally in line with inflationary trends.

Annual Terminal concessions revenues are projected to increase to approximately \$2.5 million by FY 2031, reflecting a CAGR of 5.5% over the projection period.

4.10.3 **Other Non-Airline Revenues**

Other non-airline revenues primarily include other non-airline tenant leases, communications revenues, TSA, fuel flowage fees, cargo building rents, FBO, hangar rents, and other buildings at the Airport leased by the Authority. These revenues totaled approximately \$5.0 million in FY 2019 and decreased at a CAGR of approximately -3.7% to approximately \$4.1 million FY 2024. This decrease is primarily attributable to ExpressJet ceasing operations at the Airport and vacating its maintenance hangar in November of 2020. Rents on the ExpressJet maintenance hangar were approximately \$1.1 million in FY 2019, and this facility is currently vacant and available for lease

from the Authority. In FY 2024, the Authority secured multiple tenant leases in the Tyson Centre, with rents totaling approximately \$1.3 million. Other non-airline revenues are budgeted to be approximately \$5.3 million in FY 2025. For the purposes of this Report, it is assumed that as existing leases in the Tyson Centre begin to expire in FY 2028, those leases will not be renewed and the Authority will begin moving administrative offices from the terminal complex to the Tyson Centre, resulting in a decrease in Tyson Centre rents between FY 2029 through the end of the Projection Period. Additionally, although the former ExpressJet maintenance hangar is current available for lease from the Authority, no rents for that facility have been assumed in the projections herein. The projection for other non-airline revenues assumes increases generally in line with about half of the rate of inflation. Overall, other non-airlines revenues are projected to decrease at a CAGR of 1.7% over the Projection Period.

4.11 CFC Revenues

On February 1, 2020, the Authority began requiring the rental car companies at the Airport to charge a CFC to be used to pay, or to reimburse the Authority, for capital costs for construction and improvement of rental car facilities at the Airport. The CFC was initially \$4.00 per transaction day and subsequently increased to \$5.50 effective November 1, 2023.

As described in Section 3.3.2 herein, the uses of CFCs pursuant to the CFC Resolution include:

- to build reserves for and to pay or reimburse the Authority's cost of the construction of new and ancillary rental car facilities, services and Associated Infrastructure Costs (as defined in the CFC Resolution) for use by the Car Rental Operators;
- to pay or reimburse the Authority's cost of the replacement of or remodeling of existing airport rental car facilities, to pay or reimburse the Authority's costs for financing, planning, designing, managing, constructing and improving airport rental car facilities;
- to fund debt service for the above improvements;
- to fund the ongoing cost of the maintenance of the rental car facilities at the Airport to the extent the Authority (as opposed to a Car Rental Operator) is responsible therefor; and
- for such other related purposes that the Authority deems necessary and appropriate, including the establishment of reasonable reserves for each of the foregoing (the "Eligible CFC Projects").

The Authority anticipates using approximately \$12.0 million to fund construction of the New Parking Garage and approximately \$7.7 million of other CFC-eligible capital projects on a pay-as-you-go basis. It was also determined by the Authority that a minimum of 25% of the New Parking Garage will be considered CFC eligible for the rental car companies use of the 1st floor of the new garage. As described in section 4.8.2 herein, CFCs are assumed to debt service on the Series 2024B Bonds that are anticipated to be issued to fund the rental car components of the New Parking Garage project.

CFC revenues are projected to be sufficient to cover all of the anticipated uses during the Projection Period.

Exhibit E at the end of this Report presents projected CFC revenues from FY 2025 through FY 2030. As shown, for the purposes of conservatism in this analysis, rental car transaction days are projected based on a declining

ratio of rental car transaction days per enplaned passenger. This decline reflects an assumed longer-term shift in the relationship between passengers, rental car contracts, and rental car contract days, which is driven by the mix of business vs leisure passengers at the Airport and industry trends emerging from the recovery of the COVID-19 pandemic, and results in a projected annual growth of rental car transaction days slightly lower than the projected annual growth of enplaned passengers. This analysis also assumed no further increases in the CFC rate above \$5.50 per transaction day, although it can be adjusted at the Authority's discretion by Board resolution. CFC Revenues are projected to be approximately \$5.1 million in FY 2025 and to increase each year to approximately \$5.7 million in FY 2031, reflecting a CAGR of 1.7% over the Projection Period.

4.12 PFC Revenues

As described in Section 3.3.4 of this Report, PFC revenues are used to pay for certain FAA-approved, PFC-eligible projects, either by using certain PFC revenues to pay for approved project costs on a pay-as-you-go basis or by applying certain PFC revenues to pay debt service associated with bonds used to fund approved projects.

As presented in Exhibit A, the Authority anticipates using approximately \$23.1 million of future PFCs on a pay-as-you-go basis toward several airfield and terminal projects through FY 2031, in addition, the plan of finance for the terminal concourse expansion project is anticipated to be funded in part with PFCs. The Authority is in the process of developing a new PFC application for PFC collect and use authority for the amounts reflected in Exhibit A, which is anticipated to be submitted to the FAA by the end of 2024. For purposes of this analysis, it is assumed that the Authority will receive approval to use PFCs for these projects.

Exhibit F presents the PFC revenues of the Authority projected from FY 2025 through FY 2031. PFC revenues are driven by enplaned passengers at the Airport as presented on the exhibit. Based on historical trends, the projection assumes that the Authority will collect PFC revenues from 85% of enplaned passengers at a net collection rate of \$4.39, which is the \$4.50 rate less the \$0.11 administrative fee. PFC collections are projected to be approximately \$6.3 million in FY 2025 and are projected to increase to approximately \$7.5 million by FY 2031, and are projected to be sufficient to fund the portions of the Airport's capital program presented in Exhibit A and to fund the amounts assumed to be applied to pay debt service on the Series 2019A Note.

4.13 Airline Revenues

As described in Section 4.5 herein, airline revenues at the Airport include landing fees, terminal space rents, terminal per use charges, passenger loading bridge fees, terminal apron fees, and aircraft remote parking fees. **Table 4-7** presents historical airline revenues for the Airport for FY 2019 through estimated FY 2024 actuals based on accounting trial balances as of August 1, 2024. Amounts recorded in trial balances do not yet reflect certain reconciliations and adjustments to airline revenues,

As shown, total airline revenues were approximately \$9.7 million in FY 2019 and then decreased in FY 2020 and FY 2021 to approximately \$9.2 million and \$7.9 million, respectively, as a result of the decline in traffic from the COVID-19 pandemic. Airline Revenues then increased each year between FY 2022 and FY 2024 as passenger traffic recovered to approximately \$14.6 million in FY 2024.

Table 4-7 Historical Airline Revenues

Category	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Est. FY 2024 ¹
Landing Fees ²	\$5,317	\$4,736	\$3,851	\$5,001	\$6,106	\$7,885
Terminal Rents and Fees ³	2,999	2,263	2,246	2,799	3,551	4,525
Terminal Apron Fees	972	1,058	781	857	1,221	1,541
Passenger Loading Bridge Fees	420	1,142	975	1,066	439	456
Aircraft Remote Parking Fees	-	-	32	129	118	143
Total Airline Revenues	\$9,708	\$9,199	\$7,886	\$9,852	\$11,436	\$14,551
Less: Cargo Airline Revenues	(\$972)	(\$964)	(\$1,014)	(\$1,140)	(\$1,180)	(\$1,134)
Total Passenger Airline Revenues	\$8,736	\$8,235	\$6,872	\$8,712	\$10,256	\$13,417
Enplaned Passengers	1,191	976	698	1,177	1,317	1,515
Airline Cost Per Enplaned Passenger	\$7.33	\$8.44	\$9.84	\$7.40	\$7.79	\$8.86

Notes: Amounts in this table may vary from those presented in the Authority's ACFR because of certain reclassifications consistent with financial reporting standards. Therefore, the calculation of airline cost per enplaned passenger may differ than the amount presented in the Authority's ACFR.

¹ FY 2024 is estimated based on accounting trial balances for June 30, 2024 as of August 1, 2024 and may differ from the Authority's current estimates for June 30, 2024 reflected in the Official Statement for the Series 2024 Bonds.

² Includes signatory passenger airline and cargo landing fees

³ Includes terminal rents for preferential and joint use space as well as terminal per use fees

Source: Metropolitan Knoxville Airport Authority

The rate-setting formulas used for the projection of airline revenues in this analysis are consistent with the rate-setting methodologies described earlier in this Chapter. **Exhibits G, H, I, and J** further illustrate the rate-setting methodologies for landing fees, terminal rents, terminal apron fees, and passenger loading bridge fees, respectively.

4.13.1 Landing Fees

Exhibit G presents the calculation of landing fees budgeted for FY 2025 and projected from FY 2026 through FY 2031. The landing fee rate is budgeted to be \$4.17 per 1,000-lb. unit of landed weight in FY 2025. Over the Projection Period, the landing fee rate is projected to increase to \$4.80 per 1,000-pounds of landed weight by FY 2031. Landing Fees are projected to increase from approximately \$8.4 million budgeted in FY 2025 to approximately \$11.4 million by FY 2031.

4.13.2 Terminal Rents

Exhibit H presents the calculation of the terminal rental rate per square foot budgeted for FY 2025 and projected from FY 2026 through FY 2031. The terminal rental rate is budgeted to be \$65.64 per square foot in FY 2025. As shown in Exhibit H, the terminal rental rate is projected to increase to approximately \$89.75 per square foot by FY 2031. Terminal rents are generated through rents paid by airlines for the use of preferential space at the Airport as well as joint use fees. Joint use fees are charges paid by airlines for the use of holdrooms and center concourse areas, defined as joint use space in the Airport Lease and Use Agreements.

For the purposes of this analysis, terminal rents are projected assuming no changes to terminal space or airline leased space. Terminal rents are budgeted to be approximately \$4.4 million in FY 2025 and projected to increase to approximately \$6.0 million by the end of the Projection Period.

4.13.2.1 Other Terminal Fees and Charges

As described previously in Section 4.5, pursuant to the Airport Lease and Use Agreements, the Authority may assess other fees or charges as deemed necessary to recover certain other costs. Included in these charges are:

- Terminal per use fees for the use of Authority-controlled gates, assessed on a per turn basis;
- Terminal security charges to recover costs associated with the unfunded mandate associated with the screening of aviation workers, assessed on a per enplaned passenger basis; and
- Terminal common use gating system fees, to be assessed on a per enplaned passenger basis.

Revenues generated from other terminal fees and charges are projected to be approximately \$258,000 in FY 2025 and to increase throughout the Projection Period to approximately \$954,000 by FY 2031.

4.13.3 Terminal Apron Fees

Exhibit I presents the calculation of annual terminal apron rates per aircraft parking position budgeted for FY 2025 and projected from FY 2026 through FY 2031. The annual terminal apron rate is budgeted to be \$164,963 per aircraft parking position in FY 2025. Over the Projection Period, the terminal apron rate is projected to increase each year to \$206,483 per aircraft parking position by FY 2031. As shown in Exhibit I, the number of aircraft gates at the Airport is projected to increase from 12 to 14 in FY 2027 upon the completion of the two-gate expansion project as described in Chapter 3. However, for purposes of this analysis, it is assumed that the Authority will control the two additional gates and associated apron parking positions and use of Authority-controlled parking positions will be included in the terminal per use fees described above. Terminal apron fee revenues are projected to increase from approximately \$1.8 million in FY 2025 to approximately \$2.3 million by FY 2031.

In addition to leased terminal apron parking positions, pursuant to the Airport Lease and Use Agreements, the Authority charges airlines for the use of remote parking positions. Charges vary based on the size of aircraft and duration of use. Aircraft remote parking revenues are projected to total approximately \$121,000 in FY 2025 and to increase in each year of the Projection Period to approximately \$169,000 by FY 2031.

4.13.4 Passenger Loading Bridge Fees

Exhibit I presents the calculation of annual passenger loading bridge rates per bridge budgeted for FY 2025 and projected from FY 2026 through FY 2031. The annual passenger loading bridge rate is budgeted to be \$42,142 per bridge in FY 2025. Over the Projection Period, the passenger loading bridge rate is projected to increase each year to \$54,836 per bridge by FY 2031. Similar to terminal apron parking positions described above, it is assumed that the Authority will control the two additional bridges assumed in FY 2027 and use of Authority-controlled passenger loading bridges will be included in the terminal per use fees described above. Passenger loading bridge fee revenues are projected to increase from approximately \$464,000 in FY 2025 to approximately \$603,000 by FY 2031.

4.14 Airline Cost per Enplaned Passenger

A key performance indicator for airline costs at an airport is the average airline CPE. **Exhibit K** presents the projection of CPE for the airlines at the Airport. As shown, the airline CPE is calculated as the sum of passenger airline landing fees, terminal rents for leased preferential and joint use space, terminal apron fees, passenger loading bridge fees, and other passenger airline fees and charges divided by total enplaned passengers. As shown, airline revenues are projected to total approximately \$14.1 million in FY 2025, resulting in an airline CPE of approximately \$8.31. Airline CPE is projected to increase at a CAGR of 2.8% to approximately \$9.81 by FY 2031, generally attributable to assumed inflation of operating costs over the Projection Period. Passenger airline revenues are projected to account for approximately 28% of total projected operating revenues in each year of the Projection Period.

4.15 Application of Revenues

Exhibit L presents the application of revenues for the Airport System throughout the Projection Period, consistent with the requirements of the Master Resolution. As presented, the Authority is projected to have sufficient revenues to make all required deposits.

4.16 Debt Service Coverage

Exhibit M presents the calculation of projected debt service coverage ratios over the Projection Period. As presented, the Net Revenues available for debt service are projected to be approximately \$13.5 million in FY 2025 and are projected to increase to approximately \$18.9 million by FY 2031. Pursuant to the Master Resolution, Net Revenues, together with Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount, must be equal to at least 125% of the Debt Service becoming due in such FY.

As presented on Exhibit M, the Authority is projected to satisfy the Rate Covenant requirement in each year of the Projection Period, with debt service coverage ratios ranging between 1.88x and 4.98x during the Projection Period.

As described in Section 4.8, State funds are expected to continue to be received by the Authority in the amount of \$11.0 million annually through the Projection Period. The Authority anticipates using New Parking Garage project costs for reimbursement of State funds from FY 2026 through FY 2028 and utilizing those funds to prepay principal on the Series 2024C Bonds. If portions of the Series 2024C Bonds are refunded, debt service on the Series 2024C Bonds would decrease from the amounts presented herein, which would result in higher debt

service coverage ratios and an increase in the Authority's cash position. However, for the purposes of conservatism, the financial analysis contained in this Report makes no assumption on the advanced refunding of the Series 2024C Bonds or the prepayment of debt service.

The Authority's adopted debt management policy targets a debt service coverage ratio of at least 1.50x and Authority cash days cash on hand of at least 600 days. The Authority is projected to remain in compliance with its debt management policy during the Projection Period.

A summary of debt service coverage and CPE projections is also presented below in **Table 4-8**.

Table 4-8 **Projection of Debt Service Coverage and Passenger Airline CPE**
(in thousands of dollars, except for CPE)

Fiscal Year	Net Operating Revenues	Amounts Available for Debt Service Coverage ¹	Net Debt Service ²	Debt Service Coverage Ratio	Airline CPE
2025	\$13,488	\$19,619	\$3,942	4.98x	\$8.31
2026	\$14,413	\$21,233	\$6,312	3.36x	\$8.85
2027	\$14,827	\$23,207	\$12,179	1.91x	\$9.43
2028	\$17,330	\$26,255	\$13,989	1.88x	\$9.60
2029	\$16,000	\$24,217	\$10,789	2.24x	\$9.36
2030	\$18,904	\$27,210	\$10,789	2.52x	\$9.64
2031	\$18,921	\$27,316	\$10,790	2.53x	\$9.81

Notes:

¹ Includes Net Revenues plus Eligible CFC Revenues and Transfer Amount, pursuant to the Master Resolution

² Net of capitalized interest and PFCs applied to PFC-eligible debt service

Source: Landrum & Brown

Exhibit A**AIRPORT CAPITAL PROJECTS - PLAN OF FINANCE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	Estimated Project Cost	Funding Sources					
		Federal and State	Series 2024 Bonds	PFC PAYGO	CFC PAYGO	Other/ Unfunded	MKAA Funds
New Parking Garage Project	\$185,536	\$25,247	\$142,289	\$0	\$12,000	\$0	\$6,000
<u>Other Capital Projects:</u>							
Airfield Projects	\$92,180	\$62,215	\$0	\$5,205	\$0	\$19,250	\$5,510
Terminal Projects	243,165	12,078	0	17,950	0	200,250	12,888
Other Projects	37,422	9,513	0	0	7,700	0	20,210
DKX Projects	11,699	1,994	0	0	0	7,500	2,205
Total Other Capital Projects	\$384,466	\$85,799	\$0	\$23,155	\$7,700	\$227,000	\$40,812
Total	\$570,002	\$111,047	\$142,289	\$23,155	\$19,700	\$227,000	\$46,812

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority

Exhibit B**DEBT SERVICE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>By Series:</u>							
Series 2019A Note	\$302	\$302	\$6,190	\$6,140	\$0	\$0	\$0
Series 2024A - Tax-Exempt (Authority Long-Term)	2,259	3,730	3,730	4,970	4,968	4,968	4,970
Series 2024B - Taxable (Rental Car-CFC)	0	0	2,944	2,944	2,946	2,945	2,944
Series 2024C - Tax-Exempt Variable Rate (Prepayable)	1,381	2,280	2,280	2,875	2,874	2,877	2,876
Total Debt Service	\$3,942	\$6,312	\$15,144	\$16,930	\$10,789	\$10,789	\$10,790
<u>By Cost Center:</u>							
Airfield	\$0	\$0	\$380	\$377	\$0	\$0	\$0
Terminal	0	0	4,427	4,392	0	0	0
Other	3,942	6,312	10,337	12,161	10,789	10,789	10,790
Total Debt Service	\$3,942	\$6,312	\$15,144	\$16,930	\$10,789	\$10,789	\$10,790

Note: Amounts may not add due to rounding. Debt service on the Series 2019A Note in FY 2025 and FY 2026 reflects the prepayment of principal described in Section 4.8.1 of this Report.

Source: Metropolitan Knoxville Airport Authority; PFM

Exhibit C**OPERATION AND MAINTENANCE EXPENSES****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						2025-2031	
	2025	2026	2027	2028	2029	2030	2031	CAGR
<u>By Category</u>								
Personnel	\$20,770	\$21,809	\$22,899	\$24,044	\$25,247	\$26,509	\$27,834	5.0%
Purchased Services	8,283	8,621	9,016	9,877	10,272	10,683	11,110	5.0%
Repairs & Maintenance	1,935	2,013	2,318	2,411	2,507	2,608	2,712	5.8%
Materials & Supplies	1,940	2,018	2,098	2,182	2,270	2,360	2,455	4.0%
Utilities	1,958	2,036	2,128	2,213	2,301	2,393	2,489	4.1%
Other Operating Expenses	3,791	3,905	4,022	4,143	4,267	4,395	4,527	3.0%
DKX Expenses	1,433	1,476	1,520	1,566	1,613	1,661	1,711	3.0%
Total Airport System O&M Expenses ¹	\$40,111	\$41,878	\$44,003	\$46,436	\$48,477	\$50,610	\$52,839	4.7%
<u>By Cost Center</u>								
Airfield	\$8,577	\$8,965	\$9,365	\$9,768	\$10,230	\$10,714	\$11,221	4.6%
Terminal	13,824	14,446	15,080	15,718	16,449	17,215	18,017	4.5%
Unfunded Mandate - Aviation Workers Screening	168	176	184	192	202	212	222	4.8%
Airline Common Use System	407	424	442	460	481	503	526	4.4%
Apron	1,980	2,068	2,425	2,527	2,642	2,764	2,891	6.5%
Passenger Loading Bridges	501	521	654	678	705	734	763	7.3%
Other	14,654	15,279	15,852	17,093	17,767	18,469	19,199	4.6%
Total Airport System O&M Expenses	\$40,111	\$41,878	\$44,003	\$46,436	\$48,477	\$50,610	\$52,839	4.7%
Annual Growth in O&M Expenses		4.4%	5.1%	5.5%	4.4%	4.4%	4.4%	

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit D**NON-AIRLINE REVENUE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED							2025-2031
	2025	2026	2027	2028	2029	2030	2031	CAGR
<u>By Category</u>								
Public Parking	\$21,900	\$22,533	\$23,166	\$26,529	\$27,248	\$30,833	\$31,642	6.3%
Rental Car	6,050	6,400	6,412	6,787	7,178	7,587	8,018	4.8%
Ground Transportation	664	710	741	773	805	839	874	4.7%
In-Terminal Concessions	1,832	1,936	2,043	2,156	2,274	2,397	2,525	5.5%
Airfield	526	530	535	539	544	549	554	0.9%
Other	5,324	5,450	5,600	5,754	5,139	4,879	4,794	-1.7%
Total Non-Airline Revenue	\$36,296	\$37,559	\$38,496	\$42,538	\$43,189	\$47,083	\$48,407	4.9%
Annual Growth in Non-Airline Revenue		3.5%	2.5%	10.5%	1.5%	9.0%	2.8%	

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit E**CFC REVENUE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>CFC Collections</u>							
Enplaned Passengers (000s)	1,699	1,748	1,797	1,847	1,897	1,947	1,998
Rental Car Transaction Days per Enplaned Passenger	0.55	0.55	0.54	0.53	0.53	0.52	0.52
Rental Car Transaction Days	936	953	970	987	1,004	1,020	1,036
CFC Rate (per transaction day)	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50
CFC Collections	\$5,146	\$5,242	\$5,335	\$5,429	\$5,520	\$5,609	\$5,698

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit F**PFC REVENUE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>PFC Collections</u>							
Enplaned Passengers (000s)	1,699	1,748	1,797	1,847	1,897	1,947	1,998
% Enplaned Passengers paying PFCs	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
PFC Enplaned Passengers	1,444	1,486	1,527	1,570	1,612	1,655	1,698
PFC Rate	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Less: Admin. Fee	(\$0.11)	(\$0.11)	(\$0.11)	(\$0.11)	(\$0.11)	(\$0.11)	(\$0.11)
Net PFC Rate	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39
PFC Collections	\$6,339	\$6,523	\$6,706	\$6,892	\$7,079	\$7,265	\$7,456

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit G**PROJECTED LANDING FEE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>Airfield Requirement</u>							
Airfield O&M Expenses	\$8,577	\$8,965	\$9,365	\$9,768	\$10,230	\$10,714	\$11,221
Airfield Net Debt Service	0	0	380	377	0	0	0
Amortization of Authority Airfield Investments	385	390	364	489	497	721	695
Gross Airfield Requirement	\$8,962	\$9,354	\$10,110	\$10,635	\$10,727	\$11,435	\$11,916
Less: Airfield Non-Airline Revenue	(\$526)	(\$530)	(\$535)	(\$539)	(\$544)	(\$549)	(\$554)
Net Airfield Requirement	\$8,437	\$8,824	\$9,575	\$10,095	\$10,183	\$10,886	\$11,363
Landed Weight	2,023	2,081	2,137	2,194	2,251	2,308	2,367
Landing Fee	\$4.17	\$4.24	\$4.48	\$4.60	\$4.52	\$4.72	\$4.80
<u>Landing Fee Revenue</u>							
Passenger Airlines	\$7,079	\$7,414	\$8,053	\$8,499	\$8,581	\$9,182	\$9,592
Cargo Airline	1,358	1,410	1,522	1,596	1,601	1,704	1,770
Total Landing Fee Revenue	\$8,437	\$8,824	\$9,575	\$10,095	\$10,183	\$10,886	\$11,363

Note: Amounts may not add due to rounding. Airfield Net Debt Service in FY 2025 and FY 2026 reflects the prepayment of principal on the Series 2019A Note as described in Section 4.8.1 of this Report.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit H**PROJECTED TERMINAL RENTAL RATE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>Terminal Building Requirement</u>							
Terminal O&M Expenses	\$13,824	\$14,446	\$15,080	\$15,718	\$16,449	\$17,215	\$18,017
Terminal Net Debt Service	0	0	4,427	4,392	0	0	0
Less: Credit for PFC-Eligible Debt Service	0	0	(2,965)	(2,941)	0	0	0
Amortization of Authority Terminal Investments	445	1,338	1,445	1,480	1,513	1,523	1,494
Total Terminal Building Requirement	\$14,270	\$15,784	\$17,988	\$18,648	\$17,962	\$18,738	\$19,511
Usable Terminal Space (square feet)	217,397	217,397	217,397	217,397	217,397	217,397	217,397
Terminal Rental Rate (per square foot)	\$65.64	\$72.60	\$82.74	\$85.78	\$82.62	\$86.19	\$89.75
<u>Airline Terminal Rents</u>							
Exclusive/Preferential Leased Space (sq. ft.)	43,965	43,965	43,965	43,965	43,965	43,965	43,965
Joint Use Space (sq. ft.)	22,915	22,915	22,915	22,915	22,915	22,915	22,915
Exclusive/Preferential Space Revenues	\$2,886	\$3,192	\$3,638	\$3,771	\$3,633	\$3,789	\$3,946
Joint Use Space Revenues	1,504	1,664	1,896	1,966	1,893	1,975	2,057
Total Airline Terminal Rental Revenue	\$4,390	\$4,856	\$5,534	\$5,737	\$5,526	\$5,765	\$6,002

Note: Amounts may not add due to rounding. Terminal Net Debt Service in FY 2025 and FY 2026 reflects the prepayment of principal on the Series 2019A Note as described in Section 4.8.1 of this Report.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit I**PROJECTED TERMINAL APRON RATE****McGHEE TYSON AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>Terminal Apron Requirement</u>							
Terminal Apron O&M Expenses	\$1,980	\$2,068	\$2,425	\$2,527	\$2,642	\$2,764	\$2,891
Terminal Apron Net Debt Service	0	0	0	0	0	0	0
Amortization of Authority Terminal Apron Investments	0	0	0	0	0	0	0
Total Terminal Apron Requirement	\$1,980	\$2,068	\$2,425	\$2,527	\$2,642	\$2,764	\$2,891
Aircraft Gates - Terminal Apron Parking Positions	12	12	14	14	14	14	14
Annual Terminal Apron Rate (per parking position)	\$164,963	\$172,316	\$173,245	\$180,467	\$188,746	\$197,412	\$206,483
<u>Terminal Apron Fee Revenues</u>							
Leased Terminal Apron Positions	11	11	11	11	11	11	11
Terminal Apron Revenue	\$1,815	\$1,895	\$1,906	\$1,985	\$2,076	\$2,172	\$2,271

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit J**PROJECTED PASSENGER LOADING BRIDGE RATE****McGHEE TYSON AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>Passenger Loading Bridges Requirement</u>							
Passenger Loading Bridge O&M Expenses	\$501	\$521	\$654	\$678	\$705	\$734	\$763
Passenger Loading Bridge Net Debt Service	0	0	0	0	0	0	0
Amortization of Authority Passenger Loading Bridge Investments	4	4	4	4	4	4	4
Total Passenger Loading Bridge Requirement	\$506	\$525	\$658	\$682	\$709	\$738	\$768
Aircraft Gates - Passenger Loading Bridges	12	12	14	14	14	14	14
Annual Passenger Loading Bridge Rate (per bridge)	\$42,142	\$43,757	\$47,017	\$48,714	\$50,673	\$52,713	\$54,836
<u>Loading Bridge Fee Revenues</u>							
Airline Leased Bridges	11	11	11	11	11	11	11
Passenger Loading Bridge Revenue	\$464	\$481	\$517	\$536	\$557	\$580	\$603

Note: Amounts may not add due to rounding.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit K**PROJECTED AIRLINE COST PER ENPLANED PASSENGER (CPE)****McGHEE TYSON AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>Passenger Airline Revenue</u>							
Passenger Airline Landing Fee Revenue	\$7,079	\$7,414	\$8,053	\$8,499	\$8,581	\$9,182	\$9,592
Terminal Rents	4,390	4,856	5,534	5,737	5,526	5,765	6,002
Other Terminal Fees and Charges ¹	258	700	792	829	863	908	954
Passenger Loading Bridge Fees	464	481	517	536	557	580	603
Terminal Apron Fees	1,815	1,895	1,906	1,985	2,076	2,172	2,271
Aircraft Remote Parking	121	128	136	144	152	160	169
Total Passenger Airline Revenue	\$14,126	\$15,474	\$16,937	\$17,729	\$17,756	\$18,766	\$19,593
Enplaned Passengers	1,698,881	1,748,000	1,797,000	1,847,000	1,897,000	1,947,000	1,998,000
Airline Cost per Enplaned Passenger	\$8.31	\$8.85	\$9.43	\$9.60	\$9.36	\$9.64	\$9.81
Airline Cost per Enplaned Passenger (2025 dollars)	\$8.31	\$8.59	\$8.88	\$8.78	\$8.32	\$8.31	\$8.21

Note: Amounts may not add due to rounding.

¹ Includes terminal per turn fees, aviation workers' screening charges, and future common use system fees.

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit L**APPLICATION OF REVENUE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
<u>MKAA Revenue Fund:</u>							
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Deposits:</u>							
Airline Revenue ¹	\$15,483	\$16,885	\$18,459	\$19,325	\$19,357	\$20,470	\$21,363
Non-Airline Revenue	36,296	37,559	38,496	42,538	43,189	47,083	48,407
Non-Operating Revenue	1,820	1,847	1,875	1,903	1,932	1,961	1,990
PFC Revenue Account	6,339	6,523	6,706	6,892	7,079	7,265	7,456
CFC Revenue Account	5,146	5,242	5,335	5,429	5,520	5,609	5,698
Total Deposits	\$65,085	\$68,056	\$70,870	\$76,087	\$77,076	\$82,388	\$84,913
<u>Transfers Out:</u>							
MKAA O&M Fund	(\$40,111)	(\$41,878)	(\$44,003)	(\$46,436)	(\$48,477)	(\$50,610)	(\$52,839)
MKAA Sinking Fund	(3,942)	(6,312)	(15,144)	(16,930)	(10,789)	(10,789)	(10,790)
Airport Surplus Fund	(12,536)	(11,064)	(5,592)	(6,285)	(8,158)	(11,059)	(11,075)
PFC Capital Improvement Fund	(3,350)	(3,559)	(3,740)	(3,951)	(7,079)	(7,265)	(7,456)
CFC Capital Improvement Fund	(5,146)	(5,242)	(2,391)	(2,484)	(2,573)	(2,664)	(2,754)
Total Transfers Out	(\$65,085)	(\$68,056)	(\$70,870)	(\$76,087)	(\$77,076)	(\$82,388)	(\$84,913)
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note: Amounts may not add due to rounding.

¹ Includes Passenger Airline Revenues plus Cargo Airline Landing Fees

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.

Exhibit M**DEBT SERVICE COVERAGE****McGHEE TYSON AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	PROJECTED						
	2025	2026	2027	2028	2029	2030	2031
Net Revenue							
Airline Revenue ¹	\$15,483	\$16,885	\$18,459	\$19,325	\$19,357	\$20,470	\$21,363
Non-Airline Revenue	36,296	37,559	38,496	42,538	43,189	47,083	48,407
Non-Operating Revenue	1,820	1,847	1,875	1,903	1,932	1,961	1,990
Total Revenue	\$53,599	\$56,291	\$58,830	\$63,766	\$64,478	\$69,514	\$71,760
Less: O&M Expenses	(\$40,111)	(\$41,878)	(\$44,003)	(\$46,436)	(\$48,477)	(\$50,610)	(\$52,839)
Net Revenue	\$13,488	\$14,413	\$14,827	\$17,330	\$16,000	\$18,904	\$18,921
Plus:							
Eligible CFC Revenues	\$5,146	\$5,242	\$5,335	\$5,429	\$5,520	\$5,609	\$5,698
Transfer Amount	985	1,578	3,045	3,497	2,697	2,697	2,698
Amounts Available for Debt Service Coverage	\$19,619	\$21,233	\$23,207	\$26,255	\$24,217	\$27,210	\$27,316
Total Debt Service	\$3,942	\$6,312	\$15,144	\$16,930	\$10,789	\$10,789	\$10,790
Less: PFCs Applied to Debt Service	0	0	(2,965)	(2,941)	0	0	0
Net Debt Service	\$3,942	\$6,312	\$12,179	\$13,989	\$10,789	\$10,789	\$10,790
Debt Service Coverage Ratio	4.98	3.36	1.91	1.88	2.24	2.52	2.53

Note: Amounts may not add due to rounding. Net Debt Service in FY 2025 and FY 2026 reflects the prepayment of principal on the Series 2019A Note as described in Section 4.8.1 of this Report.

¹ Includes Passenger Airline Revenues plus Cargo Airline Landing Fees

Source: Metropolitan Knoxville Airport Authority; Landrum and Brown, Inc.



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June 4, 2025

Mr. Patrick Wilson
President
Metropolitan Knoxville Airport Authority
P.O. Box 15600
Knoxville, Tennessee 37901

Dear Mr. Wilson,

Landrum & Brown, Incorporated ("L&B") has previously submitted its Report of the Airport Consultant dated September 24, 2024 (the "Report") in connection with the issuance by the Metropolitan Knoxville Airport Authority (the "Authority") of its Airport Revenue Bonds, Series 2024A (the "Series 2024A Bonds"), and its Airport Revenue Bonds, Series 2024B (Federally Taxable) (the "Series 2024B Bonds," and together with the Series 2024A Bonds, the "Series 2024 Bonds"). The Series 2024 Bonds were issued pursuant to the Master Resolution adopted by the Board of Commissioners of the Authority on September 18, 2024 (as supplemented and amended, herein referred to as the "Master Resolution"). With our consent, the Report was included in the Official Statement for the Series 2024 Bonds (the "Series 2024 Official Statement") as Appendix A, Report of the Airport Consultant. All capitalized terms used in this letter shall have the same meanings given to such terms in the Report, the Series 2024 Official Statement or the Master Resolution, as applicable, except as may be otherwise defined herein.

As was contemplated by the Report and the Series 2024 Official Statement, the Authority is now issuing its Subordinate Airport Revenue Bonds, Series 2025 (the "Series 2025 Bonds"),¹ in the approximate principal amount of \$38 million to finance a portion of the costs of the design, construction, improvement and equipping of the New Parking Garage Project. We have been informed that the Series 2025 Bonds are being issued as variable rate demand bonds and secured by a lien upon and pledge of the Pledged Funds subordinate to the lien and pledge granted under the Master Resolution to the Series 2024 Bonds. The Authority has requested this letter from L&B in connection with the issuance of the Series 2025 Bonds.

In our preparation of our independent Report, we evaluated the ability of the Authority to generate Net Revenues sufficient to meet the funding requirements and obligations established by the Master Resolution during the projection period from FY 2025 through FY 2031 (the "Projection Period"). Per our analyses, and as required pursuant to the Master Resolution, we forecasted that the Authority would be able to produce sufficient Net Revenues, which, together with the Eligible

¹ The Series 2024 Official Statement and the Report identified the Series 2025 Bonds as the "Series 2024C Bonds" because such bonds may have been issued in 2024. We have been informed that because this series of bonds is being issued in 2025, this series of Bonds is being referred to as the Series 2025 Bonds.



PFC Revenues, Eligible CFC Revenues and any Transfer Amount, will at least equal 125% of Debt Service on all Bonds anticipated to be outstanding during the Projection Period, including the Series 2024 Bonds and the Series 2025 Bonds.

As presented in the Report as of its date, the Table below presented projected Net Revenues, Net Debt Service, Debt Service coverage ratios, and airline CPE throughout the Projection Period. The Authority is projected to meet its requirements and obligations established by the Master Resolution, stay in accordance with the Authority's financial policies, and maintain reasonable levels of airline cost per enplaned passenger (CPE) which would be comparable to other airports with similar capital programs throughout the Projection Period.

Debt Service Coverage Forecast and Passenger Airline CPE Forecasts
(Dollars in Thousands, Except For CPE)

Fiscal Year	Net Operating Revenues	Amounts Available for Debt Service Coverage ¹	Net Debt Service ²	Debt Service Coverage Ratio	Airline CPE
2025	\$13,488	\$19,619	\$3,942	4.98x	\$8.31
2026	\$14,413	\$21,233	\$6,312	3.36x	\$8.85
2027	\$14,827	\$23,207	\$12,179	1.91x	\$9.43
2028	\$17,330	\$26,255	\$13,989	1.88x	\$9.60
2029	\$16,000	\$24,217	\$10,789	2.24x	\$9.36
2030	\$18,904	\$27,210	\$10,789	2.52x	\$9.64
2031	\$18,921	\$27,316	\$10,790	2.53x	\$9.81

Notes:

¹ Includes Net Revenues plus Transfer Amount and CFC Revenues pursuant to the Master Resolution

² Net of capitalized interest and PFCs applied to PFC-eligible debt service

Source: Landrum & Brown

In connection with the preparation of the Report, personnel for L&B have reviewed the terms of the Series 2025 Bonds and the projected debt service resulting from the Series 2025 Bonds as provided to L&B by PFM. Based upon that review, L&B confirms that the issuance of the Series 2025 Bonds is consistent with the projections included in the Report, including those projections set forth in Table above, and the issuance of the Series 2025 Bonds does not change, in any material respect, the projections or conclusions of L&B in the Report. Furthermore, based on our discussions with Airport Authority staff and the Airport Authority's advisors, nothing has come to the attention of L&B which would cause L&B to believe that the assumptions in the Report are no longer reasonable or that the information, conclusions and forecasts in the Report should not be relied upon.

L&B hereby consents to the inclusion of the Report and this letter in the Offering Circular for the Series 2025 Bonds (the "Series 2025 Offering Circular") as Appendix A, Report of the Airport Consultant and Bring-Down Letter. L&B furthermore consents to the references to L&B in the Offering Circular.

Sincerely,

Landrum & Brown, Incorporated

Landrum & Brown, Incorporated

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APPENDIX B

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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METROPOLITAN
KNOXVILLE
AIRPORT
AUTHORITY

**McGhee Tyson Airport
Downtown Island Airport**



2024

ANNUAL COMPREHENSIVE FINANCIAL REPORT

A component unit of the City of Knoxville, Tennessee

For the fiscal years ended June 30, 2024 and 2023

Prepared By:

Accounting and Finance Department of the Metropolitan Knoxville Airport Authority

WWW.FLYKNOXVILLE.COM

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Metropolitan Knoxville Airport Authority

A Component Unit of the City of Knoxville, TN
For the Fiscal Years ended June 30, 2024 and 2023

2024 Annual Comprehensive Financial Report

Prepared By:
Accounting and Finance Department of the Metropolitan Knoxville Airport
Authority

www.flyknoxville.com

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INTRODUCTORY SECTION

This section contains the following subsections:

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Metropolitan Knoxville Airport Authority Officials

Letter of Transmittal and Exhibits

Organizational Chart

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OFFICIALS

As of June 30, 2024

Board of Commissioners	Position	Term Expires
Brian M. Simmons	<i>Chairman</i>	June 30, 2025
Howard Vogel	<i>Vice Chairman</i>	June 30, 2027
Charles R. Harr	<i>Secretary</i>	June 30, 2029
Joseph M. Dawson	<i>Assistant Secretary</i>	June 30, 2030
Ursula Bailey		June 30, 2026
Julia A. Bentley		June 30, 2024
Maribel Koella		June 30, 2028
Caryn Hawthorne		June 30, 2030
Harry W. Stowers, Jr.		June 30, 2030

OFFICERS AND KEY STAFF MEMBERS

Patrick W. Wilson, A.A.E.	<i>President</i>
James H. Evans, Jr., C.M.	<i>Vice President of Marketing & Air Service Development</i>
Bryan White, PE, C.M.	<i>Vice President of Engineering & Planning</i>
Willie T. Aiken	<i>Director of Public Safety</i>
Becky Huckaby, APR, A.A.E.	<i>Vice President of Public Relations</i>
Susan Gennoe, CPA	<i>Vice President of Finance</i>
Treva H. Best, CAP, OM	<i>Senior Executive Assistant</i>
Adrienne Washington, SPHR, ACC	<i>Vice President of Human Resources</i>
Mark Mamantov	<i>Legal Counsel, Bass, Berry & Sims PLC</i>

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METROPOLITAN
KNOXVILLE
AIRPORT
AUTHORITY

November 15, 2024

**To the Board of Commissioners of the
Metropolitan Knoxville Airport
Authority:**

The Annual Comprehensive Financial Report of the Metropolitan Knoxville Airport Authority (the Authority) for the fiscal year ended June 30, 2024, is hereby submitted. The purpose of the report is to present fairly and disclose fully the Authority's financial position and the results of its operations. The report consists of four sections: Introductory, Financial, Statistical and Compliance.

The financial statements were audited by Coulter & Justus, P.C., Certified Public Accountants, and the supplementary information was prepared by the Accounting and Finance Department. This report is published in accordance with the laws and/or regulations of the State of Tennessee. The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and requirements prescribed by the Comptroller of the Treasury, State of Tennessee.

This report consists of management's representations concerning the financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that has been designed to both protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the years ended June 30, 2024 and 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and any significant estimates made by management and evaluating the overall financial statements presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion and that the Authority's financial statements for the years ended June 30, 2024 and 2023, are in conformity with GAAP. The independent auditor's report is the first component of the financial section of this report.

The independent audit of the financial statements is part of the broader mandated provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, relative to federal financial awards received from the U.S. Government. It is also in conformity with the provisions of the September 2000 Audit Compliance and Reporting Guide for Public Agencies relative to the collection and use of Passenger Facility Charges.

The standards governing these provisions require the independent auditor not only to report on the fair presentation of the financial statements, but also on the Authority's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state grant awards. See independent auditor's reports presented in the Compliance Section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is in the financial section immediately following the independent auditor's report.

REPORTING ENTITY

The Metropolitan Knoxville Airport Authority was established in 1978 under Chapter No. 174, Public Acts of the State of Tennessee, 1969, and pursuant to Resolution No. R-63-78 of the Council of the City of Knoxville, Tennessee. It was organized for and has as its sole purpose the ownership, management, operation, and maintenance of McGhee Tyson Airport and other airports, auxiliary fields and other properties, either acquired by or placed under the control of the Authority as outlined in Chapter 174. The Authority currently operates two airports: McGhee Tyson Airport and Knoxville Downtown Island Airport.

The Authority is classified by the Tennessee Department of State as a Nonprofit Corporation. The Authority is a component unit of the City of Knoxville (as defined by GASB 2600-125, GAAFR Chapter 33), governed by a nine-member Board of Commissioners appointed by the Mayor of the City of Knoxville. Each Commissioner is appointed for a seven-year term and must be confirmed by the Knoxville City Council. Since the Authority was established, it has been financially self-sufficient, with no local tax support.

The Board employs a President/CEO, who is the chief administrative and executive officer of the Authority. The President manages the airports under the Authority's control with a staff of 166 full-time equivalent employees. The staff is responsible for the day-to-day financial, administration, operational, and personnel matters pertaining to the airports and the contractual arrangements with various aviation and non-aviation businesses.

An annual operating budget is prepared and approved by the Authority's Board of Commissioners. All appropriations for operating expenditures lapse at the end of the fiscal year and must be reappropriated for the following year. Separate accounts are maintained for major capital projects, which are closed when the asset is placed in service. Since there is no legal requirement to report on the budgetary basis, no budget information is presented in the accompanying financial statements.

McGhee Tyson Airport

Located just 15 miles from downtown Knoxville, McGhee Tyson Airport lies in Blount County on 2,752 acres in the rolling foothills of the Great Smoky Mountains and provides employment for more than 3,000 people. McGhee Tyson has two parallel runways, and is served by most major U.S. airlines and/or their regional partners. These airlines provide numerous non-stop flights to destinations throughout the United States for approximately 3.0 million passengers each year. As a result of the pandemic, the passengers number dropped to approximately 1.4 million in FY2021 but rebounded back to approximately 2.6 million in FY2023 which exceeded the pre-pandemic levels, and that trend continued into FY2024. The airport is also home to the Tennessee Air National Guard's 134th Air Refueling Wing. McGhee Tyson is classified by the Federal Aviation Administration (FAA) as a small air traffic hub airport.

Knoxville Downtown Island Airport

Knoxville Downtown Island Airport is a general aviation airport located less than three miles from downtown Knoxville and is base for more than one hundred and seventy private and corporate aircrafts. The airport has a 3,500-foot runway and is served by three published instrument approaches: a localizer approach to Runway 26, a GPS-based approach to Runway 26, and a VOR circling approach procedure.

ECONOMIC CONDITIONS AND OUTLOOK

The primary service area for McGhee Tyson Airport is the City of Knoxville and its Metropolitan Statistical Area (MSA), which comprises the heart of “Tennessee’s Resource Valley”. According to the Bureau of the Census estimates for 2023, the population of Knox County was 500,669 and the population for the City of Knoxville was 198,162. The estimated 2023 population for the Knoxville MSA was 903,106.

In addition, a broader regional market is defined as the Tennessee, Kentucky, Virginia, North Carolina, South Carolina and Georgia counties lying within 100 miles of McGhee Tyson Airport, which is the largest airport in the region.

Knox County is the principal Gateway to the Great Smoky Mountains National Park, which is the country’s most visited national park. The Great Smoky Mountains National Park experienced over 13 million visitors in calendar year 2023. More than one-half of the nation’s population lives within 500 miles of the park, which is located half in Tennessee and half in North Carolina. Part of the Appalachian Range, the Great Smoky Mountains National Park contains 16 peaks higher than 6,000 feet, the highest being Clingmans Dome.

McGhee Tyson Airport benefitted from its proximity to the Great Smoky Mountains National Park. Continuing the trend that began during the pandemic, thousands of visitors flew through McGhee Tyson Airport to enjoy the natural beauty of the Smokies. A number of these visitors came to East Tennessee from major cities around the nation simply to work remotely in a beautiful outdoor setting.

According to the Federal Aviation Administration’s (FAA) Aerospace Forecast FY2024-2044, industry conditions and the related outlook have brightened considerably since 2020. Leisure travel rebounded considerably as travel restrictions were lifted, with business demand making a 70-80% recovery over pre-pandemic levels. Then in 2023 the landscape changed again. As a wider array of accessible destinations opened up, travelers responded by seeking flights across the Atlantic and to some Pacific markets. Domestic and Latin activity remained solid, but it didn’t match the increases of those other regions or of its own growth the year before. Besides that regional shift, passengers also began to embrace premium offerings and loyalty programs more fully. Increasingly, passengers were willing to pay for some additional comfort and valued the ability to convert everyday credit card purchases into airline miles. These shifts and greater demand for product differentiation meant that most low-cost carriers, with single-class service and domestic-heavy networks, were unable to capture demand to the extent the mainline carriers could. Furthermore, after being unprepared for the surge in demand in the previous year, all carriers hired and added capacity aggressively in 2023 in efforts to avoid a repeat. This saw flight crews migrating up the chain to mainline carriers and the added capacity put downward pressure on fares in many domestic markets. Even as carriers worked to accurately assess shifting preferences and fine tune the supply response, the overall level of demand was strong and supportive of the industry’s aggregate results. Consumer demand for experiences over goods continued to fuel the desire for leisure trips and a willingness to pay higher fares that exceeded their 2019 levels. Meanwhile, business travel (but not fares) remained depressed relative to 2019. For the year, business demand was roughly ten to twenty percent below its pre-pandemic level.

As FY2024 ended, Knoxville airline passengers continued the upward trend begun in 2022. “Bleisure” travel, or leisure travel attached to business, continued to strengthen the local market. That trend endured into FY2024 as the Authority continued to see record passenger growth. The general aviation (GA) sector was less affected by the COVID-19 crisis than the airlines and now has almost completely recovered. The long-term outlook for general aviation is promising; Downtown Island Airport is experiencing a similar trend.

MKAA was able to weather the COVID-19 pandemic and return to “normal” market conditions fairly quickly in large part due to available federal stimulus funding. McGhee Tyson Airport received \$25.8M in CARES ACT funding followed by \$5M in funding from an Airport Coronavirus Response Grant and \$11.8M funding from the Airport Rescue Grant. The final installments of those monies were utilized early FY2025 as per management’s stimulus funding plan.

AIRLINE INFORMATION

During the fiscal year ended June 30, 2024, McGhee Tyson Airport’s six passenger airlines and/or their regional affiliates offered over 8,000 daily departing seats in 31 nonstop markets. In addition, two cargo airlines linked the airport with three major air cargo hubs. A complete listing of air carriers and destinations is as follows:

Passenger Airlines

Allegiant Air
American Airlines*
Avelo Airlines
Delta Air Lines*
Frontier Airlines
United Airlines*

**some or all service offered through regional airline affiliates shown below*

Regional Airline Affiliates

Air Wisconsin Airlines/American Airlines	Piedmont Airlines/American Airlines
Commute Air /United Airlines	PSA Airlines Inc./American Airlines
Endeavor Air/Delta Air Lines	Republic Airlines/American Airlines
Envoy Airlines/American Airlines	Republic Airlines/United Airlines
GoJet Airlines/United Airlines	Skywest Airlines/American Airlines
Mesa Airlines/American Airlines	Skywest Airlines/United Airlines

Cargo Airlines

FedEx, Inc.
UPS Airlines, Inc.

Passenger Airline Destinations (as of June 30, 2024)

Atlanta, Austin, Belleville/St. Louis, Boston, Charlotte, Chicago-O’Hare, Chicago-Midway, Dallas/Fort Worth, Denver, Destin/Fort Walton Beach, Detroit, Fort Lauderdale, Houston-Bush, Houston-Hobby, Jacksonville, Las Vegas, Miami, Minneapolis/St. Paul, New Haven, Newark, New York-LaGuardia, Orlando- International, Orlando-Sanford, Phoenix, Philadelphia, Punta Gorda/SW Florida, South Bend, St. Petersburg/Tampa Bay, Washington-Dulles, Washington-National, and West Palm Beach

Cargo Airline Destinations

Indianapolis, Louisville and Memphis

Airline Activity

McGhee Tyson Airport's six passenger airlines and/or their regional affiliates operated over 100 daily (arrivals and departures) flights and served approximately 3.0 million passengers in FY2024, an increase of 15.3% when compared to FY2023. Available airline seats increased 17.7% during the year. The FY2024 airport load factor (percentage of airline seats filled) was 84.8%.

Both inbound and outbound passenger demand continued to be robust during FY2024. Most commercial airlines serving McGhee Tyson Airport increased aircraft size and flight frequency on many routes. Each of the twelve months of FY2024 produced record-setting passenger traffic, continuing a period of explosive airport growth that began during FY2023.

Avelo Airlines began service at McGhee Tyson Airport in FY2024 with two weekly nonstops to their base in New Haven CT using Boeing 737 equipment.

American Airlines, which carries more passengers from McGhee Tyson Airport than any other carrier, continued their trend of upgrading multiple daily flights from regional jets to large Airbus and Boeing "mainline" aircraft to their major hubs in Charlotte and Dallas/Ft. Worth.

Delta Air Lines also "upgauged" many of their Atlanta flights to large Airbus A320 and Boeing 717 & 737-900 aircraft. Delta also relaunched new nonstops linking McGhee Tyson Airport with their hub in Minneapolis/St. Paul, a route that had been discontinued during the Covid period. Delta also "upgauged" their service to their Detroit hub from 76-seat regional jets to large Boeing 717 "mainline" aircraft.

Following the trend of their competitors, United Airlines upgraded some of their flights to their hubs in Denver and Chicago with large Airbus and Boeing "mainline" aircraft.

Frontier Airlines launched three new weekly low-fare flights linking McGhee Tyson Airport with Philadelphia and extended their existing seasonal service to Orlando International Airport through the summer months. Frontier continued their existing 4-times weekly service to their base in Denver.

Allegiant Air, which operates a crew and maintenance base at McGhee Tyson Airport, continued to capitalize on the inbound visitor demand for the Great Smoky Mountains. Allegiant flew thousands of vacationers from all over the nation to East Tennessee and launched new nonstop service to four airports in FY2024: Belleville/St. Louis, Jacksonville, Orlando-International, and South Bend. At the end of FY2024, Allegiant offered year-round or seasonal service to 19 airports from McGhee Tyson Airport.

Airlines, UPS and FedEx combined to fly 75,088,531 pounds of freight and mail through the airport during FY2024, a decrease of 6.9% compared to the previous year.

As FY2024 ended, McGhee Tyson Airport bookings remained very strong for the summer travel season and beyond.

FINANCIAL INFORMATION

Long-term Financial Planning

The current Terminal Area Plan for McGhee Tyson Airport was adopted by the Board of Commissioners in 2020. The Authority uses a continuous planning method where the Airport Forecast and Airport Capital Improvement Plan (ACIP) interact to drive required planning updates. The Airport Layout Plan (ALP) is updated with the FAA by the numerous projects outlined in the ACIP. The Authority is currently working to update the ALP Exhibit A that describes land parcel ownership. The Airport Layout Plan for the Knoxville Downtown Island Airport was updated and submitted in FY2021 and subsequently approved by the FAA and TDOT (Tennessee Department of Transportation).

The Airport Terminal Plan for McGhee Tyson defines a concept for development of the airport over the course of a 20-year planning period and is prepared in collaboration with Federal and State agencies, local municipalities and interested airport users. The primary objective of the Terminal Area Plan is to produce a comprehensive planning guide for the continued development of a safe, efficient, and environmentally compatible aviation facility that meets the goals of the Authority. The plan incorporates a financial model that evaluates the financial impact of the capital projects identified for the 20-year planning horizon, from 2020 through 2040.

The Airport Master Plan for McGhee Tyson defines a concept for development of the airport over the course of a 20-year planning period and is prepared in collaboration with Federal and State agencies, local municipalities and interested airport users. The primary objective of the Airport Master Plan is to produce a comprehensive planning guide for the continued development of a safe, efficient and environmentally compatible aviation facility that meets the goals of the Authority. The plan incorporates a financial model that evaluates the financial impact of the capital projects identified for the 20-year planning horizon, from 2005 through 2024.

The Authority prepares an annual operating and capital budget. The capital improvement program included in the budget identifies funding sources for capital projects for planning horizons of five years.

The Authority has Airport Lease and Use Agreements with the airlines that serve McGhee Tyson Airport. The current Agreement became effective on July 1, 2018, and had an expiration date of June 30, 2023, but has currently been extended on a month-to-month basis. As part of the Airport Development Initiative, the Authority is working to move toward a common use gate system in early FY2025, and new agreements are expected to be entered into with the airlines to reflect the new common use gate system. The Airport Lease and Use Agreement with the signatory airlines is a hybrid agreement. Airfield costs are recovered using the residual method. The Authority recovers the airfield cost by charging commercial aircraft a landing fee and general aviation aircraft a fuel flowage fee. The military pays a joint use fee for their share of the airfield costs. Airline terminal rents are calculated using a compensatory method. The terminal costs are calculated by adding the operating and maintenance cost and the capital expense associated with the terminal complex and allocating the cost to the tenants. Passenger facility charge revenue is applied to the terminal debt service to fund the eligible portions of the terminal capital expense. The applicable terminal rent is then calculated by dividing the total remaining cost by the total usable terminal square footage. The Agreement provides for a mid-year adjustment, if projections vary by more than ten percent, and a year-end settlement. If airline rentals, fees and charges paid during the fiscal year are more than required, the excess will be issued as a credit to the airlines. If they are less, the airlines will be invoiced the deficiency. Although the airlines are presently on month-to-month agreements, the Authority fully expects that these agreements will remain in effect until new agreements are entered into and that the true up mechanism as of the end of each fiscal year will stay in effect until new agreements take effect.

Relevant Financial Policies

The Authority has recently undertaken a thorough review of many of its policies, including its financial policies. In that regard, the Authority has amended and restated its bylaws and has adopted detailed procurement policies, policies relating to the authority of its officers to contract on behalf of the Authority, debt management policies and federal tax compliance and continuing disclosure policies and procedures. These policies have largely supplanted and modernized the financial policies previously adopted by the Authority in 2001. The new policies provide more detailed guidelines and direction to Authority staff on financial matters.

The Authority is permitted to use debt only as provided in the Authority's debt management policy. The permitted purposes are generally limited to the financing of capital expenditures and refundings.

Debt service coverage, or the ratio of net revenues to debt service, is an important financial metric when evaluating the Authority's credit quality. Under the Authority's debt management policy, the Authority has a goal to maintain debt service coverage ratios of 150% or greater on all senior debt and 125% or greater on all senior and subordinate debt. Under the Authority's master bond resolution, the Authority is required to maintain debt service coverage ratios of 125% or greater on all senior debt and 110% or greater on all senior and subordinate debt.

The Authority also has a goal to maintain a certain level of liquidity or days cash on hand under its debt management policy. This metric measures how long the Authority can cover its operating and maintenance costs from its unrestricted cash. The Authority strives to maintain 550 to 650 days of cash on hand as compared to its unrestricted cash and investments and discretionary reserves to its budgeted total operating expenses (which excludes depreciation and required debt payments).

The Authority actively seeks grants or other contributions to offset capital costs and minimize borrowing for projects that are consistent with the Authority's Capital Improvement Plan.

MAJOR INITIATIVES

Current Year Projects

The Authority has continued the Project Formulation for the 5R/23L Runway Rehabilitation project with two contracts awarded to CHA Consulting in the amounts of \$166,708 and \$1,860,746 in FY2024, which will be funded by 90% Federal grant funds.

The air carrier ramp expansion to meet the demands for additional Remain Overnight Parking (RON) is continuing. Contracts were awarded to The Harper Company, Inc. for the construction of the Terminal Apron Expansion project in the amount of \$11,671,967 and to CHA Consulting for the Terminal Apron Expansion construction administration in the amount of \$1,296,680 in FY2023. Grants AIP 82 (\$9,525,424) and AIP 83 (\$3,148,836) were received in FY2024 and are 90% Federal grants. Change Order No.1 in the amount of \$78,659 was also awarded to The Harper Company and a new contract was awarded to CHA Consulting in the amount of \$144,981 in FY2024.

The development of additional public/passenger vehicle garage parking and rental car operations has continued as the Authority awarded contracts to Gresham Smith, Inc. in the amounts of \$132,495, \$6,092,627, \$115,149, \$137,672, \$26,490, \$585,259, and \$139,967 and to Messer Construction in the amount of \$199,930 and \$827,480 in FY2024 in support of the execution of the Parking Garage Expansion project. These contracts will be funded by 95% State grant funds and State Grants totaling \$6,581,560 were received in FY2024. Enabling projects related to the Parking Garage Expansion project were also undertaken with contracts awarded to Messer Construction in the amount of \$4,650,000, \$200,000, \$699,646, and \$4,102,586. These are funded with Authority funds.

The replacement of the airline common use system (ACUS) continued with the award of Change Order No.1 to Service One, Inc. in the amount of \$61,762 in FY2024. These contracts are funded by 95% State grant funds and State Grants totaling \$1,617,000 were received in FY2024.

The addition of three Zero Emissions Vehicles (ZEV) and four charging stations have entered the construction and procurement phase of the project. This project is 90% funded through a FY24 ZEV grant with a total project cost of \$2,232,765.

Improvements to the terminal exterior has continued as the Authority awarded contracts to C2RL, Inc. in the amounts of \$205,918 and \$661,495 and to Messer Construction in the amounts of \$107,430 and \$3,787,000 in FY2024 in support of the execution of the Terminal Modernization Improvements. These contracts will be funded by 100% local funds.

Future Year Projects

The Authority is continuing the planning and development of projects to meet the expected/forecasted enplanement demands at McGhee Tyson and Downtown Island Airports. Funding and construction phasing/sequencing of major expansion initiatives continues to be developed with staff and consultants.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Knoxville Airport Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2023. This was the thirty first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the professional assistance of the entire Finance and Accounting staff and the cooperation of each department within the Metropolitan Knoxville Airport Authority. We also extend our appreciation to the staff of Coulter & Justus, P.C. for their technical assistance and guidance in the preparation of this report.

We would also like to thank the individual members of the Board of Commissioners of the Metropolitan Knoxville Airport Authority for their interest, support, and leadership in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully submitted,



Patrick W. Wilson, A.A.E.
President



Susan A. Gennoe, CPA
Vice President, Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

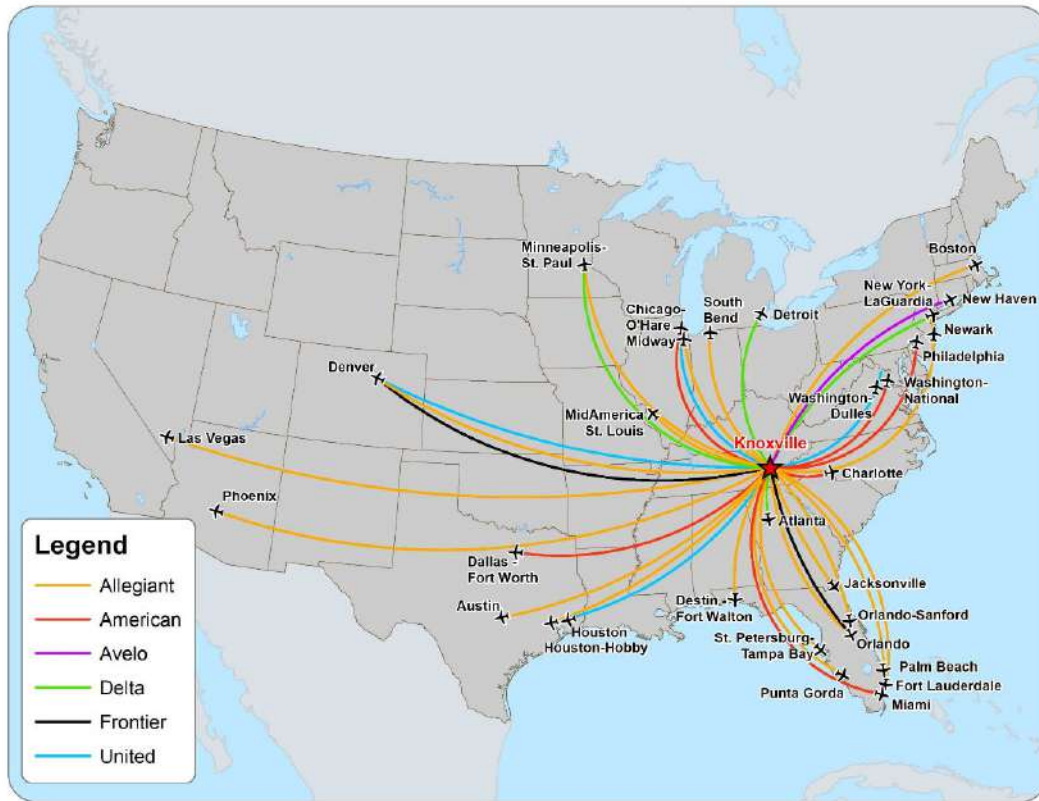
**Metropolitan Knoxville Airport Authority
Tennessee**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



DESTINATIONS

Allegiant Air

Fort Lauderdale
Orlando-Sanford
Orlando-International
St. Petersburg/Tampa Bay
Punta Gorda/SW Florida
Destin/Fort Walton*
Las Vegas
Newark
Denver*
Austin*
Houston – Hobby Airport*
Chicago-Midway Airport*
West Palm Beach
Boston*
Minneapolis/St. Paul
Phoenix
Jacksonville
MidAmerica St. Louis
South Bend*

Avelo

New Haven*

*Denotes seasonal service

Delta/Delta Connection

Atlanta
Detroit
Minneapolis/St. Paul
New York – LaGuardia

United/United Express

Chicago-O'Hare
Denver
Washington-Dulles
Houston-Bush

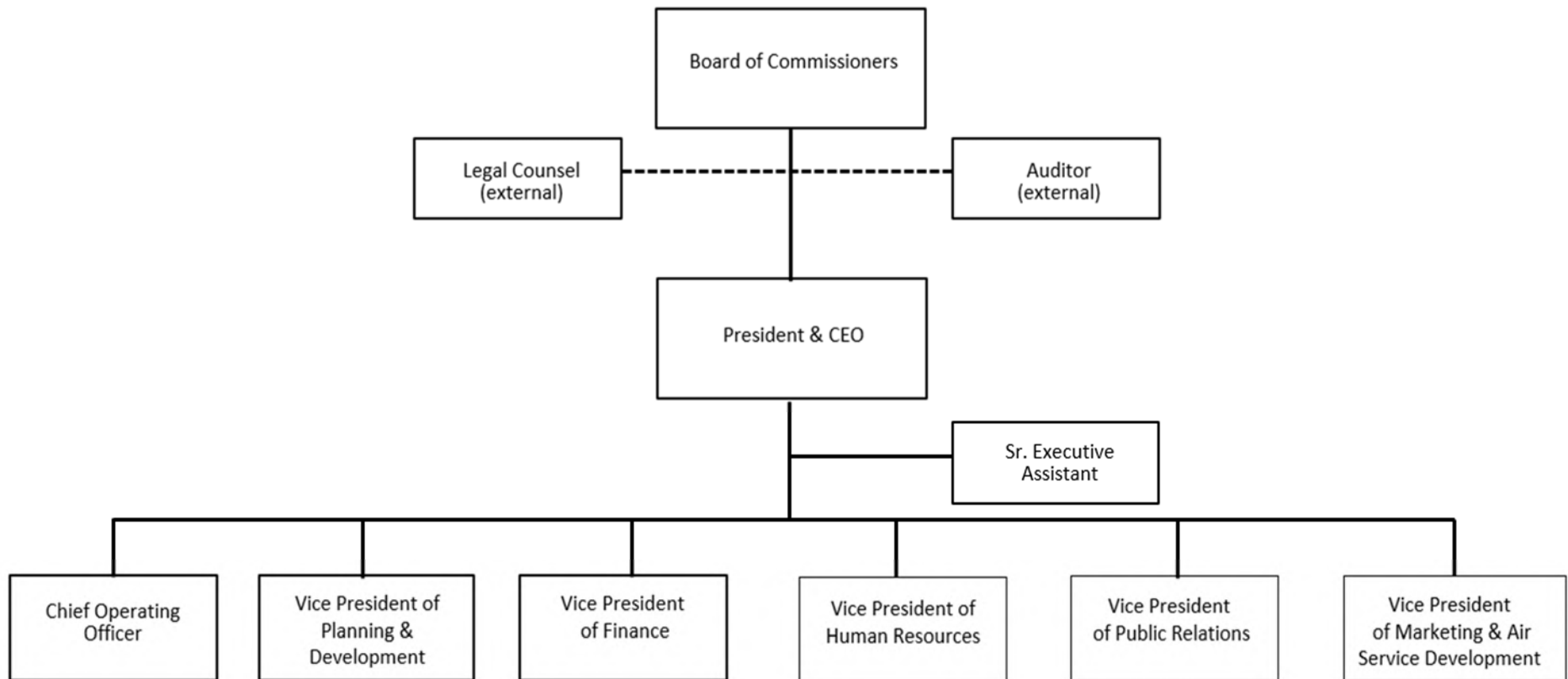
American/American Eagle

Washington-National
Chicago-O'Hare
Dallas/Fort Worth
Charlotte
Philadelphia
Miami
New York- LaGuardia

Frontier

Denver
Orlando - International
Philadelphia

Metropolitan Knoxville Airport Authority Organization Chart



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FINANCIAL SECTION

This section contains the following subsections:

Independent Auditor's Report

Management's Discussion and Analysis

Financial Statements

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Independent Auditor's Report

Board of Commissioners
Metropolitan Knoxville Airport Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Metropolitan Knoxville Airport Authority (the Authority), a component unit of the City of Knoxville, Tennessee as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 24 through 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Long-Term Debt Principal and Interest Requirements and Schedule of Changes in Long-Term Debt by Individual Issue are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, State Financial Assistance and Passenger Facility Charges Collected and Expended is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

November 15, 2024
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Metropolitan Knoxville Airport Authority's financial performance provides an overview of the financial activities of the McGhee Tyson Airport and the Knoxville Downtown Island Airport for the fiscal year ended June 30, 2024. Following this MD&A are the basic financial statements of the Authority together with the notes thereto.

Airport activities highlights

The details of major airport indicators for the fiscal years 2022-2024 are as follows:

	2024	2023	2022
Enplanements	1,514,648	1,317,250	1,177,367
% (decrease) increase	14.99%	11.88%	68.61%
Aircraft operations	105,185	102,988	103,468
% (decrease) increase	2.13%	(0.46%)	19.63%
Landed weight (thousand pound units)	1,919,495	1,715,646	1,612,223
% (decrease) increase	11.88%	6.41%	28.23%
Cargo (pounds)	75,088,531	80,624,659	85,823,544
% (decrease) increase	(6.87%)	(6.06%)	(2.93)%

During FY2024, McGhee Tyson Airport offered East Tennessee travelers 31 nonstop airline destinations flown by six airlines and their affiliates. Few other communities of this size provide such a broad range of nonstop cities.

Financial highlights

The Airport Authority is a component unit of the City of Knoxville, Tennessee (as defined by GASB 2600-125, GAAFR Chapter 33). The Authority issues an Annual Comprehensive Financial Report, which is incorporated in the City of Knoxville's Annual Comprehensive Financial Report. The financial statements following this MD&A are comprised of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the accompanying Notes to the Financial Statements. The financial information herein is presented at a summarized level for analysis purposes only. See Note 1 to the financial statements for significant accounting policies related to the Authority.

2023-2024:

The Airport Authority's operating revenues increased by \$9,128,746 or 23.3% from FY2023 to FY2024 and operating expenses increased by \$4,568,863 or 16.2% from FY2023 to FY2024. The increase in revenues and expenses is primarily due to the continuing increase in passenger traffic during FY2024. Detail summary of activity for FY2024 and FY2023 are as follows:

The Authority felt the impact of a strong increase in passenger traffic by experiencing a 14.99% increase in enplanements and a 15.31% increase in passengers served. Consequently, aviation revenues increased by 5.94% and terminal area revenues increased by 23.36%. Air cargo weights decreased by 6.87%. Even with this decrease in air cargo weights the air cargo and other property revenues increased by 68.5%. Most of this increase came from tenants of the Tyson Centre that was purchased at the beginning of FY2024.

Aviation area expenses decreased 3.45% and terminal area expenses increased 21.09% primarily due to the overall increase in passenger traffic as well as inflation. The Authority's net nonoperating income increased by \$11,873,464 as a result of assets transferred to the Federal Aviation Administration (FAA) during FY2023 upon completion and acceptance of re-installation/replacement of the runway 5L/23R owned Instrument Landing System (ILS). In FY2024, the Authority recognized revenue of \$5,712,646 from the FAA through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and American Rescue Plan Act (ARPA) comparing to \$9,760,735 in FY2023. The Authority used these funds for reimbursement of operational and maintenance expenses, and debt service payments. Interest expense included in the net nonoperating income decreased from the prior year by 50.86%. The decrease in interest expense is the result of the prepayments of the Series 2019A debt principal amounts.

There was an increase of 8.12% in net position from \$342,420,711 at the beginning of FY2024 to \$370,231,203 at the end of the fiscal year. The change in net position is an indication of whether the overall fiscal condition of the Authority has improved or worsened during the year. We feel the overall fiscal condition of the Authority remains strong.

2022-2023:

The Airport Authority's operating revenues increased by \$4,826,256 or 14.08% from FY2022 to FY2023 and operating expenses increased by \$3,847,161 or 15.85% from FY2022 to FY2023. The increase in revenues and expenses is primarily due to the increase in post-pandemic passenger traffic during FY2023. Detail summary of activity for FY2023 and FY2022 are as follows:

The Authority felt the impact from a strong rebound in passenger traffic by experiencing a 11.88% increase in enplanements and a 12.13% increase in passengers served. Consequently, aviation revenues increased by 19.66% and terminal area revenues increased by 14.90%. Air cargo weights decreased by 6.06% resulting in air cargo and other property revenues decreasing by 4.86%. Air cargo weights surged in FY2020 and FY2021 during the pandemic.

Aviation area expenses increased 30.69% and terminal area expenses increased 21.38% primarily due to the overall increase in passenger traffic as well as inflation. The Authority's net nonoperating income decreased by \$6,317,070 as certain assets were transferred to the Federal Aviation Administration (FAA) upon completion and acceptance of re-installation/replacement of the runway 5L/23R owned Instrument Landing System (ILS). In FY2023, the Authority recognized revenue of \$9,760,735 from the FAA through the Coronavirus Aid, Relief, and Economic Security Act (CARES) Airport Grant, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and American Rescue Plan Act (ARPA) comparing to \$6,180,502 in FY2022. The Authority used these funds for reimbursement of operational and maintenance expenses, and debt service payments. Interest expense included in the net nonoperating income decreased from the prior year by 21.93%. The decrease in interest expense is the result of the prepayments of the Series 2019A debt principal amounts.

There was an increase of 3.19% in net position from \$331,847,133 at the beginning of FY2023 to \$342,420,711 at the end of the fiscal year. The change in net position is an indication of whether the overall fiscal condition of the Authority has improved or worsened during the year. We feel the overall fiscal condition of the Authority remains strong.

2021-2022:

The Airport Authority's operating revenues increased by \$11,852,825 or 52.84% from FY2021 to FY2022 and operating expenses increased by \$3,501,229 or 16.86% from FY2021 to FY2022. The increase in revenues and expenses is primarily due to the increase in post-pandemic passenger traffic during FY2022. Detail summary of activity for fiscal year 2022 and 2021 are as follows:

The Authority felt the impact from a strong rebound in passenger traffic by experiencing a 68.61% increase in enplanements and a 68.45% increase in passengers served. Consequently, aviation revenues increased by 28.02% and terminal area revenues increased by 71.15%. Air cargo weights decreased by 2.93% resulting in air cargo and other property revenues decreasing by 1.54%. Air cargo weights surged in FY2020 and FY2021 supported by consumers purchasing goods to enhance time spent at home as necessitated by the pandemic and slowed down as aviation industry recovers from the pandemic in FY2022. However, despite the decrease from FY2021, the Airport Authority's air cargo weights in FY2022 were still above the pre-pandemic level.

Aviation area expenses increased 14.25% and terminal area expenses increased 25.34% primarily due to the overall increase in passenger traffic. The Authority's net nonoperating income decreased by \$4,203,263. In FY2022, the Authority recognized revenue of \$6,180,502 from the FAA through the Coronavirus Aid, Relief, and Economic Security Act (CARES) Airport Grant and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act comparing to \$14,330,976 in FY2021. The Authority used these funds for reimbursement of operational and maintenance expenses and debt service payments. Interest expense included in the net nonoperating income decreased from the prior year by 55.94%. The decrease in interest expense is the result of the amortization of the remaining balance of \$916,666 of a deferred charge on debt refunding, when the related debt was paid in full in FY2021.

There was an increase of 5.19% in net position from \$315,478,675 at the beginning of FY2022 to \$331,847,133 at the end of the fiscal year. The change in net position is an indication of whether the overall fiscal condition of the Authority has improved or worsened during the year. We feel the overall fiscal condition of the Authority remains strong.

Summary of revenues, expenses, and changes in net position

	2024	2023	2022
Operating revenues	\$ 48,240,729	\$ 39,111,983	\$ 34,285,727
Operating expenses	(32,689,143)	(28,120,280)	(24,273,119)
Operating revenues in excess of operating expenses before depreciation and amortization	15,551,586	10,991,703	10,012,608
Depreciation and amortization	(19,968,654)	(18,899,203)	(14,144,380)
Operating loss	(4,417,068)	(7,907,500)	(4,131,772)
Net nonoperating income	18,965,623	7,092,159	13,409,229
Income (loss) before capital contributions	14,548,555	(815,341)	9,277,457
Capital contributions	13,261,937	11,388,919	7,091,001
Increase in net position	27,810,492	10,573,578	16,368,458
Net position at beginning of year	342,420,711	331,841,133	315,478,675
Net position at end of year	\$370,231,203	\$342,420,711	\$331,847,133

Financial summary

	2024	2023	2022
Unrestricted current assets	\$100,823,212	\$ 76,016,999	\$ 74,649,030
Restricted current assets	13,593,307	19,107,638	16,520,981
Capital assets, net	281,257,813	269,690,882	273,595,822
Master plans and other plans, net	819,414	1,087,504	861,716
Lease receivable, less current portion	7,754,461	8,457,800	8,621,917
Other	57,697	66,952	443,112
Total assets	\$404,305,904	\$374,427,775	\$374,692,578
Current liabilities	\$ 11,505,056	\$ 5,887,005	\$ 5,208,389
Long-term debt, less current portion	11,900,000	17,650,000	28,885,000
Unearned revenue	2,342,680	34,500	40,500
Total liabilities	25,747,736	23,571,505	34,133,889
Deferred inflow of resources - leases	8,326,965	8,435,559	8,711,556
Total liabilities and deferred inflows of resources	34,074,701	32,007,064	42,845,445
Net investment in capital assets	265,254,641	251,080,250	243,941,035
Restricted net position	13,593,307	19,107,638	16,520,981
Unrestricted net position	91,383,255	72,232,823	71,385,117
Total net position	370,231,203	342,420,711	331,847,133
Total liabilities, deferred inflows of resources, and net position	\$404,305,904	\$374,427,775	\$374,692,578

The largest portion of the Authority's net position each year represents its investment in capital assets less the related indebtedness outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors; consequently, these assets are not available for future spending.

Although the Authority's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities. Another portion of net position is restricted and primarily represents Passenger Facility Charges (PFC) that are restricted by Federal regulations and Customer Facility Charges (CFC) that are restricted for use or purpose. The remaining portion of net position is externally unrestricted and may be used to meet any of the Authority's ongoing obligations.

Airline signatory rates and charges

The Authority and certain airlines negotiated an agreement effective July 1, 2018, for five years, which established how those airlines would be assessed annual rates and charged for their use of the airport. Airline Lease and Use agreements expired as of June 30, 2023, but has currently been extended on a month-to-month basis.

Terminal rates and landing fees are estimated at the beginning of the year with an annual year-end settlement calculation. The rates and charges for the signatory airlines were as follows:

	Year ended June 30		
	2024	2023	2022
Landing fees (per 1,000 lbs. MCLW)	\$3.30	\$3.43	\$2.94
Terminal rates (per square foot)	\$63.61	\$53.76	\$44.07
Loading bridge rate per bridge	\$53,476	\$45,287	\$100,926
Apron charge per gate	\$130,955	\$115,634	\$91,735

Cost per enplaned passenger

Cost per enplaned passenger or airline cost per passenger is generally considered to be part of an airline's cost of doing business at an airport. Cost per enplaned passenger is defined as all landing fees, airside usage charges, terminal rents and other airline payments to airports divided by enplaned passengers. The cost per enplaned passenger for McGhee Tyson Airport were as follows:

	2024	2023	2022
Cost per enplaned passenger	\$7.66	\$7.59	\$7.18

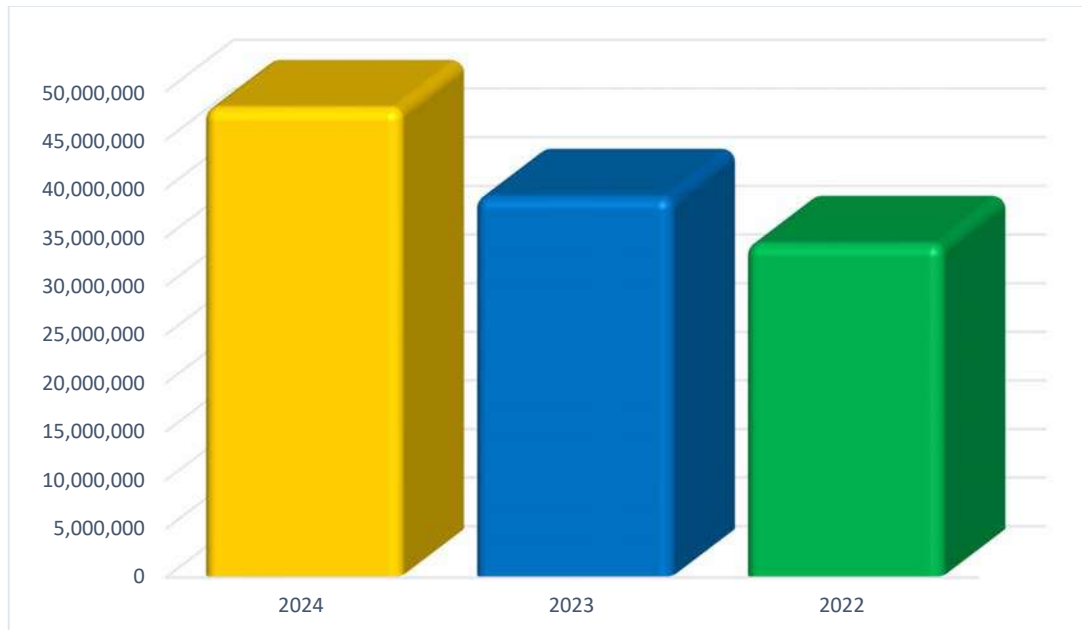
Financial details

Revenues

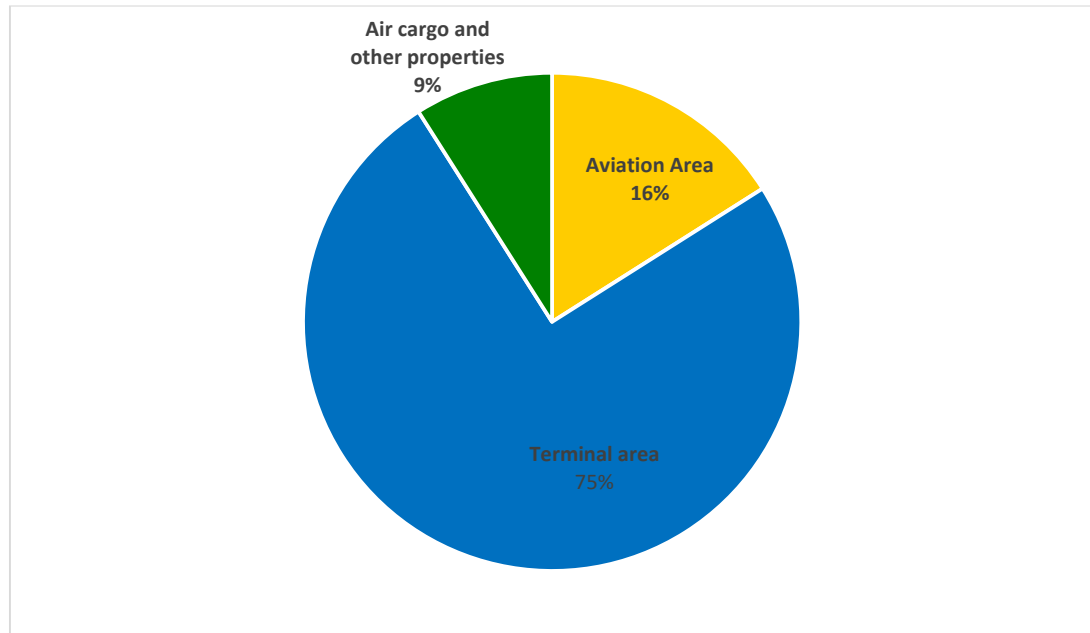
The following schedule presents a summary of operating revenues and nonoperating income:

	Year ended June 30		
	2024	2023	2022
Operating revenues:			
Aviation area	\$ 7,515,133	\$ 7,094,029	\$ 5,928,246
Terminal area	36,143,190	29,297,817	25,498,292
Air cargo and other properties	4,582,406	2,720,137	2,859,189
Total operating revenues	48,240,729	39,111,983	34,285,727
Nonoperating income and capital contributions:			
Passenger facility charges, net	6,292,174	5,355,953	4,890,019
Customer facility charges	4,258,456	3,001,093	2,715,365
Interest income	1,839,006	813,229	383,140
Federal and state grants	5,762,716	9,800,468	6,226,707
Other nonoperating income	1,211,228	—	65,739
Capital contributions – grant receipts from governmental agencies	13,261,937	11,388,919	7,091,001
Net nonoperating income and capital contributions	32,625,517	30,359,662	21,371,971
Total revenues and nonoperating income	\$ 80,866,246	\$69,471,645	\$55,657,698

The following chart shows the operating revenues for the past three fiscal years.



The sources and the percentage of operating revenue for fiscal year ended June 30, 2024, are shown below.

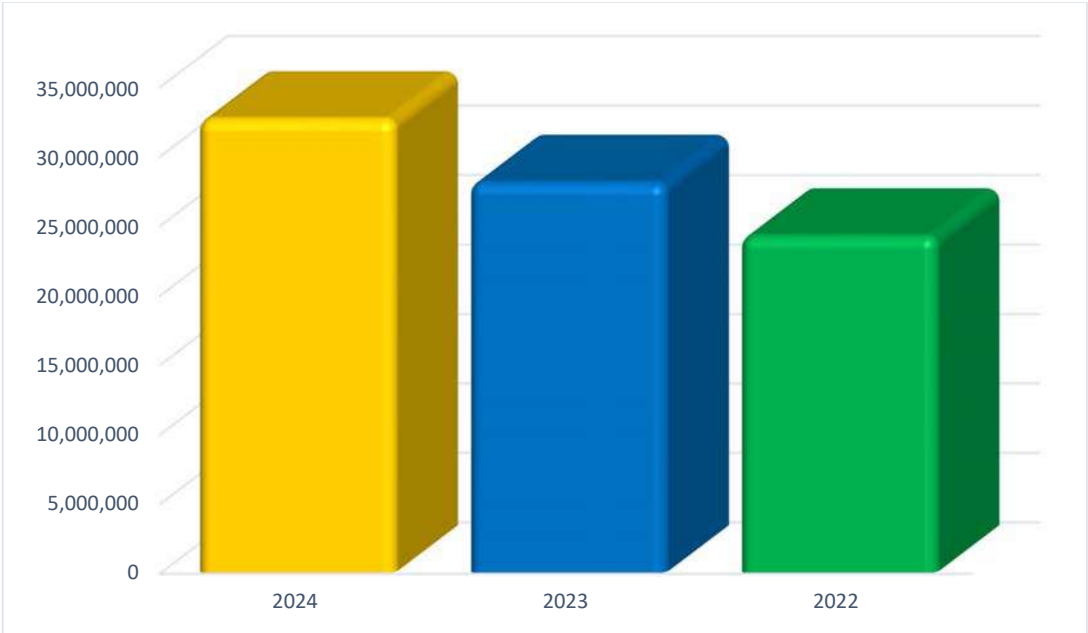


Expenses

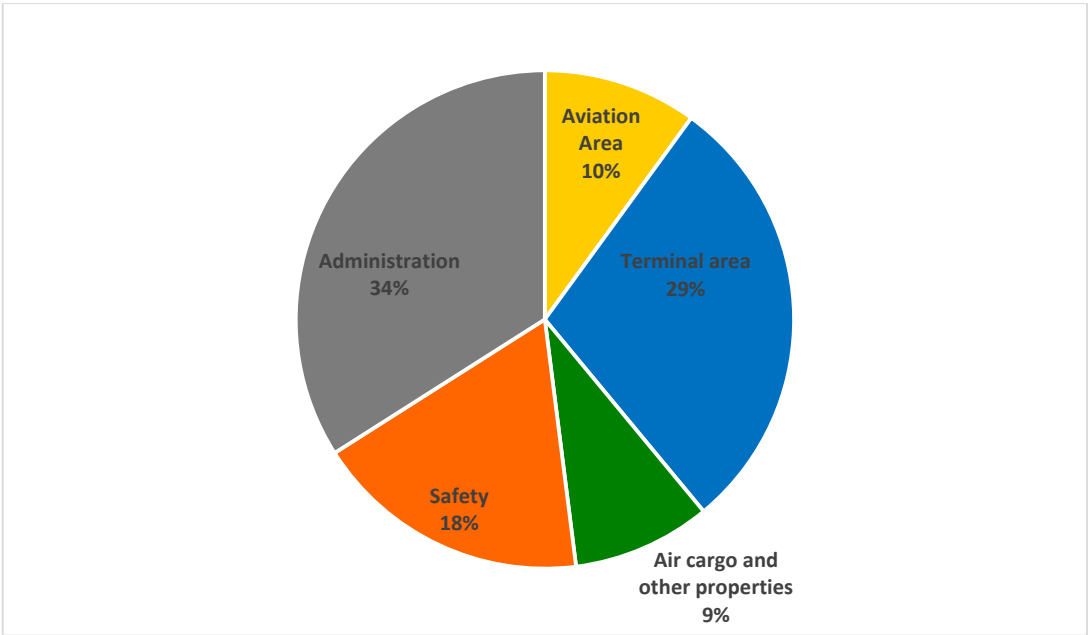
The following schedule presents a summary of operating and nonoperating expenses:

	Year ended June 30		
	2024	2023	2022
Operating expenses:			
Aviation area	\$ 3,226,236	\$ 3,341,581	\$ 2,556,934
Terminal area	9,496,982	7,843,207	6,461,859
Air cargo and other properties	2,868,243	2,075,886	2,057,645
Safety	5,948,428	5,557,541	5,202,216
Administration	11,149,254	9,302,065	7,994,465
Total operating expenses	32,689,143	28,120,280	24,273,119
Depreciation and amortization	19,968,654	18,899,203	14,144,380
Interest expense	334,479	680,595	871,741
Transfer of assets to the FAA	—	10,634,317	—
Other nonoperating expense	63,478	563,672	—
Total expenses	\$ 53,055,754	\$58,898,067	\$39,289,240

The following chart shows the operating expenses for the past three fiscal years.



The sources and the percentage of operating expense for fiscal year ended June 30, 2024, are shown below.



Summary of cash flow activities

	Year ended June 30		
	2024	2023	2022
Operating activities	\$ 19,668,419	\$11,585,515	\$ 9,994,850
Investing activities	(6,735,306)	3,700,927	(12,623,366)
Noncapital financing activities	5,811,425	9,106,023	7,018,140
Capital and related financing activities	(7,675,192)	(28,113,233)	(2,729,163)
Net increase in cash and equivalents	11,069,346	(3,720,768)	1,660,461
Cash and cash equivalents at beginning of year	55,327,120	59,047,888	57,387,427
Cash and cash equivalents at end of year	\$ 66,396,466	\$55,327,120	\$59,047,888

Financial statements

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenue recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their useful lives. Amounts are restricted for debt service and, where applicable, for construction purposes. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Capital acquisitions and construction activities

During fiscal year ended June 30, 2024, the Authority expended \$20,020,917 on capital activities. This included land acquisitions and major construction projects.

During fiscal year ended June 30, 2024, completed projects totaling \$9,074,679 were closed from construction-in-progress to their respective capital accounts. Of this amount, \$7,216,864 is related to the completion of the Economy Parking Lot C.

Property and equipment acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, state grants, debt issuances, and airport revenues. See Note 4 in the notes to the financial statements for more detailed information on capital asset activity.

Long-term debt

The outstanding long-term debt of the Authority is \$11,900,000 at June 30, 2024, which consists of Notes Payable.

The Authority's most recent issuance of debt was the Airport Revenue Refunding Note, Series 2019A, in the amount of \$39,570,000. The note is secured by and payable solely from the net revenues derived from the operations of the airport by the Authority as defined in the Master Plan Resolution. The Series 2019A Note was issued to refund a portion of the Authority's Series V-A-1 Bonds and to terminate the variable interest rate. The refunding did not extend the maturity date of the bonds but fixed the interest rate for the remaining term due. Maturities ranged from 2022 to 2028. The principal and interest payable on the debt is paid from airport revenues. Detailed information on long-term debt activity can be found in Note 5 of the notes to the financial statements.

In October 2024, the Authority issued \$68,015,000 in Airport Revenue Bonds, Series 2024A, to provide funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport. The Series 2024A bonds were issued at a premium of \$7,552,295. The interest rate ranges from 5.00% to 5.25% with maturity in 2054.

In October 2024, the Authority issued \$41,230,000 in Airport Revenue Bonds, Series 2024B (Federally Taxable), to provide funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport. The interest rate ranges from 4.425% to 5.315% with maturity in 2054.

Passenger facility charges

On October 6, 1993, the Metropolitan Knoxville Airport Authority received approval from the Federal Aviation Administration (FAA) to collect a \$3.00 PFC on each passenger enplaning at McGhee Tyson Airport. On September 16, 2003, the FAA approved an increase in the Authority's PFC rate to \$4.50 per enplaning passenger. The FAA determined that the earliest effective date for the new rate was October 1, 2003. The collection authority has been extended to August 1, 2024. On July 6, 2021, the FAA approved the Authority's amendment to PFC Application 98-06-C-01-TYS, reducing the Airport's PFC authority by \$11,470,501 to reflect the refunding of PFC-eligible debt service. The adjustment of PFCs disbursed for the applicable project, Terminal Construction/Rehabilitation, is documented in the SOAR Report for the quarter ended December 31, 2021, for an amount of \$6,050,889 to account for the updated eligible debt service for the period from 2001 through 2021. On December 1, 2022, the FAA approved the Authority's PFC application 23-08-C-00-TYS to collect and use a total of \$14,870,960 in PFC revenue.

As of June 30, 2024, the Authority had collected \$97,979,934 of PFC revenue including interest and expended \$97,966,630 on approved projects. The FAA has authorized \$107,172,380 PFC collection by the Airport Authority as of June 30, 2024.

Customer facility charges

On February 1, 2020, the Authority began collecting a \$4.00 per day transaction fee, known as a customer facility charge (CFC), from rental car operators serving McGhee Tyson Airport. On July 1, 2023, this fee was increased to \$5.50 per day. Fees collected are to fund the planning, design/engineering, and construction of new car rental facilities, and/or improvements to the existing car rental facilities, including any associated infrastructure costs or payments of any Authority debt service incurred to finance these costs or ongoing maintenance of rental car facilities. As of June 30, 2024, the Authority has \$12,034,668 of CFCs available for authorized use.

Request for information

The financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Vice President of Finance or the Controller, Metropolitan Knoxville Airport Authority, P. O. Box 15600, Knoxville, TN 37901 or by email to Susan.Gennoe@tys.org or to Yin.Chen@tys.org.

Respectfully submitted,



Susan Gennoe, CPA
Vice President, Finance



Yin Chen, CPA
Controller

STATEMENTS OF NET POSITION

	June 30	
	2024	2023
Assets		
Unrestricted current assets:		
Cash and cash equivalents	\$ 54,524,772	\$ 37,027,203
Investments	29,877,173	21,168,308
Receivables:		
Trade	2,118,370	1,397,387
Government agencies	12,095,744	5,535,738
Lease, current portion	825,393	163,695
Other receivables	61,112	1,179,911
Interest	493,644	45,705
Prepaid expenses and other current assets	827,004	9,499,052
Total unrestricted current assets	100,823,212	76,016,999
Restricted current assets:		
Cash and cash equivalents	11,871,694	18,299,917
Receivables	1,721,613	807,721
Total restricted current assets	13,593,307	19,107,638
Total current assets	114,416,519	95,124,637
Noncurrent assets:		
Capital assets, net of accumulated depreciation	281,257,813	269,690,882
Master plans and other plans, net of accumulated amortization	819,414	1,087,504
Lease receivable, less current portion	7,754,461	8,457,800
Other	57,697	66,952
Total noncurrent assets	289,889,385	279,303,138
Total assets	\$ 404,305,904	\$ 374,427,775

Continued on next page

STATEMENTS OF NET POSITION *(continued)*

	June 30	
	2024	2023
Liabilities and net position		
Current liabilities:		
Accounts payable - non-construction	\$ 4,524,750	\$ 1,909,319
Accounts payable - construction	4,922,586	2,048,136
Accrued payroll and other expenses	2,033,371	1,893,035
Accrued interest	24,349	36,515
Total current liabilities	11,505,056	5,887,005
Long-term liabilities:		
Long-term debt	11,900,000	17,650,000
Unearned revenue	2,342,680	34,500
Total long-term liabilities	14,242,680	17,684,500
Total liabilities	25,747,736	23,571,505
Deferred inflows of resources		
Leases	8,326,965	8,435,559
Total liabilities and deferred inflows of resources	34,074,701	32,007,064
Net position:		
Net investment in capital assets	265,254,641	251,080,250
Restricted - expendable:		
Passenger facility charges	1,239,266	10,944,975
Law enforcement	319,373	335,939
Customer facility charges	12,034,668	7,826,724
Unrestricted	91,383,255	72,232,823
Total net position	370,231,203	342,420,711
Total liabilities, deferred inflows of resources, and net position	\$ 404,305,904	\$ 374,427,775

See accompanying Notes to Financial Statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years ended June 30	
	2024	2023
Operating revenues:		
Aviation area	\$ 7,515,133	\$ 7,094,029
Terminal area	36,143,190	29,297,817
Air cargo and other properties	4,582,406	2,720,137
Total operating revenues	48,240,729	39,111,983
Operating expenses:		
Aviation area	3,226,236	3,341,581
Terminal area	9,496,982	7,843,207
Air cargo and other properties	2,868,243	2,075,886
General area:		
Safety	5,948,428	5,557,541
Administration	11,149,254	9,302,065
Total operating expenses	32,689,143	28,120,280
Operating revenues in excess of operating expenses before depreciation and amortization	15,551,586	10,991,703
Depreciation and amortization	(19,968,654)	(18,899,203)
Operating loss	(4,417,068)	(7,907,500)
Nonoperating income (expense):		
Passenger facility charges, net	6,292,174	5,355,953
Customer facility charges	4,258,456	3,001,093
Interest income	1,839,006	813,229
Interest expense	(334,479)	(680,595)
Federal and state grants	5,762,716	9,800,468
Transfer of assets to the FAA	-	(10,634,317)
Other nonoperating, net	1,147,750	(563,672)
Net nonoperating income	18,965,623	7,092,159
Income (loss) before capital contributions	14,548,555	(815,341)
Capital contributions	13,261,937	11,388,919
Increase in net position	27,810,492	10,573,578
Net position at beginning of year	342,420,711	331,847,133
Net position at end of year	\$ 370,231,203	\$ 342,420,711

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2024	2023
Operating activities		
Operating cash received from customers	\$ 49,690,272	\$ 39,156,296
Cash payments to suppliers of goods and services	(12,146,386)	(11,249,976)
Cash payments to employees for services	(17,875,467)	(16,320,805)
Net cash provided by operating activities	19,668,419	11,585,515
Investing activities		
Interest received	1,391,067	783,717
Purchases of investments	(23,251,373)	(9,748,405)
Proceeds from maturities of investments	15,125,000	12,665,615
Net cash (used in) provided by investing activities	(6,735,306)	3,700,927
Noncapital financing activities		
Receipts from governmental agencies and other financing activities	5,811,425	9,106,023
Net cash provided by noncapital financing activities	5,811,425	9,106,023
Capital and related financing activities		
Interest paid	(346,645)	(702,800)
Repayments on debt	(5,750,000)	(11,235,000)
Prepayment for purchase of capital asset	-	(8,769,780)
Purchases of capital assets	(20,020,917)	(25,475,627)
Proceeds from sale of capital assets	2,103,701	39,830
Receipts of passenger facility charges	5,556,416	5,310,888
Receipts of customer facility charges	4,080,322	2,935,169
Grant receipts from governmental agencies	6,701,931	9,784,087
Net cash used in capital and related financing activities	(7,675,192)	(28,113,233)
Net increase in cash and cash equivalents	11,069,346	(3,720,768)
Cash and cash equivalents at beginning of year	55,327,120	59,047,888
Cash and cash equivalents at end of year	\$ 66,396,466	\$ 55,327,120
Cash and cash equivalents are classified as:		
Unrestricted current assets	\$ 54,524,772	\$ 37,027,203
Restricted current assets	11,871,694	18,299,917
Total cash and cash equivalents at end of year	\$ 66,396,466	\$ 55,327,120

Continued on next page

STATEMENTS OF CASH FLOWS *(continued)*

	Years ended June 30	
	2024	2023
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (4,417,068)	\$ (7,907,500)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	19,968,654	18,899,203
Changes in operating assets and liabilities:		
Receivables—trade	(720,983)	99,121
Lease receivable	41,641	207,096
Prepaid expenses and other assets	(159,178)	285,404
Accounts payable—non-construction	2,615,431	269,180
Accrued payroll and other expenses	140,336	15,008
Unearned revenue	2,308,180	(6,000)
Deferred inflows of resources—leases	(108,594)	(275,997)
Net cash provided by operating activities	\$ 19,668,419	\$ 11,585,515
Schedule of noncash related transactions:		
Noncash capital and related financing transactions		
Transfer of assets to the FAA	\$ -	\$ 10,634,317
Increase in accounts payable - construction related to capital asset purchases	\$ 2,874,450	\$ 416,633

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization and Reporting Entity

The Metropolitan Knoxville Airport Authority (the Authority) is a component unit of the City of Knoxville, Tennessee (the City) (as defined by GASB 2600-125, GAAFR Chapter 33), governed by a nine-member Board of Commissioners appointed by the Mayor of the City and confirmed by members of City Council. A Master Resolution was adopted in 2000 whereby the Authority issues its own revenue obligations.

The reporting entity, as a component unit of the City, includes the accounts of McGhee Tyson Airport and Knoxville Downtown Island Airport. There are no agencies, departments or funds subordinate to the Authority, which might be considered for inclusion in the reporting entity.

The Authority operates under, and pursuant to, the authority granted by the Metropolitan Airport Authority Act of 1969 (Tennessee Code Annotated Section 42-4-101, et seq.).

Basis of Accounting

The Authority reports as a Business Type Activity. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets.

Revenues from airlines, concessions, leases, rental cars and parking are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as nonoperating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Fiscal Year-End

The Authority operates on a fiscal year ending June 30. All references in these notes refer to the fiscal year-end unless otherwise specified.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets

Under the by-laws of the Authority, management must submit an annual operating budget to the Board of Commissioners for approval. In addition, management must submit to the Board of Commissioners annually a capital-improvements budget covering a period of five years.

The Authority is not required to demonstrate statutory compliance with its annual operating or capital-improvements budget. Accordingly, budgetary data is not included in the financial statements. All budgets are prepared in accordance with bond covenants. Unexpended appropriations, excluding grants and capital projects, lapse at year-end.

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The Authority reports investments in the Tennessee Local Government Investment Pool (LGIP) at amortized cost using a stable net asset value. The responsibility for conducting the LGIP's investment program resides with the State Treasurer and investments are made in instruments authorized by TCA Section 9-4-602. Remaining investments are reported at fair value using quoted market price or the best available estimate thereof. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction with willing parties, other than in a forced or liquidation sale. All investment income, including changes in the fair value of investments, is reported as nonoperating income in the accompanying statements of revenues, expenses and changes in net position.

Amounts Due from Governmental Agencies

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA) with certain matching funds provided by the State of Tennessee (State) and the Authority, or from various state allocations or grant programs. Funding provided under government grants is considered earned when the related allowable expenditures are incurred, and the funds are available.

Restricted Assets

Restricted assets are held to satisfy bond principal and interest sinking fund requirements or are otherwise held for certain capital improvement and certain other restricted expenditures. For expenditures in which both restricted and unrestricted net positions are available, the Authority first applies restricted assets when such expenditures are incurred.

Capital Assets

Capital assets are stated at cost and defined by the Authority as assets with an initial cost greater than \$5,000. Donated capital assets, if any, are reported at acquisition value. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. The cost and accumulated depreciation on retired assets are removed from the books and the gain or loss, if any, is reflected in nonoperating activities.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	5 – 20 years
Buildings and building improvements	5 – 40 years
Equipment, furniture and fixtures	3 – 10 years

Master Plans

Master plans are stated at cost. Amortization is computed using the straight-line method over the plans' estimated useful lives of five years.

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

Deferred Inflow or Outflow of Resources

The statement of net position will sometimes report separate sections for deferred inflows or outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

Compensated Absences

Compensated absences are accrued as payable when earned and are cumulative from one fiscal year to the next. The liability is included with accrued payroll in the financial statements. The Authority does not have any long-term liabilities for compensated absences.

Net Position

Net position is classified in the following categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, less outstanding principal of debt and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets.

Restricted:

Nonexpendable – Net position subject to externally imposed stipulations that the Authority maintains them permanently. As of June 30, 2024, the Authority does not have nonexpendable net position.

Expendable – Net position on which use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time.

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Operating Revenues and Expenses

Aviation area revenues are those revenues received from the use of the airfield such as landing fees, fuel flowage fees, airfield site leases, and military joint use agreements.

Terminal area revenues are those revenues received from space rentals paid by airlines conducting operations in the terminal and revenues received from public parking, rental car concessions and other businesses operating in the terminal.

Air cargo revenues are those revenues received from space leases in the cargo building and the air cargo complex. Revenues from other properties are those revenues received from the hotel lease and nonaviation property leases.

All expenses related to operating the Airport are reported as operating expenses.

NOTES TO FINANCIAL STATEMENTS *(continued)*

1. Significant Accounting Policies *(continued)*

Risk Management

The Authority is subject to risks that include personal injury, property damage, employee bodily injury, employee theft, employee medical, cyber security, public officials and employee conduct, and workers' compensation. The Authority has purchased insurance policies that transfer these risks, subject to policy limits. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Reclassifications

Certain amounts in the prior year have been reclassified to conform with 2024 classifications.

Leases

As lessor, the Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, except for certain regulated leases and short-term leases. The Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The future lease payments due from the Authority's lessee's have been discounted using an incremental borrowing rate that the Authority has determined for each lessee based on various factors, primarily the lease term. The lease term includes the noncancellable period of the lease plus any option to extend that is reasonably certain to be exercised. Lease receipts included in measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that require a reassessment of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

2. Deposits and Investments

Deposits

Deposits are included in the Authority's financial statements as "cash and cash equivalents" and "restricted cash and cash equivalents." As of June 30, 2024 and 2023, all bank balances in excess of federal insurance limits were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee. Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Public fund accounts covered by the pool are considered entirely insured or collateralized.

NOTES TO FINANCIAL STATEMENTS *(continued)*

2. Deposits and Investments *(continued)*

Investments

The Authority's investment policy follows the City of Knoxville and Knox County's investment policies. These policies authorize the Authority to invest idle funds in direct obligations of the United States Treasury, its agencies and instrumentalities, money market funds, the state local treasurer's investment pool (Tennessee Local Government Investment Pool), prime commercial paper, bankers' acceptance notes, certificates of deposit, corporate bonds, equity funds, short-term bonds and debt securities.

Investments in the LGIP contain investments in certificates of deposit, U.S. Treasury securities, and repurchase agreements backed by the U.S. Treasury securities.

Interest Rate Risk: To limit the Authority's exposure to fair value losses arising from changing interest rates, the Authority's investment policy prohibits more than 20% of investments (as defined) to be invested with maturities of greater than two years from the acquisition date. Also, investment maturities may not exceed five years from the acquisition date. Investments with maturities of greater than two years require approval of the finance committee.

Credit Risk: The Authority's investment policy allows only investments rated in the highest category by two nationally recognized rating services. As of June 30, 2024, all the Authority's investments in debt securities were rated at least Aaa by Moody's Investor Services or AA+ by Standard & Poor's rating services. The Authority's debt securities investments of U.S. Government Sponsored Enterprises at June 30, 2024 have an implied but not explicit backing of the United States government.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of the custodian, the Authority will not be able to recover the value of investments or collateral that are in the possession of an outside party. The Authority's investments are typically uninsured and unregistered investments for which the securities are held by the custodian's trust department or agent in the Authority's name.

As of June 30, 2024, each investment of the Authority accounts for more than 5% of total investments and as such, represents a concentration. Investments of the Authority at June 30, 2024, are as follows:

	Weighted Average Maturity (Months)	Investments at Fair Value	Investments at Net Asset Value	Interest Rates	Maturity Dates
Federal Farm Credit Bank	3.85	\$ 4,925,800	\$ —	0.70%	10/25/2024
Local Government Investment Pool		—	24,951,373	Variable	
Total investments		<u>\$4,925,800</u>	<u>\$24,951,373</u>		
Portfolio weighted average maturity	3.85				

NOTES TO FINANCIAL STATEMENTS *(continued)*

3. Leases

The Authority leases certain assets to various third parties. The assets leased include land, hangars, terminal space for concessions, and office space. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease receivable. Variable payments are certain lease payments based on a percentage of concessioners' revenue, or to cover actual operating and maintenance expenses.

The Authority recognized the following related to its lessor agreements for the years ended June 30, 2024 and 2023

	2024	2023
Lease revenue	\$1,463,833	\$ 298,283
Interest income related to its leases	314,084	275,197
Revenue from variable payments not previously included in the measurement for the lease receivable.	1,800,385	715,554

Of the Authority's lease receivables at June 30, 2024, the entire amount of \$8,579,854 relates to leases whose revenues are pledged to secure certain outstanding debt obligations of the Airport Authority. The leases do not contain options to terminate the lease. Abatement of rent can occur if leased premises are partially or wholly untenable due to fire or casualty, until such time as repairs are completed.

Future principal and interest payment requirements related to the Authority's lease receivable at June 30, 2024 are as follows:

	Principal	Interest	Total
2025	\$ 825,393	\$ 261,506	\$ 1,086,899
2026	403,197	244,029	647,226
2027	355,982	232,829	588,811
2028	352,941	221,651	574,592
2029	334,905	210,772	545,677
2030 – 2034	688,530	954,496	1,643,026
2035 – 2039	519,018	872,367	1,391,385
2040 – 2044	602,850	781,890	1,384,740
2045 – 2049	709,065	675,675	1,384,740
2050 – 2054	833,996	550,744	1,384,740
2055 – 2059	980,937	403,803	1,384,740
2060 – 2064	1,153,769	230,971	1,384,740
2065 – 2069	738,162	54,899	793,061
2070 – 2072	81,109	2,383	83,492
Total	<u>\$8,579,854</u>	<u>\$5,698,015</u>	<u>\$14,277,869</u>

On July 1, 2023, the Authority purchased the leasehold interest in buildings and related fixtures located on land owned by the Authority for approximately \$8,700,000. The funds were transferred to an escrow account on June 30, 2023 and is reported as a deposit in other current assets at June 30, 2023. As part of this agreement, the Authority's ground lease to the seller was terminated on July 1, 2023. As such, \$1,819,055 of lease receivable and \$1,778,710 of deferred lease inflow at June 30, 2023 were terminated on July 1, 2023.

NOTES TO FINANCIAL STATEMENTS *(continued)*

3. Leases *(continued)*

Regulated Leases (Lessor)

The Authority is party to certain regulated leases, as defined by GASB Statement No. 87. Leased assets in the Air Carrier leases include airfield, terminal complex space, passenger hold rooms, passenger boarding bridges, and parking aprons. The Air Carrier leases are currently month-to-month as new agreements are being negotiated.

Leased assets in the Air Cargo leases include airfield, buildings, aircraft aprons, and employee parking areas. One Air Cargo lease will expire on June 30, 2026. As of June 30, 2024, the other Air Cargo lease will be month-to-month as a new agreement is being negotiated.

Leased assets in the other air service leases include land, airfield, and office space. The expiration date of the other air service leases varies between 1 to 25 years.

Airfield, terminal buildings, baggage room, boarding bridges, and cargo spaces are regulated under the U.S. Department of Transportation and the FAA between airports and air carriers and other aeronautical users.

Three airlines each have preferential use of three of the twelve gates and the fourth airline has preferential use of two of the twelve gates. Three airlines each have exclusive use of three ticket counters and the fourth has exclusive use of four ticket counters. Four airlines have exclusive use of their respective office space and baggage room.

Cargo carriers each have exclusive right to their respective cargo building and its own employee parking area. They each also have one preferential aircraft apron in front of their respective cargo building.

The Authority recognized the following from regulated leases for the years ended June 30, 2024 and 2023:

	2024	2023
Lease revenue	\$ 1,203,174	\$1,278,049
Revenue from variable payments excluded from the schedule of expected future minimum payments.	7,228,114	5,899,899

Future expected minimum payments related to the Airport Authority's regulated leases at June 30, 2024 are as follows:

2025	\$ 752,275
2026	758,187
2027	456,670
2028	456,670
2029	393,817
2030 – 2034	1,654,817
2035 – 2039	1,654,817
2040 – 2044	1,654,817
2045 – 2049	1,654,817
2050	75,260
Total	<u>\$9,512,147</u>

NOTES TO FINANCIAL STATEMENTS (continued)

4. Capital Assets

Capital asset activity, including Master Plans, for the years ended June 30, 2024 and 2023, is as follows:

Year ended June 30, 2024	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 41,237,909	\$ 600,846	\$ (397,652)	\$ 41,441,103
Land easements	625,903	-	-	625,903
Construction in progress	14,097,237	19,274,183	(9,074,679)	24,296,741
Total nondepreciable capital assets	55,961,049	19,875,029	(9,472,331)	66,363,747
Depreciable capital assets:				
Land improvements	254,621,319	8,155,269	-	262,776,588
Buildings and building improvements	185,713,466	12,102,897	-	197,816,363
Equipment, furniture and fixtures	45,214,442	578,759	(296,475)	45,496,726
Total depreciable capital assets	485,549,227	20,836,925	(296,475)	506,089,677
Less accumulated depreciation:				
Land improvements	(118,203,271)	(10,499,768)	-	(128,703,039)
Buildings and building improvements	(135,354,970)	(6,000,848)	-	(141,355,818)
Equipment, furniture and fixtures	(18,261,153)	(3,172,076)	296,475	(21,136,754)
Total accumulated depreciation	(271,819,394)	(19,672,692)	296,475	(291,195,611)
Net depreciable capital assets	213,729,833	1,164,233	-	214,894,066
Total capital assets, net of accumulated depreciation	\$ 269,690,882	\$ 21,039,262	\$ (9,472,331)	\$ 281,257,813
Other capital assets:				
Master plans and other plans	\$ 11,490,939	\$ 27,872	\$ -	\$ 11,518,811
Accumulated amortization	(10,403,435)	(295,962)	-	(10,699,397)
Net other capital assets	\$ 1,087,504	\$ (268,090)	\$ -	\$ 819,414

The Authority is contractually obligated to expend approximately \$32 million more for various projects. Estimated costs to complete construction in progress for these projects total approximately \$192 million as of June 30, 2024. The work will be funded through proceeds from Federal and State grants, CFC, bond proceeds, and other Authority funds.

NOTES TO FINANCIAL STATEMENTS (continued)

4. Capital Assets (continued)

Year ended June 30, 2023	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 40,764,562	\$ 473,347	\$ -	\$ 41,237,909
Land easements	625,903	-	-	625,903
Construction in progress	20,578,875	22,857,957	(29,339,595)	14,097,237
Total nondepreciable capital assets	61,969,340	23,331,304	(29,339,595)	55,961,049
Depreciable capital assets:				
Land improvements	245,538,772	9,082,547	-	254,621,319
Buildings and building improvements	181,359,031	4,354,435	-	185,713,466
Equipment, furniture and fixtures	37,889,184	7,429,966	(104,708)	45,214,442
Total depreciable capital assets	464,786,987	20,866,948	(104,708)	485,549,227
Less accumulated depreciation:				
Land improvements	(108,042,297)	(10,160,974)	-	(118,203,271)
Buildings and building improvements	(129,653,201)	(5,701,769)	-	(135,354,970)
Equipment, furniture and fixtures	(15,465,007)	(2,862,962)	66,816	(18,261,153)
Total accumulated depreciation	(253,160,505)	(18,725,705)	66,816	(271,819,394)
Net depreciable capital assets	211,626,482	2,141,243	(37,892)	213,729,833
Total capital assets, net of accumulated depreciation	\$ 273,595,822	\$ 25,472,547	\$ (29,377,487)	\$ 269,690,882
Other capital assets:				
Master plans and other plans	\$ 11,091,653	\$ 399,286	\$ -	\$ 11,490,939
Accumulated amortization	(10,229,937)	(173,498)	-	(10,403,435)
Net other capital assets	\$ 861,716	\$ 225,788	\$ -	\$ 1,087,504

In 2023, the Authority completed installation and replacement of the Runway 5L/23R Instrument Landing Systems (ILS) which was fully funded through grants provided by the FAA. Certain related assets constructed, emplaced, or installed became the property of the FAA upon their acceptance that it was substantially complete and ready for use. The FAA accepted responsibilities for operations and maintenance requirements of this equipment in 2023. Equipment of approximately \$10,600,000 was transferred to the FAA upon title transfer in 2023 and recorded in the statement of operations as a nonoperating expense.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt

Long-term debt includes the following Airport Revenue Obligations payable from operating revenues for the years ended June 30, 2024 and 2023:

	Beginning Balance	Additions	Payments	Ending Balance
Year ended June 30, 2024				
Notes payable:				
Series 2019A	\$17,650,000	\$ —	\$ 5,750,000	\$11,900,000
Total long-term debt	17,650,000	\$ —	\$ 5,750,000	11,900,000
Less notes payable, current portion	—			—
Long-term portion	<u>\$17,650,000</u>			<u>\$11,900,000</u>
	Beginning Balance	Additions	Payments	Ending Balance
Year ended June 30, 2023				
Notes payable:				
Series 2019A	\$28,885,000	\$ —	\$ 11,235,000	\$17,650,000
Total long-term debt	28,885,000	\$ —	\$ 11,235,000	17,650,000
Less notes payable, current portion	—			—
Long-term portion	<u>\$28,885,000</u>			<u>\$17,650,000</u>

During 2000, the Authority's Board of Commissioners adopted a Master Resolution allowing the Authority to issue Airport Revenue Obligations. The Authority has pledged revenues, as defined in the Master Resolution, to repay the long-term debt issued under the Master Resolution for the term of the debt. Under this resolution, the Authority is required to establish certain funds, accounts and subaccounts to deposit funds to be held in trust by the Authority in order to meet the requirements of the resolution.

These funds include:

Revenue Fund, including accounts for General Revenue and PFC Revenue into which the Authority is to deposit all such revenues.

Sinking Fund, including a payments account and a debt service reserve account, into which the Authority will deposit funds from the Revenue Fund, as needed, to pay revenue obligations as they come due.

Renewal and Extension Fund, into which the Authority may deposit any monies or securities held in the Revenue Fund (excluding PFC funds) in excess of 45 days' estimated expenses.

Project Fund, into which proceeds from issuance of revenue obligations will be deposited to fund project costs.

A revised Master Resolution was adopted by the Authority's Board of Commissioners effective September 18, 2024.

NOTES TO FINANCIAL STATEMENTS *(continued)*

5. Long-Term Debt *(continued)*

Outstanding debt during fiscal year 2024 and 2023, consists of the following:

Series 2019A – \$39,570,000 Airport Revenue Refunding Note issued on June 27, 2019, bearing interest at a fixed rate of 2.54% with maturity in June 2028. Interest is paid semiannually.

In October 2024, the Authority issued \$68,015,000 in Airport Revenue Bonds, Series 2024A, to provide funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport. The Series 2024A bonds were issued at a premium of \$7,552,295. Total cost of issuance and underwriter's discount was \$795,261. The interest rate ranges from 5.00% to 5.25% with maturity in 2054.

In October 2024, the Authority issued \$41,230,000 in Airport Revenue Bonds, Series 2024B (Federally Taxable), to provide funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport. Total cost of issuance, underwriter's discount, and insurance cost was \$567,778. The interest rate ranges from 4.425% to 5.315% with maturity in 2054.

All outstanding notes payable, which does not include the 2024A and 2024B Airport Revenue Bonds, contain a provision that in an event of default, outstanding amounts may be declared due by the lender if the Authority is unable to make payment.

Annual scheduled principal and interest payments of \$5,879,479 were 20% of the net revenue available for debt service of \$29,832,412.

Scheduled Debt Service Requirements

All scheduled principal payments for fiscal years 2025 and 2026 were prepaid in fiscal years 2023 and 2024. As of June 30, 2024, scheduled debt service requirements of all outstanding debt are as follows.

Year ending June 30	Principal	Interest	Total
2025	\$ —	\$ 302,260	\$ 302,260
2026	—	302,260	302,260
2027	5,900,000	290,353	6,190,353
2028	6,000,000	140,292	6,140,292
Total	<u>\$11,900,000</u>	<u>\$1,035,165</u>	<u>\$12,935,165</u>

NOTES TO FINANCIAL STATEMENTS *(continued)*

6. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Debt securities (Note 2) classified as Level 2 are valued based on quoted matrix pricing models.

The proceeding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes fair value disclosures and measurements at June 30, 2024 and 2023:

	Level 1	Level 2	Level 3	Total
June 30, 2024				
Investments:				
Government debt securities	\$ —	\$ 4,925,800	\$ —	\$ 4,925,800
June 30, 2023				
Investments:				
Government debt securities	\$ —	\$19,468,308	\$ —	\$19,468,308

7. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and is administered by Mission Square Retirement. The plan, available to all full-time Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Separate audited financial reports are not available for this plan.

8. Retirement Plan

The Authority provides retirement benefits for all of its full-time employees through a defined contribution plan (Metropolitan Knoxville Airport Authority Plan) which was established and can be amended under the authority of the Board of Commissioners and is administered by Mission Square Retirement. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full-time employees are eligible to participate from the date of employment.

The Authority's contributions for each employee (and investment income allocated to the employees' account) are vested after one year of employment. Under the terms of the plan, employer contributions are determined annually by the Board of Commissioners. There are no minimum required employer contributions under the terms of the plan and there is no outstanding employer liability as of June 30, 2024 and 2023. Employer contribution expense totaled \$1,375,851 in 2024 and \$1,204,575 in 2023. There were minimal forfeitures during 2024 and 2023. Separate audited financial reports are not available for this plan.

NOTES TO FINANCIAL STATEMENTS *(continued)***9. Passenger Facility Charges**

Passenger Facility Charges (PFC) are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance the safety, security or capacity; reduce noise; or increase air carrier competition. Since September 2003, the air carriers have been collecting a \$4.50 PFC on qualifying passengers at McGhee Tyson Airport on behalf of the Authority. Both the fee and its intended projects must be reviewed and approved by the FAA. PFCs, along with related interest earnings, are recorded as deferred revenues until authorized to use for construction and related debt services payments under FAA approved Application to Use. Once authorized to use, the PFC receipts are recognized and recorded as nonoperating income in the year collected by the air carriers. PFC revenues totaled \$6,292,174 in 2024 and \$5,355,953 in 2023. All PFCs were authorized for use, and no deferred revenues were recorded.

The Authority has received approval to collect \$99,200,793 on currently approved projects through December 2025, unless extended. Cumulative expenditures to date on these approved PFC projects total \$89,995,043.

As of June 30, 2024, the Authority has \$1,239,266 of PFCs available and authorized for use. This amount is included in restricted net position on the balance sheet (see Note 12).

10. Customer Facility Charges

The Authority collects Customer Facility Charges (CFC) fees from rental car operators serving McGhee Tyson Airport. Fees collected are to fund the planning, design/engineering, construction of new car rental facilities and/or improvements to the existing car rental facilities, including any associated infrastructure costs or payment of any Authority debt service incurred to finance these costs or ongoing maintenance of rental car facilities. Effective in July 2023, the CFC is a \$5.50 fee per car rental transaction day collected by rental car companies from each of their customers and subsequently remitted to the Authority. The fee per car rental transaction day was \$4.00 prior to July 2023. CFC receipts are recognized and recorded as nonoperating income. CFC revenues totaled \$4,258,457 in 2024 and \$3,001,093 in 2023.

As of June 30, 2024, the Authority has \$12,034,668 of CFCs available for authorized use. This amount is included in restricted net position on the balance sheet (see Note 12).

11. Business Concentrations

The Authority is dependent to a large extent on five major airlines and their regional affiliates in that a significant portion of aviation area revenues are generated by these airlines. These airlines accounted for aviation area revenues totaling \$6,033,505 in 2024 and \$5,653,323 in 2023. In addition, a significant portion of terminal area revenue is directly and indirectly generated from four of these airlines' passengers, which accounted for approximately 97% of total passengers in 2024 and 2023. As of June 30, 2024 and 2023, 47% and 45%, respectively, of trade accounts receivables are due from these major airlines. As of June 30, 2024 and 2023, the Authority also had receivables from rental car companies which collectively accounted for 10% and 11%, respectively, of trade accounts.

NOTES TO FINANCIAL STATEMENTS *(continued)***12. Net Position**

Net position consists of the following as of June 30:

	2024	2023
Net investment in capital assets		
Noncurrent assets:		
Capital assets, net	\$ 281,257,813	\$ 269,690,882
Master plans and other plans, net	819,414	1,087,504
Total noncurrent assets	282,077,227	270,778,386
Less related liabilities:		
Accounts payable - construction	4,922,586	2,048,136
Long-term debt	11,900,000	17,650,000
Total related liabilities	16,822,586	19,698,136
Net investment in capital assets	\$ 265,254,641	\$ 251,080,250
Restricted net position:		
Cash and cash equivalents - passenger facility charges	\$ 13,305	\$ 10,454,772
Cash and cash equivalents - law enforcement	319,373	335,939
Cash and cash equivalents - customer facility charges	11,539,016	7,509,206
Receivables - passenger facility charges	1,225,961	490,203
Receivables - customer facility charges	495,652	317,518
Restricted net position	\$ 13,593,307	\$ 19,107,638
Unrestricted net position (all other items on statements of net position not reflected above):		
Assets:		
Cash and cash equivalents	\$ 54,524,772	\$ 37,027,203
Investments	29,877,173	21,168,308
Receivables	15,594,263	8,322,436
Prepaid expenses and other current assets	827,004	9,499,052
Other noncurrent assets	57,697	66,952
Lease receivable	7,754,461	8,457,800
Total unrestricted assets	108,635,370	84,541,751
Less liabilities:		
Accounts payable - non-construction	4,524,750	1,909,319
Accrued payroll and other expenses	2,033,371	1,893,035
Accrued interest	24,349	36,515
Unearned revenue	2,342,680	34,500
Total liabilities	8,925,150	3,873,369
Less Deferred inflows of resources:		
Deferred inflows - leases	8,326,965	8,435,559
Unrestricted net position	\$ 91,383,255	\$ 72,232,823

NOTES TO FINANCIAL STATEMENTS (continued)

13. Division Information

The Metropolitan Knoxville Airport Authority provides services through two divisions - McGhee Tyson Airport and Knoxville Downtown Island Airport. Key financial data as of and for the years ended June 30, 2024 and 2023 for the two divisions is as follows:

	McGhee Tyson		Downtown Island	
	2024	2023	2024	2023
Unrestricted current assets	\$ 100,527,439	\$ 74,681,085	\$ 295,773	\$ 1,335,914
Restricted current assets	13,593,307	19,107,638	-	-
Capital assets and master plans, net	268,124,988	256,173,974	13,952,239	14,604,412
Other noncurrent assets, net	-	-	57,697	66,952
Lease receivable, less current portion	7,681,606	8,358,861	72,855	98,939
Intercompany receivable	6,027,388	6,519,906	-	-
Total assets	\$ 395,954,728	\$ 364,841,464	\$ 14,378,564	\$ 16,106,217
Current liabilities	\$ 11,432,035	\$ 5,790,636	\$ 73,021	\$ 96,369
Intercompany payable	-	-	6,027,388	6,519,906
Long-term debt	11,846,111	17,570,072	53,889	79,928
Unearned revenue	2,342,680	34,500	-	-
Deferred inflows of resources	8,195,883	8,293,629	131,082	141,930
Total liabilities and deferred inflows of resources	\$ 33,816,709	\$ 31,688,837	\$ 6,285,380	\$ 6,838,133
Net position:				
Net investment in capital assets	\$ 251,356,291	\$ 236,555,766	\$ 13,898,350	\$ 14,524,484
Restricted	13,593,307	19,107,638	-	-
Unrestricted	97,188,421	77,489,223	(5,805,166)	(5,256,400)
Total net position	\$ 362,138,019	\$ 333,152,627	\$ 8,093,184	\$ 9,268,084
Operating revenues	\$ 46,389,404	\$ 37,823,349	\$ 1,851,325	\$ 1,288,634
Operating expenses	(30,600,758)	(26,445,175)	(2,088,385)	(1,675,105)
Depreciation and amortization	(18,833,802)	(17,934,099)	(1,134,852)	(965,104)
Operating loss	(3,045,156)	(6,555,925)	(1,371,912)	(1,351,575)
Net nonoperating income	18,964,477	7,091,396	1,146	763
Capital contributions	13,066,071	1,959,873	195,866	9,429,046
Increase in net position	\$ 28,985,392	\$ 2,495,344	\$ (1,174,900)	\$ 8,078,234
Cash flows:				
Operating activities	\$ 19,934,693	\$ 11,523,270	\$ (266,274)	\$ 62,245
Investing activities	(6,737,957)	3,700,927	2,651	-
Noncapital financing activities	6,303,943	7,696,895	(492,518)	1,409,128
Capital and related financing activities	(8,431,588)	(26,642,011)	756,396	(1,471,222)
Net change in cash and cash equivalents	11,069,091	(3,720,919)	255	151
Cash and cash equivalents at beginning of the year	55,326,720	59,047,639	400	249
Cash and cash equivalents at end of the year	\$ 66,395,811	\$ 55,326,720	\$ 655	\$ 400

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STATISTICAL SECTION

This part of the Metropolitan Knoxville Airport Authority's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the airport's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the airport's financial performance and wellbeing have changed over time.

Debt Capacity

These schedules present information to help the reader assess the affordability of the airport's current levels of outstanding debt and the airport's ability to issue additional debt in the future.

Revenue Capacity

These schedules contain information to help the reader assess the airport's most significant local revenue sources.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the airport's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the airport's financial report relates to the services the airport provides and activities it performs.

SCHEDULE 1:

Operating revenues and expenses - last ten fiscal years (unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating revenues:										
Aviation area	\$ 7,515,133	\$ 7,094,029	\$ 5,928,246	\$ 4,630,643	\$ 5,491,542	\$ 6,107,314	\$ 5,365,728	\$ 5,157,606	\$ 5,133,877	\$ 5,038,282
Terminal area	36,143,190	29,297,817	25,498,292	14,898,453	20,910,056	23,423,378	21,008,481	20,075,555	18,848,009	18,625,307
Air cargo and other properties	4,582,406	2,720,137	2,859,189	2,903,806	3,377,678	4,271,066	4,028,575	3,858,125	3,710,606	3,810,517
Total operating revenues	48,240,729	39,111,983	34,285,727	22,432,902	29,779,276	33,801,758	30,402,784	29,091,286	27,692,492	27,474,106
Operating expenses:										
Aviation area	3,226,236	3,341,581	2,556,934	2,238,000	2,472,712	2,639,540	2,332,940	2,203,523	2,326,391	2,241,790
Terminal area	9,496,982	7,843,207	6,461,859	5,155,536	5,980,383	6,722,177	5,847,724	5,874,317	5,506,569	5,579,811
Air cargo and other properties	2,868,243	2,075,886	2,057,645	1,620,723	1,452,443	1,595,465	1,530,434	1,453,788	1,529,873	1,621,939
General area:										
Safety	5,948,428	5,610,329	5,248,139	4,689,051	5,060,627	4,908,770	4,628,650	4,609,726	4,394,476	4,536,099
Administration	11,149,254	9,249,277	7,948,542	7,068,580	7,295,849	7,748,675	7,368,863	7,187,377	6,434,369	5,631,927
Total operating expenses	32,689,143	28,120,280	24,273,119	20,771,890	22,262,014	23,614,627	21,708,611	21,328,731	20,191,678	19,611,566
Operating income before adjustments	15,551,586	10,991,703	10,012,608	1,661,012	7,517,262	10,187,131	8,694,173	7,762,555	7,500,814	7,862,540
Depreciation and amortization	(19,968,654)	(18,899,203)	(14,144,380)	(10,139,486)	(10,055,598)	(9,912,669)	(9,499,946)	(9,539,399)	(9,912,070)	(10,717,072)
Operating (loss) income	(4,417,068)	(7,907,500)	(4,131,772)	(8,478,474)	(2,538,336)	274,462	(805,773)	(1,776,844)	(2,411,256)	(2,854,532)
Net nonoperating income (expense)	18,965,623	7,092,159	13,409,229	17,612,492	10,385,206	10,040,497	3,812,308	2,620,125	2,599,725	1,933,972
Income (loss) before capital contributions	14,548,555	(815,341)	9,277,457	9,134,018	7,846,870	10,314,959	3,006,535	843,281	188,469	(920,560)
Capital contributions	13,261,937	11,388,919	7,091,001	24,334,903	30,037,804	27,536,133	19,181,599	31,685,691	14,834,999	9,437,726
Increase in net position	27,810,492	10,573,578	16,368,458	33,468,921	37,884,674	37,851,092	22,188,134	32,528,972	15,023,468	8,517,166
Net position at the beginning of year	342,420,711	331,847,133	315,478,675	282,009,754	244,125,080	206,273,988	184,085,854	151,556,882	136,533,414	128,016,248
Net position at end of year	\$ 370,231,203	\$ 342,420,711	\$ 331,847,133	\$ 315,478,675	\$ 282,009,754	\$ 244,125,080	\$ 206,273,988	\$ 184,085,854	\$ 151,556,882	\$ 136,533,414
Net position at end of year:										
Net investment in capital assets	\$ 265,254,641	\$ 251,080,250	\$ 243,941,035	\$ 238,827,856	\$ 210,964,151	\$ 173,637,819	\$ 146,198,639	\$ 123,577,195	\$ 91,628,740	\$ 81,407,805
Restricted-expendable	13,593,307	19,107,638	16,520,981	6,304,029	3,570,406	2,400,645	1,937,806	1,924,721	2,029,096	1,704,693
Unrestricted	91,383,255	72,232,823	71,385,117	70,346,790	67,475,197	68,086,616	58,137,543	58,583,938	57,899,046	53,420,916
Net position at end of year	\$ 370,231,203	\$ 342,420,711	\$ 331,847,133	\$ 315,478,675	\$ 282,009,754	\$ 244,125,080	\$ 206,273,988	\$ 184,085,854	\$ 151,556,882	\$ 136,533,414

Source: Audited Financial Statements, 2015-2024

SCHEDULE 2:

Debt service coverage - last ten fiscal years (unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating revenues:										
Aviation area	\$ 7,515,133	\$ 7,094,029	\$ 5,928,246	\$ 4,630,643	\$ 5,491,542	\$ 6,107,314	\$ 5,365,728	\$ 5,157,606	\$ 5,133,877	\$ 5,038,282
Terminal area	36,143,190	29,297,817	25,498,292	14,898,453	20,910,056	23,423,378	21,008,481	20,075,555	18,848,009	18,625,307
Air cargo and other properties	4,582,406	2,720,137	2,859,189	2,903,806	3,377,678	4,271,066	4,028,575	3,858,125	3,710,606	3,810,517
Total operating revenues	48,240,729	39,111,983	34,285,727	22,432,902	29,779,276	33,801,758	30,402,784	29,091,286	27,692,492	27,474,106
Operating expenses:										
Aviation area	3,226,236	3,341,581	2,556,934	2,238,000	2,472,712	2,639,540	2,332,940	2,203,523	2,326,391	2,241,790
Terminal area	9,496,982	7,843,207	6,461,859	5,155,536	5,980,383	6,722,177	5,847,724	5,874,317	5,506,569	5,579,811
Air cargo and other properties	2,868,243	2,075,886	2,057,645	1,620,723	1,452,443	1,595,465	1,530,434	1,453,788	1,529,873	1,621,939
General area:										
Safety	5,948,428	5,610,329	5,248,139	4,689,051	5,060,627	4,908,770	4,628,650	4,609,726	4,394,476	4,536,099
Administration	11,149,254	9,249,277	7,948,542	7,068,580	7,295,849	7,748,675	7,368,863	7,187,377	6,434,369	5,631,927
Total operating expenses	32,689,143	28,120,280	24,273,119	20,771,890	22,262,014	23,614,627	21,708,611	21,328,731	20,191,678	19,611,566
Operating income before other income and other expenses	15,551,586	10,991,703	10,012,608	1,661,012	7,517,262	10,187,131	8,694,173	7,762,555	7,500,814	7,862,540
Other income	27,542,763	27,321,350	17,695,472	42,030,002	41,527,252	33,678,402	24,194,735	35,833,765	19,289,065	13,082,418
Net revenues	43,094,349	38,313,053	27,708,080	43,691,014	49,044,514	43,865,533	32,888,908	43,596,320	26,789,879	20,944,958
Less capital contributions - grant receipts										
from government agencies included in other income	(13,261,937)	(11,388,919)	(7,091,001)	(24,334,903)	(30,037,804)	(27,536,133)	(19,181,599)	(31,685,691)	(14,834,999)	(9,437,726)
Net revenues less grant receipts from government agencies in other income	\$ 29,832,412	\$ 26,924,134	\$ 20,617,079	\$ 19,356,111	\$ 19,006,710	\$ 16,329,400	\$ 13,707,309	\$ 11,910,629	\$ 11,954,880	\$ 11,507,232
Debt service on airport revenue general obligation debt (a)	\$ 5,879,479	\$ 6,090,595	\$ 6,146,741	\$ 2,341,819	\$ 7,367,977	\$ 7,104,035	\$ 6,907,123	\$ 6,799,043	\$ 6,476,919	\$ 6,366,528
Coverage ratio - airport revenue general obligation debt	507.4%	442.1%	335.4%	826.5%	258.0%	229.9%	198.5%	175.2%	184.6%	180.7%

Source: Audited Financial Statements, 2015-2024

(a) Amounts based on scheduled principal payments.

Note: Revenues, as defined in the Master Resolutions, are pledged for payments.

SCHEDULE 3:

Ratios of debt service and outstanding debt - last ten fiscal years (unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Principal (a)	\$ 5,545,000	\$ 5,410,000	\$ 5,275,000	\$ 1,280,000	\$ 5,580,000	\$ 5,350,000	\$ 5,125,000	\$ 4,590,000	\$ 4,365,000	\$ 4,155,000
Interest	334,479	680,595	871,741	1,061,819	1,787,977	1,754,035	1,782,123	2,209,043	2,111,919	2,211,528
Total debt service	\$ 5,879,479	\$ 6,090,595	\$ 6,146,741	\$ 2,341,819	\$ 7,367,977	\$ 7,104,035	\$ 6,907,123	\$ 6,799,043	\$ 6,476,919	\$ 6,366,528
Total expenses	\$ 52,992,276	\$ 47,700,078	\$ 39,289,240	\$ 31,973,195	\$ 34,293,880	\$ 35,281,331	\$ 32,990,680	\$ 33,077,173	\$ 32,215,667	\$ 32,540,166
Less depreciation and amortization	(19,968,654)	(18,899,203)	(14,144,380)	(10,139,486)	(10,055,598)	(9,912,669)	(9,449,946)	(9,539,399)	(9,912,070)	(10,717,072)
Add principal (a)	5,545,000	5,410,000	5,275,000	1,280,000	5,580,000	5,350,000	5,125,000	4,590,000	4,365,000	4,155,000
Total general expenditures	\$ 38,568,622	\$ 34,210,875	\$ 30,419,860	\$ 23,113,709	\$ 29,818,282	\$ 30,718,662	\$ 28,665,734	\$ 28,127,774	\$ 26,668,597	\$ 25,978,094
Ratio of debt service to expenditures	15.2%	17.8%	20.2%	10.1%	24.7%	23.1%	24.1%	24.2%	24.3%	24.5%
Outstanding debt (b)	\$ 11,900,000	\$ 17,650,000	\$ 28,885,000	\$ 34,295,000	\$ 45,640,000	\$ 57,045,000	\$ 62,395,000	\$ 67,520,000	\$ 70,635,000	\$ 75,000,000
Total number of passengers	\$ 3,030,494	\$ 2,628,222	2,343,910	1,391,469	1,952,143	2,375,059	2,108,507	1,906,795	1,790,247	1,739,183
Outstanding debt per passenger	\$ 3.93	\$ 6.72	\$ 12.32	\$ 24.65	\$ 23.38	\$ 24.02	\$ 29.59	\$ 35.41	\$ 39.46	\$ 43.12
Debt service per passenger	\$ 1.94	\$ 2.32	\$ 2.62	\$ 1.68	\$ 3.77	\$ 2.99	\$ 3.28	\$ 3.57	\$ 3.62	\$ 3.66

Source: Audited Financial Statements, 2015-2024

(a) Amounts based on scheduled principal payments.

(b) Outstanding debt is for Airport Revenue Obligations, payable from general airport revenue.

SCHEDULE 4:

*McGhee Tyson Airport annual terminal rents and landing fees
last ten fiscal years (unaudited)*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Terminal rent:										
Ticket counter (per linear foot)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Ticket queuing (per square foot) (a)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Office space (per square foot)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Outbound baggage space (per square foot)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Operations space (per square foot)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Baggage service office (per square foot)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Holdroom area (per square foot)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Baggage claim (per square foot)	\$63.61	\$53.76	\$44.07	\$35.49	\$40.30	\$48.84	\$43.22	\$42.01	\$38.76	\$38.62
Apron charge (per gate) (a)	\$130,955.00	\$115,634.00	\$91,735.00	\$72,665.00	\$84,802.00	\$92,101.00	\$86,085.00	\$82,788.00	\$81,934.00	\$77,624.00
Loading bridge rent (per bridge) (a)	\$53,476.00	\$45,287.00	\$100,926.00	\$85,178.00	\$95,295.00	\$40,574.00	\$43,802.00	\$45,176.00	\$45,436.00	\$51,378.00
Landing fee (per 1,000 pounds)	\$3.30	\$3.43	\$2.94	\$3.02	\$2.99	\$3.14	\$3.13	\$3.23	\$3.50	\$3.43

(a) Fees and rental charges became effective with beginning of fiscal year for which amounts are shown.

Notes: The revenue bases to which these rates are applied and their principal payers can be found in schedules 7, 9 and 11.

SCHEDULE 5:*Airline arrivals and departures - last ten fiscal years (unaudited)*

Fiscal Year	Air carrier	Air taxi	General aviation	Military	Total
2015	10,778	30,812	32,645	23,874	98,109
2016	12,460	28,823	33,882	19,211	94,376
2017	17,115	25,120	38,631	18,993	99,859
2018	23,417	20,204	47,532	20,836	111,989
2019	23,613	26,037	50,895	19,257	119,802
2020	23,254	20,960	49,785	15,072	109,071
2021	21,176	15,155	39,083	11,078	86,492
2022	26,903	19,150	45,779	11,636	103,468
2023	27,070	17,729	48,636	9,553	102,988
2024	31,346	19,167	45,377	9,295	105,185

*Source: McGhee Tyson Airport F.A.A. Control Tower**Note: Air carriers are passenger, charter, and cargo aircraft certified by the F.A. A. to carry 60 or more passengers. Air taxis include regional, charter, and cargo aircraft that are certified to carry less than 60 passengers.*

SCHEDULE 6:*Historical airline passenger activity - last ten fiscal years (unaudited)*

Fiscal Year	Passengers enplaned	Passengers deplaned	Total passengers
2015	872,849	866,334	1,739,183
2016	898,671	891,576	1,790,247
2017	958,429	948,366	1,906,795
2018	1,057,578	1,050,929	2,108,507
2019	1,191,198	1,183,861	2,375,059
2020	975,910	976,233	1,952,143
2021	698,270	693,199	1,391,469
2022	1,177,367	1,166,543	2,343,910
2023	1,317,250	1,310,972	2,628,222
2024	1,514,648	1,515,846	3,030,494

*Source: Metropolitan Knoxville Airport Authority Aviation's Activities Statistics Report***SCHEDULE 7:***Distribution of airline passengers - fiscal year ended June 30, 2024 (unaudited)*

Airline	Enplaned passengers	Deplaned passengers	Total passengers	Percentage of passengers
United	210,342	207,343	417,685	13.78%
Allegiant Air	373,763	372,851	746,614	24.64%
American	536,683	542,541	1,079,224	35.61%
Delta	352,898	351,145	704,043	23.23%
Frontier	31,203	31,877	63,080	2.08%
Avelo	1,932	1,986	3,918	0.13%
Other	7,827	8,103	15,930	0.53%
Total	1,514,648	1,515,846	3,030,494	100.00%

*Source: Metropolitan Knoxville Airport Authority, Annual Activity Report**Note: The Authority has elected not to report a ten-year history of passengers by airline because history has shown when a particular airline withdraws from the market, another airline enters the market or an existing airline expands their flights.*

SCHEDULE 8:*Cargo - last ten fiscal years (in pounds) (unaudited)*

Fiscal Year	Freight		Total cargo
	Enplaned	Deplaned	
2015	36,351,492	39,459,681	75,811,173
2016	37,089,237	43,381,695	80,470,932
2017	37,210,403	48,076,612	85,287,015
2018	35,725,317	46,651,705	82,377,022
2019	36,427,469	46,854,736	83,282,205
2020	34,383,758	49,553,002	83,936,760
2021	37,824,291	50,588,016	88,412,307
2022	37,184,796	48,638,748	85,823,544
2023	33,276,857	47,347,802	80,624,659
2024	29,623,918	45,464,613	75,088,531

*Source: Metropolitan Knoxville Airport Authority Aviation's Activities Statistics Report***SCHEDULE 9:***Distribution of cargo - fiscal year ended June 30, 2024 (in pounds) (unaudited)*

Airline	Freight		Total	Percentage
	Enplaned	Deplaned		
Major:				
Delta	230,443	229,650	460,093	0.61%
Regional:				
PSA	37,443	36,669	74,112	0.10%
Cargo:				
FedEx	21,130,654	30,398,838	51,529,492	68.62%
UPS	8,212,818	14,783,393	22,996,211	30.63%
Other Freight	12,560	16,063	28,623	0.04%
Total	29,623,918	45,464,613	75,088,531	100.00%

*Source: Metropolitan Knoxville Airport Authority, Annual Activity Report**Note: The Authority has elected not to report a ten-year history of cargo by airline because history has shown when a particular airline withdraws from the market, another airline enters the market or an existing airline expands their flights.*

SCHEDULE 10:

Aircraft landed weights - last ten fiscal years (in thousand pound units) (unaudited)

Fiscal Year	Major passenger airlines	Regional airlines	Cargo airlines	Total
2015	255,671	736,629	280,670	1,272,970
2016	259,716	747,191	274,808	1,281,715
2017	329,063	787,276	290,938	1,407,277
2018	381,683	855,278	274,653	1,511,614
2019	395,936	965,645	286,676	1,648,257
2020	330,481	882,742	285,236	1,498,459
2021	277,355	675,578	304,368	1,257,301
2022	467,751	821,039	323,433	1,612,223
2023	727,319	666,013	322,314	1,715,646
2024	805,906	803,865	309,724	1,919,495

Source: Metropolitan Knoxville Airport Authority Aviation's Activities Statistics Report

SCHEDULE 11:
Aircraft landed weights - ten fiscal year trend history (in thousand pound units) (unaudited)

Airline	2024		2023		2022		2021		2020		2019		2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
PSA	251,109	13%	191,039	11%	255,612	16%	160,805	13%	174,050	12%	197,355	12%	209,086	14%	220,844	16%	214,497	17%	209,479	16%
FedEx	224,349	12%	231,413	13%	232,542	14%	220,317	18%	214,658	14%	217,120	13%	207,785	14%	217,078	15%	204,158	16%	191,071	15%
Pinnacle	185,375	10%	163,766	9%	203,866	13%	228,647	18%	261,075	17%	275,618	17%	219,571	15%	177,725	13%	164,518	13%	158,198	12%
Allegiant Air	343,215	18%	323,644	19%	299,935	19%	254,826	20%	209,124	14%	228,065	14%	180,899	12%	153,689	11%	108,627	8%	102,409	8%
ExpressJet	-	0%	-	0%	-	0%	13,536	1%	71,800	5%	123,750	8%	134,215	9%	185,213	13%	213,080	17%	212,354	17%
Delta	197,170	10%	190,723	11%	135,215	8%	2,420	0%	83,682	6%	121,759	7%	131,656	9%	137,379	10%	135,749	11%	135,471	11%
Skywest	134,475	7%	80,592	5%	83,681	5%	56,710	5%	72,467	5%	125,649	8%	122,505	8%	22,180	2%	13,627	1%	1,081	0%
UPS	85,375	4%	90,901	5%	90,891	6%	84,051	7%	70,088	5%	68,774	4%	65,366	4%	72,533	5%	69,146	5%	87,911	7%
ASA	-	0%	-	0%	-	0%	-	0%	-	0%	11,122	1%	28,564	2%	60,625	4%	50,382	4%	36,900	3%
American	221,723	12%	180,175	11%	3,169	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
United	5,260	0%	872	0%	-	0%	-	0%	-	0%	20,225	1%	43,387	3%	-	0%	-	0%	-	0%
Republic	35,878	2%	6,184	0%	450	0%	2,646	0%	69,600	5%	-	0%	-	0%	-	0%	-	0%	-	0%
Mesa	-	0%	5,500	0%	19,131	1%	53,268	4%	43,713	3%	45,153	3%	28,827	2%	14,017	1%	-	0%	-	0%
Commute Air	87,648	5%	80,828	5%	82,104	5%	64,372	5%	4,312	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Trans States	-	0%	-	0%	-	0%	-	0%	24,577	2%	34,956	2%	27,444	2%	35,160	2%	50,646	4%	17,210	1%
GO Jets	11,468	0%	11,407	1%	9,455	1%	22,143	2%	2,775	0%	1,943	0%	30,083	2%	19,430	1%	9,330	1%	-	0%
American Eagle	58,775	3%	79,282	5%	90,695	6%	30,144	2%	78,416	5%	64,854	4%	11,022	1%	21,326	2%	13,737	1%	77,507	6%
Frontier	38,538	2%	32,776	2%	29,432	2%	20,109	2%	21,692	1%	25,886	2%	25,741	2%	20,079	1%	15,340	1%	17,792	1%
Air Wisconsin	18,706	1%	26,837	2%	32,712	2%	8,742	1%	49,585	3%	53,204	3%	33,417	2%	23,422	2%	15,416	1%	13,066	1%
AmeriFlight	-	0%	-	0%	-	0%	-	0%	-	0%	740	0%	1,255	0%	1,193	0%	1,376	0%	1,415	0%
Piedmont	18,115	1%	19,424	1%	43,170	2%	34,440	2%	46,356	3%	22,611	1%	2,095	0%	-	0%	-	0%	-	0%
Mountain Air	-	0%	-	0%	-	0%	-	0%	481	0%	17	0%	214	0%	100	0%	103	0%	217	0%
Shuttle America	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	1,957	0%	638	0%
Chataqua	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	5,067	0%
Air Net	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	56	0%
Avelo	2,286	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Freedom	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	5,119	0%
Other	31	0%	283	0%	163	0%	125	0%	8	0%	9,456	1%	8,482	1%	25,284	2%	26	0%	9	0%
Total	1,919,495	100%	1,715,646	100%	1,612,223	100%	1,257,301	100%	1,498,459	100%	1,648,257	100%	1,511,614	100%	1,407,277	100%	1,281,715	100%	1,272,970	100%

Source: Metropolitan Knoxville Airport Authority, Annual Activity Report

SCHEDULE 12:
Total Passengers - ten fiscal year trend history (unaudited)

Airline	2024		2023		2022		2021		2020		2019		2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Delta	704,043	23%	633,090	24%	589,573	25%	283,258	20%	541,604	28%	679,504	29%	592,892	28%	528,295	28%	522,892	29%	225,241	13%
Allegiant Air	746,614	25%	716,106	27%	603,924	26%	381,158	27%	400,682	21%	442,824	19%	364,125	17%	300,796	16%	221,807	12%	218,386	13%
PSA	422,612	14%	313,976	12%	412,898	18%	244,906	18%	245,357	13%	309,303	13%	328,538	16%	345,775	18%	344,727	19%	343,334	20%
American Eagle	97,497	3%	141,396	6%	155,308	7%	49,216	4%	270,167	14%	264,231	11%	240,147	11%	201,287	11%	226,015	13%	170,642	10%
ExpressJet	-	0%	-	0%	-	0%	19,415	1%	113,192	6%	193,928	8%	143,002	7%	188,560	10%	188,712	11%	281,754	16%
ASA	-	0%	-	0%	-	0%	-	0%	-	0%	21,298	1%	47,720	2%	105,245	6%	93,217	5%	66,769	4%
American	417,987	14%	311,881	12%	6,874	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
United	9,110	0%	1,238	0%	-	0%	-	0%	6,975	0%	31,627	1%	62,791	3%	-	0%	-	0%	-	0%
Mesa	-	0%	10,486	0%	34,594	1%	82,095	6%	61,672	3%	77,706	3%	43,117	2%	21,227	1%	-	0%	-	0%
Trans States	-	0%	-	0%	-	0%	-	0%	47,423	2%	69,904	3%	47,375	2%	64,306	3%	92,648	5%	30,523	2%
Go Jets	5,298	0%	16,580	1%	13,136	1%	27,552	2%	2,887	0%	3,031	0%	48,229	2%	32,603	2%	16,443	1%	-	0%
Skywest	245,881	8%	147,888	6%	150,403	6%	86,776	6%	35,698	2%	67,784	3%	54,610	3%	23,546	1%	24,891	1%	1,704	0%
Frontier	63,080	2%	62,966	2%	60,083	3%	37,671	3%	46,335	2%	56,495	2%	51,815	2%	39,243	2%	30,242	2%	43,348	2%
Air Wisconsin	37,744	1%	51,006	2%	59,557	3%	11,832	1%	83,818	4%	91,902	4%	54,865	3%	15,465	1%	20,375	1%	15,695	1%
Commute Air	176,484	6%	162,523	6%	153,618	7%	101,014	7%	5,387	0%	1,402	0%	14,916	1%	10,287	1%	-	0%	-	0%
Shuttle America	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	3,822	0%	-	0%	-	0%	-	0%
Chautauqua	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	3,828	0%	1,175	0%
Piedmont	37,161	1%	40,679	2%	88,563	4%	55,848	4%	82,428	4%	44,447	2%	-	0%	-	0%	-	0%	66,955	4%
Endeavor Air	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	269,189	15%
Avelo	3,918	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Republic	47,135	2%	6,583	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other	15,930	1%	11,824	0%	15,379	1%	10,728	1%	8,518	0%	19,673	1%	10,543	1%	30,160	2%	4,450	0%	4,468	0%
Total	3,030,494	100%	2,628,222	100%	2,343,910	100%	1,391,469	100%	1,952,143	100%	2,375,059	100%	2,108,507	100%	1,906,795	100%	1,790,247	100%	1,739,183	100%

Source: Schedule 7 of Annual Comprehensive Financial Report

SCHEDULE 13:
Distribution of total cargo - ten fiscal year trend history (in pounds)(unaudited)

Airline	2024		2023		2022		2021		2020		2019		2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
<i>Passenger:</i>																				
Delta	460,093	1%	518,534	1%	335,448	1%	9,357	0%	256,913	0%	354,524	1%	379,315	1%	353,740	1%	302,992	1%	394,091	1%
PSA	74,112	0%	25,051	0%	42,965	0%	25,931	0%	50,072	0%	82,438	0%	107,971	0%	80,491	0%	146,212	0%	175,714	0%
American Eagle	2,593	0%	6,683	0%	24,213	0%	22,898	0%	25,148	0%	25,823	0%	7,862	0%	26,849	0%	2,551	0%	10,058	0%
Skywest	726	0%	-	0%	746	0%	4,025	0%	525	0%	10,828	0%	6,569	0%	998	0%	-	0%	-	0%
American	2,090	0%	3,738	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Piedmont	11,927	0%	5,715	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Air Wisconsin	8,662	0%	430	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Chautauqua	-	0%	-	0%	-	0%	-	0%	1,568	0%	5	0%	-	0%	-	0%	-	0%	-	0%
Other	2,625	0%	2,942	0%	-	0%	-	0%	236	0%	3	0%	1,316	0%	2,576	0%	-	0%	162	0%
<i>Cargo:</i>																				
FedEx	51,529,492	69%	55,784,729	69%	60,334,989	70%	60,873,204	69%	57,832,977	69%	60,799,647	73%	61,790,777	75%	64,672,651	76%	58,126,733	72%	52,408,255	69%
UPS	22,996,211	30%	24,276,837	30%	25,085,183	29%	27,476,864	31%	25,685,666	31%	21,905,421	26%	19,899,283	24%	19,956,038	23%	21,666,452	27%	22,597,174	30%
AmeriFlight	-	0%	-	0%	-	0%	-	0%	-	0%	96,641	0%	150,231	0%	177,325	0%	211,133	0%	219,152	0%
Mountain Air	-	0%	-	0%	-	0%	-	0%	83,565	0%	1,480	0%	28,582	0%	8,513	0%	9,677	0%	-	0%
Air Net	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other	-	0%	-	0%	-	0%	28	0%	90	0%	5,395	0%	5,116	0%	7,834	0%	5,182	0%	6,567	0%
Total	75,088,531	100%	80,624,659	100%	85,823,544	100%	88,412,307	100%	83,936,760	100%	83,282,205	100%	82,377,022	100%	85,287,015	100%	80,470,932	100%	75,811,173	100%

Source: Schedule 9 of Annual Comprehensive Financial Report

SCHEDULE 14:

Authority employees and demographic data - population (unaudited)

Full-time equivalent employees as of fiscal year-end

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Administration	15.3	15.1	12.5	12.5	12.0	12.0	11.5	12.0	13.0	12.5
Marketing/Public Relations	8.1	6.4	7.0	7.5	9.0	9.5	8.5	9.0	9.0	7.0
Engineering & Planning	7.0	5.7	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0
Safety (Police & Fire)	59.8	61.6	57.5	53.0	58.0	58.0	56.0	49.0	47.0	45.0
*Operations Administration	11.5	12.9	12.5	12.0	12.5	11.5	12.0	12.0	13.0	12.0
*Technology	4.3	-	-	-	-	-	-	-	-	-
Building Maintenance	8.9	8.9	8.0	8.0	8.0	7.5	7.5	9.0	10.5	8.0
Airfield Maintenance	18.0	20.4	17.5	16.0	20.5	21.0	20.5	20.0	22.0	22.0
Building Services (Custodial)	26.1	26.8	20.0	22.0	25.5	26.0	26.5	28.0	29.0	29.0
Knoxville Downtown Island Airport	7.4	7.3	7.0	6.5	6.5	6.5	6.0	7.0	7.0	7.0
Total Employees	166.4	165.1	148.0	143.5	158.0	158.0	154.5	153.0	157.5	149.5

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

*Technology was included with Operations Administration in prior years.

Demographic data - population

Actual	City	County	Metropolitan area (a)
1970	174,587	276,293	461,876
1980	175,045	319,694	546,488
1990	165,121	335,749	585,926
2000	173,890	382,032	687,249
2010	178,874	432,226	787,919
2020	190,740	478,971	864,442

Source: Bureau of the Census

(a) Knoxville's Metropolitan Statistical Area (MSA) includes Anderson, Blount, Knox, Loudon, Sevier, and Union counties. Prior to 1983, statistics were gathered only for Anderson, Blount, Knox, and Union counties.

SCHEDULE 15:*Demographic data - unemployment information last ten calendar years (unaudited)*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
National	6.2%	5.0%	4.9%	4.1%	3.9%	3.5%	8.1%	5.3%	3.6%	3.6%
Tennessee	6.7%	5.8%	5.1%	3.3%	3.3%	3.3%	9.3%	4.4%	3.4%	3.3%

**Major Tennessee
metropolitan areas:**

Chattanooga	6.5%	5.1%	4.9%	3.3%	3.1%	3.2%	8.3%	5.0%	3.3%	3.1%
Knoxville (a)	5.8%	5.0%	4.7%	2.9%	2.8%	2.9%	7.9%	4.3%	3.1%	3.0%
Memphis	7.6%	6.1%	5.3%	3.7%	3.7%	3.8%	11.7%	7.6%	4.2%	4.0%
Nashville	5.2%	4.2%	3.8%	2.4%	2.3%	2.3%	10.0%	4.4%	2.7%	2.6%

*Source: Tennessee Department of Labor and Workforce Development**(a) Knoxville's Metropolitan Statistical Area (MSA) includes Anderson, Blount, Campbell, Grainger, Knox, Loudon, Morgan, Roane, and Union Counties.***SCHEDULE 16:***Demographic data - per capita personal income last ten calendar years (unaudited)*

Calendar Year	Tennessee	United States
2014	40,233	46,414
2015	42,094	48,112
2016	43,380	49,255
2017	45,517	51,631
2018	46,900	54,420
2019	48,684	56,469
2020	50,547	59,450
2021	54,873	63,492
2022	58,292	65,471
2023	62,229	69,815

*Source: U.S. Department of Commerce Bureau of Economic Analysis***SCHEDULE 17:***Demographic data - total personal income last ten calendar years (thousands of dollars) (unaudited)*

Calendar Year	Tennessee	United States
2014	263,437,186	14,801,624,000
2015	277,832,327	15,463,981,000
2016	288,531,063	15,912,777,000
2017	297,292,992	16,413,551,000
2018	319,400,765	17,572,929,097
2019	332,472,653	18,542,262,000
2020	348,109,172	19,679,715,147
2021	382,748,632	20,056,621,907
2022	410,944,846	21,804,787,547
2023	435,066,536	22,952,028,337

Source: U.S. Department of Commerce Bureau of Economic Analysis

SCHEDULE 18

Demographic data - top employers in Knoxville area for the last ten calendar years (unaudited)

	2023		2022		2021		2020		2019		2018		2017		2016		2015		2014	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
Major Employers:																				
U.S. Department of Energy																				
Oak Ridge Operations	16,975	3%	16,175	3%	15,388	3%	17,079	4%	15,862	4%	12,387	3%	12,618	3%	11,750	3%	11,986	3%	11,637	3%
Covenant Health	11,963	2%	11,913	2%	11,357	2%	11,060	3%	9,792	2%	10,419	2%	10,419	3%	10,119	3%	10,304	3%	10,458	3%
The University of Tennessee Knoxville	11,197	2%	9,299	2%	8,959	2%	8,959	2%	9,384	2%	6,689	2%	6,689	2%	6,646	2%	6,609	2%	6,660	2%
Knox County Schools	10,118	2%	10,047	2%	9,558	2%	9,519	2%	7,949	2%	8,082	2%	7,881	2%	8,146	2%	7,241	2%	6,804	2%
Wal-Mart Stores, Inc.	6,614	1%	6,863	1%	6,863	1%	6,863	2%	6,863	2%	5,998	1%	5,881	1%	6,206	2%	5,951	2%	6,006	2%
University Health Systems	5,387	1%	5,387	1%	5,290	1%	5,137	1%	5,458	1%	5,547	1%	5,316	1%	5,144	1%	4,941	1%	4,224	1%
Clayton Homes	5,047	1%	5,047	1%	5,436	1%	4,262	1%	4,883	1%	3,662	1%	3,188	1%	3,139	1%	2,883	1%	2,784	1%
Denso Manufacturing Tennessee	5,000	1%	5,000	1%	4,500	1%	4,200	1%	5,350	1%	5,000	1%	4,439	1%	3,900	1%	3,800	1%	3,500	1%
Roark Capital Group	4,608	1%	3,873	1%	3,656	1%	3,530	1%	2,788	1%	2,627	1%	1,902	0%	1,904	0%	1,796	0%	1,796	0%
The Dollywood Co.	4,500	1%	4,500	1%	4,000	1%	4,500	1%	4,500	1%	4,000	1%	4,000	1%	4,000	1%	3,000	1%	2,521	1%
K-VA-T Food Stores	4,023	1%	4,302	1%	4,227	1%	4,634	1%	3,104	1%	3,487	1%	3,328	1%	3,545	1%	3,913	1%	4,078	1%

Source: Knoxville Area Chamber Partnership

Notes: Percentages reported above are based upon total employment in Knoxville and its Metropolitan Statistical Area (MSA).

n/a = not available

SCHEDULE 19:*Airlines serving McGhee Tyson Airport (unaudited)*

June 30, 2024

Major/domestic passenger airlines

Allegiant Air
 American Airlines*
 Avelo Airlines
 Delta Air Lines*
 Frontier Airlines
 United Airlines*

**Some or all service offered through regional airline affiliates shown below.*

Regional Airline Affiliates

Air Wisconsin Airlines/American Airlines
 Commute Air /United Airlines
 Endeavor Air /Delta Air Lines
 Envoy Airlines/American Airlines
 GoJet Airlines/United Airlines
 Mesa/American Airlines
 Piedmont Airlines/American Airlines
 PSA Airlines/American Airlines
 Republic Airlines/American Airlines
 Republic Airlines/United Airlines
 Skywest Airlines/American Airlines
 Skywest Airlines/United Airlines

Cargo airlines

FedEx, Inc.
 UPS Airlines, Inc.

SCHEDULE 20:*Flight information (unaudited)*

June 30, 2024

Passenger Airlines	Destination	Daily flights	Daily seats	Weekly flights	Weekly seats	Aircraft
Allegiant Air	Austin*			4	744	A320
	Belleville/ St. Louis MidAmerica*			4	744	A320
	Boston*			4	744	A320
	Chicago-Midway*			4	744	A320
	Denver*			4	744	A320
	Destin/Fort Walton*			4	744	A320
	Fort Lauderdale*			8	1,488	A320
	Houston-Hobby*			4	744	A320
	Jacksonville*			4	744	A320
	Las Vegas*			4	744	A320
	Minneapolis/ St. Paul*			4	744	A320
	Newark*			4	744	A320
	Orlando-International*			6	1,116	A320
	Orlando-Sanford*			8	1,488	A320
	Phoenix*			4	744	A320
	Punta Gorda/SW Florida*			8	1,488	A320
	South Bend*			4	744	A320
	St. Petersburg/Tampa Bay*			8	1,488	A320
	West Palm Beach*			4	744	A320
American Airlines	Charlotte	14	1,554	98	10,878	CR9, A319, A320
	Chicago-O'Hare	4	200	28	1,400	CR7, ERJ
	Dallas/Fort Worth	6	1,032	42	7,224	A320, A321, B738
	Miami	2	152	14	1,064	E175
	New York-LaGuardia	2	152	14	1,064	E175
	Philadelphia	6	352	42	2,464	CRJ, ERJ
	Washington-National	6	456	42	3,192	CRJ, E175
Avelo Airlines	New Haven*			2	378	B737
Delta Air Lines	Atlanta	16	1,700	112	11,900	B717, A320, CR9, B739
	Detroit	4	880	28	6,160	B717
	Minneapolis/St. Paul	2	152	14	1,064	CR9
	New York-LaGuardia	6	456	42	3,192	CR9
Frontier Airlines	Denver*			8	1,840	A320, A321
	Orlando- International*			6	1,080	A320
	Philadelphia*			6	1,080	A320
United Airlines	Chicago-O'Hare	8	440	56	3,080	CR550, E175
	Denver	4	504	28	3,528	E175, A319, A320
	Houston -Bush	6	300	42	2,100	ERJ, CRJ
	Washington-Dulles	4	200	28	1,400	ERJ
<i>Totals</i>		90	8,530	746	81,572	

Cargo Airlines	Destination	Daily flights	Weekly Flights	Aircraft
FedEx, Inc	Indianapolis	2	10	A310, B757
	Memphis	4	20	A310, B757
UPS Airlines	Louisville	2	10	A310

* less-than-daily or seasonal

SCHEDULE 21:*Companies conducting business on airport property (unaudited)*

June 30, 2024

Aviation service operators

Air America Aerial Ads DBA Drake Aerial Enterprises
 Aircraft Technicians, Inc.
 Avflight Services Corporation
 AVZ Flight Academy
 CAVU, LLC
 Fast Track Flight Training
 G2 Secure Staff, LLC
 Horizon Avionics, Inc.
 Jetstar Aviation, LLC
 Knoxville Flight Training Center, Inc.
 MaxAir Charters dba Flight Choice
 Sky Pirate Aviation LLC
 Smoky Mountain Air Charter
 Standard Aero Alliance
 Signature Flight Support LLC
 The Jet Shop, LLC
 United Ground Express
 Xpress Aircraft Maintenance, LLC

U.S. government agencies

Federal Aviation Administration
 Knox County Sheriff's Dept.
 Tennessee Air National Guard
 Tennessee Army National Guard
 Transportation Security Administration

Airline maintenance

Endeavor Air (Delta Connection)

Bank ATMs

First Horizon Bank
 Regions Bank
 Truist Bank
 TN State Bank

Concessionaires

Classic Shine
 Five Star Food Service
 HMS Host Corporation
 Knoxville Airport Hotel Company dba Knoxville Airport Hilton
 Knoxville Coca-Cola Co.

Concessionaires (cont.)

Paradies-Knoxville, LLC
 Rick McGill Toyota
 Ruby Tuesday, Inc.
 Smarte Carte, Inc.
 Security Point Media, LLC

Rental car companies

Alamo Rent A Car
 Avis Car Rental
 Budget Car Rental
 Dollar Rent-a-Car
 Enterprise Rent-A-Car
 Hertz Rent-a-Car
 National Car Rental
 Payless Car Rental
 Thrifty Rent-a-Car
 Gitbin & Associates, Inc. dba GO Rentals

Other

ARINC
 Atmos Energy
 Cirrus Design Corp dba Cirrus Aviation
 Delta Cargo, Inc.
 East TN Natural Gas, LLC
 K12 Management Inc.
 Lamar Dunn & Associates, Inc.
 Lyft
 Massey Properties, LLC
 National Safe Skies Alliance
 R Squared Construction
 Republic/REEF Parking System
 RTW Management Inc.
 SITA
 Uber
 TURO
 V. Alexander & Company, Inc.

SCHEDULE 22:*Use of debt proceeds (unaudited)*

Descriptions of the uses of proceeds from the Authority's debt are summarized below.

Airport revenue refunding note**Series 2019A - \$39,570,000**

Proceeds from this debt issuance was used to partially refund the series 2008 V-A-1 bonds and to terminate the associated variable interest.

Series 2017A - \$11,000,000 (retired)

Proceeds from this debt issuance was used to refund the series 2000 II-D-1 bonds and to terminate the associated interest rate swap.

Local government public improvement revenues bonds**Series 2008 V-A-1—\$84,645,000 (retired)**

Proceeds from this bond issue were used to refund the Series III-A outstanding bonds in advance of their maturity.

Special purpose revenue bonds**Series 2002—\$8,500,000 (retired)**

The Authority issued these bonds on behalf of Northwest Airlines, Inc., now Delta Air Lines, to construct a regional jet maintenance hangar for their affiliate airline, Pinnacle Airlines, Inc., in the West Aviation Area. The Authority is not at risk for these bonds.

Local government public improvement revenue bonds**Series 2000 II-D-1—\$18,500,000 (retired)**

Proceeds from this bond issue were used to finance a regional jet maintenance facility for ExpressJet, formerly Continental Express, Inc., and for the West Aviation Area at McGhee Tyson Airport. These were the first bonds issued under the new Master Bond Resolution.

Series 2001 III-A—\$ 95,000,000 (retired)

Proceeds from this bond issue were used for repayment of all outstanding General Obligation bonds, including Series E-1, E-2, II-G-2, III-B-1, III-G-2, and IV-A-1. They were also used for completion of the renovation and expansion of the terminal building at McGhee Tyson Airport, for the West Aviation Area, and for land acquisition.

Series 1999 IV-A-1—\$20,300,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport, construct a 750-space public parking lot, and refinance the outstanding Airport Revenue-General Obligation Series G and H bonds.

Series 1999 III-G-2—\$5,500,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport

Series 1998 III-B-1—\$36,500,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport

Series 1997 II-G-2—\$ 8,000,000 (retired)

Proceeds from this bond issue were used to finance the renovation and expansion of the terminal building at McGhee Tyson Airport

Series 1996 E-2—\$5,350,000 (retired)

Proceeds from this bond issue were used to finance the construction of improvements to the air cargo facilities at the McGhee Tyson Airport and aircraft T-hangars at the Knoxville Downtown Island Airport. They were also used to refinance the outstanding Airport Revenue-General Obligation Bonds, Series F.

Series 1996 E-1—\$7,150,000 (retired)

Proceeds from this bond issue were used to expand the public garage in front of the terminal building from 1,394 to 2,811 spaces.

SCHEDULE 23:*Insurance in force (unaudited)*

June 30, 2024

Type of policy	Policy insurer	Expiration date	Policy limit	Risk Coverage
Airport Liability	Chubb	July 12, 2024	\$200,000,000 aggregate limit	Personal injury and property damage
Commercial Property	Allianz	June 30, 2024	\$369,042,635	Buildings - Fire and other perils (includes contents, rental income and extra expense)
Cybersecurity Insurance	Cowbell Cyber	August 1, 2024	\$3,000,000	Cyber liability and security
Public Officials and Employer Liability	Chubb	December 1, 2024	\$10,000,000	Commissioners and employee professional liability
Commerical Crime Coverage	Great American Insurance Group	July 27, 2024	\$500,000	Employee dishonesty, forgery, computer hacking, funds transfer fraud
Automobile Liability	Cincinnati Insurance Company	July 1, 2024	\$1,000,000	Automobile liability
Physical Damage - Two Fire Trucks	National Hangar Insurance Co.	November 29, 2024	\$1,433,250	Property damage - two fire trucks
Physical Damage - Refueler Trucks	National Hangar Insurance Co.	November 29, 2024	\$230,000	Property damage-refueler trucks
Liability Only - Two Fire Trucks	National Hangar Insurance Co.	November 29, 2024	\$150,000	Liability Only - two old trucks
Workers' Compensation	AmTrust	June 30, 2024	\$1,000,000	Employer's liability - employee bodily injury
Employee Health, Vision and Dental	United Health Care	May 31, 2025		Employee medical, vision and dental
Employee Long-Term Disability	Unum	May 31, 2025		Employee earnings after 90 days disability
Employee AD&D	Unum	May 31, 2025	\$100,000/Employee \$5,000/Spouse \$1,000/Child	Accidental death and dismemberment
Employee and Dependent Life	Unum	May 31, 2025	\$100,000/Employee \$5,000/Spouse \$1,000/Child	Life and dependent life

SCHEDULE 24:*Major Airport Capital Improvements Completed (unaudited)*

As of June 30, 2024

Year Completed	Description	Cost
1989	Parking Garage Phase I (775 spaces)	\$5.7 million
1991	Air Cargo Complex (FedEx and UPS)	\$12 million
1993	Runway 5R/23L 3,000 foot extension	\$14 million
1995	Parking Garage Phase II (619 spaces)	\$3.2 million
1998	Parking Garage Phase III (1,417 spaces)	\$8.2 million
2000	Passenger Terminal Building Renovation and Expansion	\$72 million
2000	Express Jet Maintenance Facility	\$13.7 million
2002	Delta Air Lines Maintenance Facility	\$8.5 million
2008	Airport Rescue and Fire Fighting Facility	\$11.6 million
2009	West Aviation Area	\$53 million
2010	Taxiway B Reconstruction	\$5.4 million
2013	Airfield Maintenance Complex	\$18.7 million
2015	Land acquisition in Runway 23R Runway Protection Zone	\$6.1 million
2016	Aircraft Storage Hangar for Cirrus Design Corp.	\$2.3 million
2017	Air Cargo Building (Delta)	\$2.0 million
2018	Knoxville Downtown Island Airport T-Hangars, Taxiway & Apron	\$2.7 million
2019	Passenger Boarding Bridges (12)	\$8.4 million
2022	Runway 5L/23R Construction	\$139.9 million
2023	Runway 5L/23R Construction, continuation	\$0.9 million
2023	Third Baggage Claim Carousel	\$2.5 million
2023	Knoxville Downtown Island Airport Runway	\$11.1 million
2024	Tyson Center Building Purchase	\$8.8 million
2024	Economy Lot C	\$7.2 million

SCHEDULE 25:

Capital Asset Information (unaudited)

As of June 30, 2024

Airport Code:	TYS		DKX	
Location:	Alcoa, TN		Knoxville, TN	
Coordinates:	N35° 48.66' W83° 59.64'		N35° 57' 49.8" W83° 52' 25.2"	
Elevation:	979 feet		833.2 feet	
Tower:	24/7 121.2		None	
Total acreage:	2,752 acres		179.5 acres	
Runways:	RWY 05L-23R RWY 05R-23L	10,000 x 150 ft. 9,000 x 150 ft.	RWY 08-26	3499 x 75 ft
Apron area-sq ft:	Cargo Airlines Fixed Base Operator	314,284 1,985,064		
Terminal Complex	Number of passenger gates Number of loading bridges Total area - sq ft Useable space - sq ft Leasable space - sq ft Mechanical - sq ft	12 12 260,936 217,397 104,874 35,798		
Parking spaces, number:	Garage: Garage Parking Surface Parking Exit Rental Cars Total Garage	2,178 158 435 2,771		
	Surface: Garage Entrance Terminal Surface Rental Car Surface Lot A-Terminal Lot B-Terminal Lot C-Economy Lot D-Monthly/Employee Lot E-Monthly/Employee Lot F-Gnd Trnspt/Employee Ground Trnspt Pickup Total Surface	45 635 51 666 379 1,094 197 164 177 41 3,449		
	Total Parking	6,220		
Fixed Base Operator	Signature Flight Support			

Source: Metropolitan Knoxville Airport Authority Engineering and Planning department

COMPLIANCE SECTION

This section contains the following items:

Schedule of Expenditures of Federal Awards, State Financial Assistance and Passenger Facility Charges Collected and Expended

Schedule of Long-Term Debt Principal and Interest Requirements

Schedule of Changes in Long-Term Debt by Individual Issue

Independent Auditor's Reports

Schedule of Findings and Questioned Costs

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
STATE FINANCIAL ASSISTANCE AND
PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**

Year ended June 30, 2024

		Assistance		
Federal Grantor / Pass-Through Grantor	Program Title	Listing Number	Contract Number	Expenditures
<u>Federal Awards</u>				
U.S. Department of Transportation	Airport Improvement Program	20.106	N/A	\$ 2,885,890
	COVID-19 - Aiport Improvement Program	20.106	N/A	5,712,646
		Total Program 20.106*		8,598,536
Executive Office of the President				
Passed Through Laurel County Fiscal Court	High Intensity Drug Trafficking Area	95.001	G23AP0001A	8,089
		95.001	G24AP0001A	8,820
		Total Program 95.001		16,909
U.S. Department of Justice	Equitable Sharing Program	16.922	TN0050700	2,176
U.S. Department of Treasury	Equitable Sharing Program	21.016	TN0050700	47,503
TOTAL FEDERAL AWARDS				\$ 8,665,124

**Major federal financial assistance program.*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
STATE FINANCIAL ASSISTANCE AND
PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**

Year ended June 30, 2024

Federal Grantor / Pass-Through Grantor	Program Title	Assistance Listing Number	Contract Number	Expenditures
<u>State Financial Assistance</u>				
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0799-23	5,585,242
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0701-23	198,900
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0703-23	92,107
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0704-23	297,377
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0705-23	3,339,756
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0707-24	59,040
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0709-24	42,374
Tennessee Department of Transportation	Airport Improvements – McGhee Tyson Airport	N/A	47-555-0710-24	565,385
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0795-22	175,865
Tennessee Department of Transportation	Airport Improvements – Downtown Island Airport	N/A	47-555-0706-24	20,000
TOTAL STATE AWARDS				\$ 10,376,046
TOTAL FEDERAL AND STATE AWARDS				\$ 19,041,170
<u>Passenger Facility Charges</u>				
Available at July 1, 2023				\$ 10,944,975
Charges collected				6,267,461
Service charges, net of interest earned				24,713
Total available				17,237,149
Expended				(15,997,883)
Available at June 30, 2024				\$ 1,239,266

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE AND PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

1. Basis of Presentation

The above Schedule of Expenditures of Federal Awards, State Financial Assistance, and Passenger Facility Charges Collected and Expended (the Schedule) summarizes the federal and state expenditures of the Metropolitan Knoxville Airport Authority (the Authority) under programs of the federal and state government for the year ended June 30, 2024 and Passenger Facility Charges (PFCs) collected and expended for the year ended June 30, 2024. These amounts were obtained from the Authority's general ledger, which is prepared on the accrual basis. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net position, and current revenues and expenditures of the Authority.

For purposes of the Schedule, federal awards include federal financial assistance received directly from a federal awarding agency or indirectly from a pass-through entity. The awards are classified into major program categories in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Authority did not elect to apply the 10% de minimis indirect cost rate.

2. Passenger Facility Charge Program

The objective of the Passenger Facility Charge program is to authorize public agencies controlling commercial service airports to impose a charge of \$1 to \$4.50 per enplaned passenger. The proceeds from such PFCs are to be used to finance approved, eligible airport-related projects that preserve or enhance safety, capacity, or security; reduce noise; or increase air carrier competition. PFCs are not considered to be federal financial assistance defined by the Uniform Guidance.

3. Summary of Significant Accounting Policies

For purposes of the Schedule, expenditures for federal assistance programs and PFCs are recognized on the accrual basis of accounting. Federal expenditures are primarily for administering an Airport Improvement Program for the Authority.

The Authority uses PFCs for various improvement project expansions of the airport facilities and payments for debt service on bonds incurred to carry out such projects.

SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2024

Airport Revenue Refunding Note, Series 2019A, fixed rate of 2.54%:

Year ending June 30:	Principal	Interest	Total
2025	\$ -	\$ 302,260	\$ 302,260
2026	-	302,260	302,260
2027	5,900,000	290,353	6,190,353
2028	6,000,000	140,292	6,140,292
Total	\$ 11,900,000	\$ 1,035,165	\$ 12,935,165

**SCHEDULE OF CHANGES IN LONG-TERM DEBT
BY INDIVIDUAL ISSUE**

June 30, 2024

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
NOTES PAYABLE									
Series 2019A	\$ 39,570,000	2.54%	6/27/2019	6/1/2028	\$ 17,650,000	\$ -	\$ 5,750,000	\$ -	\$ 11,900,000
Total Notes Payable					<u>\$ 17,650,000</u>	<u>\$ -</u>	<u>\$ 5,750,000</u>	<u>\$ -</u>	<u>\$ 11,900,000</u>

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Metropolitan Knoxville Airport Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Metropolitan Knoxville Airport Authority (the Authority), a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

November 15, 2024
Knoxville, Tennessee



Report on Compliance for Each Major Federal Program and the Passenger Facility
Charge Program and on Internal Control Over Compliance in Accordance with the
Uniform Guidance

Independent Auditor's Report

Board of Commissioners
Metropolitan Knoxville Airport Authority

**Report on Compliance for Each Major Federal Program and Passenger Facility Charge
Program**

Opinion on Each Major Federal Program

We have audited compliance of the Metropolitan Knoxville Airport Authority (the Authority), a component unit of the City of Knoxville, Tennessee, with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program and the compliance requirements of the Passenger Facility Charge (PFC) program as described in the *Passenger Facility Charge Audit Compliance and Reporting Guide for Public Agencies* for the year ended June 30, 2024. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Passenger Facility Charge Audit Compliance and Reporting Guide for Public Agencies* (PFC Guidance), issued by the Federal Aviation Administration. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the PFC Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and PFC Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Commissioners
Metropolitan Knoxville Airport Authority

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and PFC Guidance. Accordingly, this report is not suitable for any other purpose.

Coulter & Justus, P.C.

November 15, 2024
Knoxville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None reported
Significant deficiency(s) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditors' report issued on compliance for major federal program:	Unmodified				
Internal control over major federal program:					
Material weakness(es) identified?	None reported				
Significant deficiency(s) identified?	None reported				
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None reported				
Identification of major programs:	<table> <tr> <th>Assistance Listing Number</th><th>Name of Program</th></tr> <tr> <td>20.106</td><td><i>Airport Improvement Program</i></td></tr> </table>	Assistance Listing Number	Name of Program	20.106	<i>Airport Improvement Program</i>
Assistance Listing Number	Name of Program				
20.106	<i>Airport Improvement Program</i>				
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000				
Auditee qualified as low-risk auditee?	Yes				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(continued)**Year ended June 30, 2024***Section II – Financial Statement Audit Findings**

None reported.

Section III – Federal Award Findings

None reported.

Section IV – Schedule of Prior Year Audit Findings

Prior Year Finding Number	Finding Title	Status
2023-001	Fraudulent Wire Transfer	Corrected



METROPOLITAN
KNOXVILLE
AIRPORT
AUTHORITY

McGhee Tyson Airport
P.O. Box 15600
Knoxville, TN 37901

865/342-3000 * Fax 865/342-3050

Email: info@tys.org

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION

The following information is a brief summary of certain provisions of the Senior Bond Resolution, as defined in the Offering Circular, copies of which are available at the office of the Authority. This summary is not to be considered a complete statement of the Senior Bond Resolution, and, accordingly, is qualified by reference thereto and is subject to the full text thereof. All references to the "Bond Resolution" in this Appendix C shall mean the "Senior Bond Resolution."

Definitions of Certain Terms

"Act" shall mean Chapter 4 of Title 42 of the Tennessee Code Annotated, and other applicable provisions of law.

"Additional Bonds" shall mean any obligations, including bonds, notes, loan agreements and other forms of indebtedness issued or incurred at any time in accordance with the provisions described under "Additional Bonds and Other Indebtedness."

"Airport Consultant" means any engineer, engineering firm, firm of certified public accountants, airport consulting firm or corporation, or other qualified Person of favorable repute for skill and experience in performing the duties for which it is employed by the Issuer.

"Airport Facilities" shall mean all facilities, equipment, improvements and structures, other than Special Purpose Facilities, made available by the Issuer at the Airport System including, but without limitation, roadways, runways, aprons, taxiways, sewerage and water facilities, lighting facilities, aircraft control facilities, communication facilities, passenger and cargo handling facilities, aircraft maintenance, testing and storage facilities, fuel storage and sale facilities, ground transportation facilities, meteorological facilities and passenger terminal facilities.

"Airport Surplus Fund" shall mean the fund referred to in clause (D) under the heading "Creation of Funds and Accounts" in this Summary.

"Airport System" shall mean the Primary Airport, the Downtown Island Airport (including any extensions, additions or improvements thereto), and any other air transportation related facilities added to the definition of Airport System by resolution of the Governing Body.

"Annual Audit" shall mean the annual audit prepared in accordance with requirements included in "Certain Other Covenants of the Authority."

"Annual Budget" shall mean the annual budget prepared in accordance with requirements included in "Certain Other Covenants of the Authority."

"Authorized Investments" shall mean any investments that are legal investments under the laws of the State of Tennessee for the moneys held by the Authority and that are authorized investments pursuant to the Authority's Investment Policy.

"Authorized Issuer Officer" shall mean the President or his or her designee and when used in reference to any act or document, also means any other person authorized by resolution of the Issuer to perform such act or sign such document.

"Bond Counsel" shall mean Bass, Berry and Sims, PLC or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

"Bond Resolution" shall mean the Master Resolution, being Resolution No. 24-03, adopted by the Governing Body on September 18, 2024, as supplemented by the Supplemental Resolution, being Resolution No. 24-05, authorizing the issuance of the Series 2024A/B Bonds adopted by the Governing Body on September 18, 2024.

"Bondholder" or **"Holder"** or **"holder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Issuer.

"Bond Year" shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as to any issuance of Bonds as may be provided by Supplemental Resolution of the Issuer.

"Bond Year" shall mean the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as to any issuance of Bonds as may be provided by Supplemental Resolution of the Issuer.

"Bonds" shall mean the Existing Bonds and the Series 2024A/B Bonds, together with any Additional Bonds issued pursuant to the Bond Resolution.

"Capital Appreciation Bonds" shall mean those Bonds which may be either Serial Bonds or Term Bonds and which shall bear interest payable only at maturity or redemption. In the case of Bonds that convert to or from Capital Appreciation Bonds with interest payable prior to maturity or mandatory redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time interest accrues and is not payable to the Holder thereof.

"CFC Account" shall mean the separate account established in the Revenue Fund referred to in clause (A) under "Creation of Funds and Accounts" in this Summary.

"CFC Capital Improvement Fund" shall mean the fund referred to in clause (F) under the heading "Creation of Funds and Accounts" in this Summary.

"CFC Revenues" shall mean all revenues received by the Issuer from time to time from the Customer Facility Charges imposed by the Issuer at the Primary Airport pursuant to the Act, including any investment income with respect thereto, and including proceeds thereof and gains from sales of investments after such revenues have been remitted to the Issuer.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Construction Fund" shall mean the Construction Fund referred to under heading "Funds and Accounts" in this Summary.

"Cost," when used in connection with a Project, shall mean all expenses incurred by or on behalf of the Issuer in connection with the acquisition, construction, installation, reconstruction, renewal or replacement thereof to the fullest extent permitted by applicable law, including without limitation: (1) costs of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) costs of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the Airport System during the period of acquisition, construction and equipping of such Project and for such period subsequent to completion as the Issuer shall determine and shall be allowable under applicable provisions of the Code; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses of the financing, including audits, fees and expenses of any Paying Agent, Registrar, escrow agent or depository; (8) amounts, if any, required to be paid into the Interest Account upon the issuance of any Series of Bonds; (9) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than Bonds) incurred for a Project for the Airport System; (10) costs of machinery, equipment and supplies and reserves required by the Issuer for the commencement of operation of such Project; and (11) any other costs properly attributable to such construction or acquisition and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer and interest on any interfund loan related thereto. A Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Counterparty" shall mean the entity entering into a Hedge Agreement with the Issuer. Counterparty would also include any guarantor of such entity's obligations under such Hedge Agreement.

"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or other credit or liquidity facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, an irrevocable letter of credit, a line of credit, surety bond or other credit or legal liquidity facility (other than a Bond Insurance Policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Customer Facility Charges" or "CFCs" shall mean fees from rental car operators serving the Primary Airport that are authorized to fund the planning, design/engineering, construction of new car rental facilities and/or improvements to the existing car rental facilities, including any associated infrastructure costs or payment of any Authority debt service incurred to finance these costs or ongoing maintenance of rental car facilities.

"Debt Service" shall mean, at any time, the aggregate amount in the then applicable period of time of (1) interest required to be paid on the Outstanding Bonds during such period of time, except to the extent that such interest is to be paid from deposits in the Interest Account or Construction Fund made from Bond proceeds, including interest earnings thereon, (2) principal of Outstanding Serial Bonds maturing in such period of time, and (3) the Sinking Fund Installments designated with respect to such period of time. For purposes of this definition, (A) all amounts payable on a Capital Appreciation Bond shall be considered a principal payment in the year it becomes due, (B) subject to the provisions of the Bond Resolution, with respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, interest on such Bonds during the term of such Qualified Hedge Agreement shall be deemed to be the Hedge Payments coming due during such period of time, (C) if any Series of Bonds has 25% or more of the aggregate principal amount of such Series coming due in any one year, Debt Service shall be determined on such Series during such period of time as if the principal of and interest on such Series were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 30 years at the initial interest rate on such Series, (D) the amount on deposit in the Reserve Account (or any subaccount thereof) on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final

maturity of the Bonds which are secured by such Reserve Account (or subaccount thereof) and in each preceding year until such amount is exhausted, and (E) with respect to debt service on any Federal Subsidy Bonds, when determining the interest on such Bonds for any particular Interest Date the amount of the corresponding Federal Subsidy Payment shall be deducted from the amount of interest which is due and payable to the holders of such Bonds on the Interest Date, but only to the extent that the Issuer reasonably believes that it will be in receipt of such Federal Subsidy Payment on or prior to such Interest Date.

"Eligible CFC Revenues" shall mean CFC Revenues which shall be legally available to pay the principal of and interest on the Bonds in accordance with the resolutions under which the CFC Revenues are established. The Issuer may identify Eligible CFC Revenues with respect to any particular Series of Bonds in a Supplemental Resolution.

"Eligible PFC Revenues" shall mean PFC Revenues which shall be legally available to pay the principal of and interest on the Bonds in accordance with the PFC Act, the PFC Regulations and PFC Authority. The Issuer may identify Eligible PFC Revenues with respect to any particular Series of Bonds in a Supplemental Resolution.

"Existing Bonds" shall mean the Issuer's Airport Revenue Refunding Note, Series 2019A dated June 27, 2019.

"FAA" shall mean the Federal Aviation Administration, or the successor to its power and authority.

"Federal Securities" shall mean non-callable direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury) or non-callable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America. All such obligations shall not permit redemption prior to maturity at the option of the obligor.

"Federal Subsidy Bonds" shall mean Bonds issued under any applicable provision of the Code, the interest on which is not exempt from federal income taxation, with respect to which the Issuer elects to receive, or is otherwise entitled to receive, Federal Subsidy Payments from the United States Department of Treasury.

"Federal Subsidy Payments" shall mean the direct payments made by the United States Department of Treasury to the Issuer with respect to any Federal Subsidy Bonds pursuant to the Code.

"Fiscal Year" shall mean the period commencing on July 1st of each year and continuing through the next succeeding June 30th, or such other period as may be prescribed by law.

"Finance Officer" shall mean the Vice President of Finance of the Authority or such other official of the Authority that serves as the chief financial officer of the Authority.

"Fitch" shall mean Fitch Ratings and any assigns and successors thereto.

"Governing Body" shall mean the Board of Commissioners of the Metropolitan Knoxville Airport Authority or its successor in function.

"Government Grant" when used with respect to the Airport System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Tennessee or any agency or political subdivision thereof as or on account of a

grant or contribution, not repayable by the Issuer, for or with respect to the construction, acquisition or other development of an addition, extension or improvement to any part of the Airport System or any costs of any such construction, acquisition or development. Government Grant shall not include any grants or contributions received by the Issuer which are not intended for the payment or reimbursement of capital expenditures and are provided for purposes of, or which may be used, without violating any obligation of the Issuer or condition of such grant, for (1) funding Operating Expenses or (2) paying debt service on obligations of the Issuer. Any grants or contributions described in the immediately preceding sentence shall be considered "Gross Revenues."

"Gross Revenues" or "Revenues" shall mean for any period all moneys paid or accrued for the use of and for services and facilities furnished by, or in connection with the ownership or operation of, the Airport System, or any part thereof or the leasing or use thereof, including, but not limited to (1) rentals, (2) concession fees, (3) use charges, (4) landing fees, (5) license and permit fees, (6) service fees and charges, (7) moneys from the sale of fuel, and or other merchandise, and (8) Investment Earnings; provided, however, that Gross Revenues shall not include (A) proceeds received from the sale of Bonds, Subordinated Indebtedness or Special Purpose Facilities Bonds, (B) proceeds from the sale or taking by eminent domain of any part of the Airport System, (C) gifts or Government Grants, (D) any insurance proceeds received by the Issuer (other than insurance proceeds paid as compensation for business interruption), (E) amounts received which are required to be paid to any other governmental body, (F) PFC Revenues, (G) CFC Revenues, (H) revenues from Special Purpose Facilities to the extent used to pay debt service on Special Purpose Facilities Bonds, (I) Released Revenues, and (H) any noise abatement charges received for disbursement to others.

"Hedge Agreement" shall mean an agreement in writing between the Issuer and the Counterparty pursuant to which (1) the Issuer agrees to pay to the Counterparty an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on a notional amount related to the debt of the Counterparty specified in such agreement in the period specified in such agreement and (2) the Counterparty agrees to pay to the Issuer an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on a notional amount equal to the principal amount of all or a portion of a Series of Bonds specified in such agreement during the period specified in such agreement. Hedge Agreement shall include any financial product or agreement which is used by the Issuer as a hedging device with respect to its obligation to pay interest on the Bonds, or any portion thereof, which is designated by the Issuer as a "Hedge Agreement."

"Hedge Payments" shall mean any amounts payable by the Issuer as interest on the related notional amount under a Qualified Hedge Agreement; excluding, however, any payments due as a penalty or a fee or by virtue of termination of a Qualified Hedge Agreement or any obligation of the Issuer to provide collateral.

"Hedge Receipts" shall mean any amounts receivable by the Issuer calculated as interest on the related notional amount under a Qualified Hedge Agreement.

"Improvement" or "Capital Improvement" shall mean such buildings, structures, equipment, and land or interests in land and such renewals, replacements, additions, extensions and betterments, other than ordinary maintenance and repairs, as may be deemed necessary or desirable by the Issuer to develop or maintain the safe, secure, competitive, efficient operation of the Airport System.

"Initial Rating Requirement" shall mean, with respect to Counterparties to Qualified Hedge Agreements, "A-" or better by Standard & Poor's and "A3" or better by Moody's.

"Insurance Consultant" shall mean such Person recognized and qualified in surveying risks and recommending insurance coverage for such facilities as the Airport System facilities and for organizations engaged in such operations as those to be conducted by the Issuer at the Airport System, at the time retained by the Issuer to perform the acts and carry out the duties as provided in the Bond Resolution for such Insurance Consultant or the risk management department or officer of the Issuer if the Issuer determines by resolution that such department or officer meets the criteria set forth above, which resolution shall remain in effect until repealed.

"Insurer" shall mean as to any particular Series of Bonds, the Person (other than a Credit Bank) providing a municipal bond insurance or guaranty policy, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Interest Account" shall mean the separate account in the Sinking Fund referred to in clause (C) under the heading "Creation of Funds and Accounts" in this Summary.

"Interest Date" or **"interest payment date"** shall be such date or dates as shall be provided by Supplemental Resolution of the Issuer with respect to a Series of Bonds.

"Investment Earnings" shall mean all income and earnings derived from the investment of moneys in the funds and accounts established under the Bond Resolution, other than the Construction Fund, the PFC Account, the PFC Capital Improvement Fund and the Rebate Fund.

"Issuer" or **"Authority"** shall mean the Metropolitan Knoxville Airport Authority.

"Maximum Annual Debt Service" shall mean the largest aggregate amount of the Debt Service becoming due in any Bond Year in which Bonds are Outstanding.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution of the Issuer delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

"Moody's" shall mean Moody's Investors Service, Inc., and any assigns and successors thereto.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operating Expenses" shall mean any and all costs incurred by the Issuer in operating, maintaining and administering the Airport System, including, but not limited to, the general administrative and legal costs of the Issuer related to operation, maintenance, management, security and development of the Airport System; costs associated with equipment, vehicles, supplies, materials, services and support for the operation, maintenance, management, security and development of the Airport System; any costs of litigation or a legal judgment against the Issuer; all costs incurred in planning or applying for, obtaining, maintaining and defending permits; accounting, legal and engineering expenses; ordinary and current rentals of equipment or other property; refunds of moneys lawfully due to others; payments to pension, retirement, health and hospitalization funds; payments in lieu of taxes or similar payments required to be paid to other governmental entities; and fees for management of the Airport System or any portion thereof, all to the extent properly attributable to the Airport System; but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the Airport System, or any accruals required to be recognized with respect to pension, retirement, health and hospitalization funds that do not require or

result in the expenditure of cash, or any provision for interest, depreciation, amortization or similar charges, or any loss resulting from the valuation of investment securities, Hedge Agreements at market value and any other loss that does not require or result in the expenditure of cash.

"Operation and Maintenance Fund" shall mean the fund referred to in clause (B) under the heading "Creation of Funds and Accounts" in this Summary.

"Operation and Maintenance Payment Account" shall mean the separate account in the Operation and Maintenance Fund referred to in clause (B) under the heading "Creation of Funds and Accounts" in this Summary.

"Operation and Maintenance Reserve Account" shall mean the separate account in the Operation and Maintenance Fund referred to in clause (B) under the heading "Creation of Funds and Accounts" in this Summary.

"Operation and Maintenance Reserve Requirement" shall mean an amount equal to 25% of the Operation Maintenance Costs for the then current Fiscal Year as set forth in the corresponding Annual Budget.

"Outstanding" when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which other Bond or Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for other Bond or Bonds under the Bond Resolution, (3) Bonds deemed to have been paid pursuant to the Bond Resolution and (4) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity.

"Passenger Facility Charges" or "PFCs" shall mean the passenger facility charges relating to the Primary Airport authorized to be charged by the Issuer from time to time under the PFC Act and the PFC Regulations.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to Supplemental Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, governmental entity or other legal entity.

"PFC Account" shall mean the separate account established in the Revenue Fund referred to in clause (A) under the heading "Creation of Funds and Accounts" in this Summary.

"PFC Act" shall mean the Aviation Safety and Capacity Expansion Act of 1990 (now codified as 49 U.S. §40117), as amended or replaced from time to time.

"PFC Authority" shall mean the FAA's Records of Decision, as the same may be amended from time to time, issued by the FAA relating to Passenger Facility Charges imposed or to be imposed by the Issuer at the Primary Airport.

"PFC Capital Improvement Fund" shall mean the fund referred to in clause (E) under the heading "Creation of Funds and Accounts" in this Summary.

"PFC Improvements" shall mean Improvements made to the Primary Airport for which PFCs may be used under the PFC Act, the PFC Regulations and PFC Authority to fund such Improvements or related indebtedness.

"PFC Regulations" shall mean Part 158 of the Federal Aviation Regulations (14 C.F.R. Part 158), as amended from time to time, and any other regulation(s) issued with respect to the PFC Act.

"PFC Revenues" shall mean all revenues received by the Issuer from time to time from the Passenger Facility Charges imposed by the Issuer at the Primary Airport pursuant to the PFC Act, PFC Regulations and PFC Authority, including any investment income with respect thereto, and including proceeds thereof and gains from sales of investments after such revenues have been remitted to the Issuer as provided in the PFC Regulations.

"Pledged Funds" shall mean, (1) the Net Revenues, (2) Eligible CFC Revenues, (3) Eligible PFC Revenues (but only if included in Pledged Funds as to a particular series of Bonds pursuant to a Supplemental Resolution) (4) any Hedge Receipts, and (5) until applied in accordance with the provisions of the Bond Resolution, all moneys, including investments thereof, in the funds and accounts established under the Bond Resolution, except (A) (i) moneys in the PFC Account and the PFC Capital Improvement Fund, (ii) moneys in the CFC Account and the CFC Capital Improvement Fund (but only to the extent not legally available to pay debt service on the Bonds), and (iii) moneys in the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses in accordance with the terms of the Bond Resolution, and (C) moneys on deposit in a subaccount of the Reserve Account to the extent moneys on deposit therein shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution. A Supplemental Resolution may provide for additional items to be included as Pledged Funds for any Series of Bonds.

"Policy Costs" shall mean, collectively, the repayment of draws, reasonable expenses and interest related to a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category (without regard to gradations, such as "plus" or "minus" of such categories) of two of the Rating Agencies.

"President" shall mean President of the Issuer or his or her designee.

"Primary Airport" shall mean the real property and airport and aviation facilities constituting the existing McGhee Tyson Airport, including any extensions, additions or improvements thereto.

"Principal Account" shall mean the separate account in the Sinking Fund referred to in clause (C) under "Creation of Funds and Accounts" in this Summary.

"Project" shall mean any structure, property or facility which the Issuer from time to time may determine to construct or acquire as part of the Airport System, together with all equipment, structures, facilities and other property necessary or appropriate in connection therewith which are financed in whole or in part with indebtedness secured by the Bond Resolution, as such Project may be generally described in a Supplemental Resolution and more particularly described in the plans and specifications on file with the Issuer.

"Qualified Hedge Agreement" shall mean a Hedge Agreement with a Counterparty that meets the Initial Rating Requirement at the time it was entered.

"Rating Agencies" means Fitch, Moody's and Standard & Poor's and such other rating agencies that the Issuer determines has a national reputation for providing ratings of governmental issuers such as the Issuer, which determination is confirmed in writing by a licensed municipal advisor to the Issuer.

"Rebate Fund" shall mean the Rebate Fund established pursuant to the Bond Resolution referred to in clause (G) under "Creation of Funds and Accounts" in this Summary.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Bond Resolution.

"Refunding Securities" shall mean Federal Securities and Prerefunded Obligations.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution.

"Released Revenues" shall mean any category of income, receipts or other revenues released from the definition of Gross Revenues pursuant to the Bond Resolution.

"Reserve Account" shall mean the separate account in the Sinking Fund referred to in clause (C) under the heading "Creation of Funds and Accounts" in this Summary.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(E)(4) hereof.

"Reserve Account Letter of Credit" shall mean a letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) obtained for the benefit of the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(E)(4) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation for the Reserve Account or any subaccount therein, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds secured thereby, (2) 125% of the average Debt Service for each Bond Year for all Outstanding Bonds secured thereby, or (3) the maximum amount of Bond proceeds which may be deposited to the Reserve Account without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds secured thereby (other than Taxable Bonds) to be included in gross income for purposes of federal income taxation or otherwise violating applicable provisions of the Code; provided, however, the Issuer may establish by Supplemental Resolution a different Reserve Account Requirement

for a subaccount of the Reserve Account which separately secures a Series of Bonds pursuant to the Bond Resolution, which Reserve Account Requirement may be \$0.00. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of calculation, the highest interest rate borne by such Variable Rate Bonds during the preceding 12 month period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation. The Reserve Account Requirement shall be calculated as of the date provided in the Supplemental Resolution with respect to each next succeeding Bond Year.

"Revenue Account" shall mean the separate account in the Revenue Fund referred to in clause (A) under the heading "Creation of Funds and Accounts" in this Summary.

"Revenue Fund" shall mean the fund referred to in clause (A) under the heading "Creation of Funds and Accounts" in this Summary.

"Secretary" shall mean the Issuer's Secretary to the Governing Body and such other person as may be duly authorized to act on his or her behalf.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Section 2.01 hereof or a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Sinking Fund" shall mean the fund established pursuant to the Bond Resolution referred to in clause (C) under "Creation of Funds and Accounts" in this Summary.

"Sinking Fund Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to the Term Bonds.

"Special Purpose Facilities" shall mean any projects, improvements or facilities determined by the Issuer to be useful in the conduct of the operations of the Airport System that are financed with the proceeds of Special Purpose Facilities Bonds.

"Special Purpose Facilities Bonds" shall mean indebtedness issued for the purpose of paying the cost of Special Purpose Facilities or refunding bonds previously issued for such purpose, which bonds shall not be payable from or secured by the Pledged Funds.

"Standard & Poor's" shall mean S&P Global Ratings, a business of Standard & Poor's Financial Services LLC, and any assigns and successors thereto.

"State" shall mean the State of Tennessee.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of the Bond Resolution.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing the Bond Resolution adopted and becoming effective in accordance with the terms of the Bond Resolution.

"Taxable Bonds" means those Bonds, other than Federal Subsidy Bonds, which state, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation. Except as otherwise provided in the Bond Resolution, Taxable Bonds shall not include Federal Subsidy Bonds.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer.

"Term Bonds Redemption Account" shall mean the separate account in the Sinking Fund established pursuant to the Bond Resolution referred to in clause (C) under "Creation of Funds and Accounts" in this Summary.

"Transfer Amount" shall mean the sum of (A) amounts on deposit in the Airport Surplus Fund on the last day of the Fiscal Year, to the extent such amounts are not restricted to other uses, plus (B) amounts paid from the Airport Surplus Fund during such Fiscal Year toward Operating Expenses and Debt Service, minus (C) amounts deposited into the Airport Surplus Fund in such Fiscal Year.

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

Additional Bonds and Other Indebtedness

Subordinated Indebtedness. The Issuer will not issue any other obligations, except under the conditions and in the manner provided in the Bond Resolution, payable from the Pledged Funds or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of Net Revenues and which may be secured by a pledge of Net Revenues; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Net Revenues created by the Bond Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Subordinated Indebtedness. No Subordinated Indebtedness shall be subject to acceleration. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

Issuance of Additional Bonds. No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to the Bond Resolution, shall be issued except upon the conditions and in the manner provided in the Bond Resolution. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing or refinancing Costs of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Issuer shall certify that it is current in all deposits into the various funds, accounts and subaccounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of the Bond Resolution have been deposited or made and it has complied with the covenants and agreements of the Bond Resolution.

(B) There shall have been filed with the Issuer:

(i) a certificate of the Finance Officer setting forth for the last complete Fiscal Year or a period of 12 consecutive months of the 24 months most recently concluded prior to the issuance of the Additional Bonds (the "12-Month Period") (1) Gross Revenues received by the Issuer during the 12-Month Period; (2) the Operating Expenses incurred during the 12-Month Period; (3) the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues received during the 12-Month Period; (4) the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued; (5) that Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues received by the Issuer during the 12-Month Period were in an amount at least equal to 125% of the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued; and (6) that Net Revenues, the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues received by the Issuer during the 12-Month Period were in an amount equal to at least (a) 100% of the Maximum Annual Debt Service including the Additional Bonds then proposed to be issued, (b) 100% of any amounts required by the terms hereof to be deposited in the Reserve Account or with the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy during the 12-Month Period, and (c) 100% of any Subordinated Indebtedness coming due during the 12 months immediately succeeding the issuance of the proposed Additional Bonds to the extent the Issuer reasonably expects such Subordinated Indebtedness to be paid from Net Revenues, Eligible PFC Revenues or CFC Revenues; or

(ii) a certificate prepared by an Airport Consultant showing that:

(1) the rate covenant set forth under "Rate Covenant" below was met for the last complete Fiscal Year immediately prior to the date of issuance of the Additional Bonds (not including that proposed Additional Bonds); and

(2) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Additional Bonds during which no interest on such Series of Additional Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Additional Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Additional Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues, are equal to at least 125% of the Debt Service becoming due in each such Fiscal Year with respect to all Outstanding Bonds and the proposed Series of Additional Bonds (calculated as if the proposed Series of Additional Bonds were then Outstanding).

(C) With respect to Additional Bonds that are issued to complete a Project, the Authorized Issuer Representative shall have filed with the Finance Officer a certificate demonstrating that the proceeds of such Additional Bonds to be issued (net of issuance costs and any discounts) will be not more than 10% of the original Cost of such Project for the completion of which such Additional Bonds are then being issued. If the Authorized Issuer Representative files such certificate with the Finance Officer, the conditions of clause (B) above shall not apply to the issuance of such Additional Bonds.

(D) For the purpose of determining the Debt Service, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(E) For the purpose of determining the Debt Service, the interest rate on Outstanding Variable Rate Bonds (not subject to a Qualified Hedge Agreement) shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the highest of (a) the actual rate of interest borne by such Variable Rate Bonds on the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the higher of (a) the actual rate of interest borne by the Variable Rate Bonds on the date of sale, and (b) the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(F) Additional Bonds shall be deemed to have been issued pursuant to the Bond Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the Bond Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to the Bond Resolution. Except as provided in "Funds and Accounts" and "Sources and Payment of Security", all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of clause (B) above shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in Maximum Annual Debt Service. The conditions of clause (B) above shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

Bond Anticipation Notes. The Issuer may issue notes in anticipation of the issuance of Bonds, pursuant to the Act and other applicable laws, which shall have such terms and details and be secured in such manner, not inconsistent with the Bond Resolution, as shall be provided by Supplemental Resolution of the Issuer. Such notes shall be Subordinated Indebtedness, unless the Issuer satisfies the conditions relating to Additional Bonds.

Released Revenues. The Issuer may by a Supplemental Resolution adopted by the Governing Body cause a category of income, receipts or other revenues then included in the definition of "Gross Revenues" to be excluded from such definition for all purposes of the Bond Resolution, which exclusion shall be effective without Bondholder consent, from the date of adoption of such Supplemental Resolution after receipt by the Board of the following:

(a) a certificate of the Finance Officer that no Event of Default exists under the Bond Resolution; and

(b) a certificate or report of the Finance Officer or an Airport Consultant to the effect that Gross Revenues for each of the two Fiscal Years for which audited financial statements are available immediately preceding the date of such certificate or report were sufficient to satisfy the rate covenant of the Bond Resolution for each of such two Fiscal Years, assuming for the purposes of complying with the rate covenant of the Bond Resolution that the Released Revenues were not included as Revenues.

Issuance of Obligations Not Secured Under the Bond Resolution – Special Purpose Facilities Bonds. The Issuer shall be permitted to issue Special Purpose Facilities Bonds for the purpose of financing the cost of such Special Purpose Facilities as it shall deem necessary or desirable in the operation of the Airport System. Special Purpose Facilities may consist of (A) Special Purpose Facilities that are owned and/or operated by private companies and the Special Purpose Facilities Bonds are payable from and secured exclusively by payments to be made by such private companies, and (B) Special Purpose Facilities

that are owned by the Issuer and the Special Purpose Facilities Bonds are payable from and secured by Released Revenues and any source other than the Pledged Funds. The Issuer shall determine the terms and conditions under which Special Purpose Facilities Bonds may be issued without regard to any test, financial or otherwise, contained in the Bond Resolution.

The Issuer may cause any Special Purpose Facilities to become a part of the Airport System by resolution of the Governing Body, if there shall be filed with the Finance Officer a report of the Airport Consultant substantially in the form provided above in "Issuance of Additional Bonds."

Funds and Accounts

Construction Fund. The Issuer covenants and agrees to establish a fund to be known as the "Metropolitan Knoxville Airport Authority Airport Construction Fund," which shall be used only for payment of the Cost of a Project. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Bond Resolution, and there may be paid into the Construction Fund, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source.

The Issuer shall establish within the Construction Fund a separate account for each Project the Cost of which is to be paid in whole or in part out of the Construction Fund. Moneys in such accounts shall be used to pay Costs of Projects.

The proceeds of insurance maintained pursuant to the Bond Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

Any moneys received by the Issuer from the State or from the United States of America or any agencies thereof for the purpose of paying part of the Cost of a Project shall be deposited into the appropriate account of the Construction Fund and used in the same manner as other Bond proceeds are used therein; provided that separate accounts or subaccounts may be established in the Construction Fund for moneys received pursuant to the provisions of this paragraph whenever required by federal or State law; provided, further, any such moneys shall not be subject to the lien and charge in favor of the Holders of the Bonds

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Fund to pay the Cost of a Project upon receipt of appropriate evidence that such payment is due in accordance with the disbursement procedures established by the Issuer.

Notwithstanding any of the other provisions of the Bond Resolution, to the extent that other moneys are not available therefor, amounts in the Construction Fund derived from proceeds of the Bonds may be applied to the payment of principal of and interest on such Bonds when due.

The date of completion of the acquisition, construction and equipping of a Project shall be documented by an Authorized Issuer Officer in the appropriate records of the Issuer. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Issuer shall transfer the balance of any money in the Construction Fund which shall deposit such moneys in the following order of priority in (A) another account of the

Construction Fund for which an Authorized Issuer Officer has determined that there are insufficient moneys present to pay the Cost of the related Project, (B) the Reserve Account, to the extent of a deficiency therein, and (C) such other fund or account established under the Bond Resolution as shall be determined by the Governing Body, provided the Issuer has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

Creation of Funds and Accounts. The Issuer covenants and agrees to establish the following funds and accounts:

(A) The "Metropolitan Knoxville Airport Authority Revenue Fund." The Issuer shall maintain three separate accounts in the Revenue Fund: the "Revenue Account", the "CFC Account" and the "PFC Account."

(B) The "Metropolitan Knoxville Airport Authority Operation and Maintenance Fund." The Issuer shall maintain two separate accounts in the Operation and Maintenance Fund: the "Operation and Maintenance Payment Account" and the "Operation and Maintenance Reserve Account."

(C) The "Metropolitan Knoxville Airport Authority Sinking Fund." The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."

(D) The "Metropolitan Knoxville Airport Authority Surplus Fund."

(E) The "Metropolitan Knoxville Airport Authority PFC Capital Improvement Fund."

(F) The "Metropolitan Knoxville Airport Authority CFC Capital Improvement Fund."

(G) The "Metropolitan Knoxville Airport Authority Rebate Fund."

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders in accordance with the terms hereof.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds and accounts established hereby. Such depositary or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds or accounts as described below, and all records of such depositary in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agents and employees. Any such depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and be qualified under applicable State law.

Notwithstanding the foregoing, none of the aforementioned funds and accounts are required to be established prior to the time any such fund or account is required to be funded or otherwise utilized under the Bond Resolution.

PFC Capital Improvement Fund. The Issuer shall apply moneys on deposit in the PFC Capital Improvement Fund, to the extent permitted by the PFC Act, PFC Regulations and PFC Authority, to pay

the principal of (whether at maturity or in satisfaction of the Sinking Fund Installments) and interest on the Bonds when due, whenever and to the extent that the money on deposit in the Interest Account, the Principal Account and the Term Bonds Redemption Account and moneys transferred from the Airport Surplus Fund to said Accounts are insufficient for such purposes.

The Issuer, at its option, but only after determining that no amounts are required to be applied to pay the principal of and interest on the Bonds as summarized below, may apply any amounts remaining in the PFC Capital Improvement Fund for any one or more of the following purposes: (A) to pay the costs of PFC Improvements, (B) to pay debt service on any obligation incurred by the Issuer to finance or refinance costs of PFC Improvements, (C) to purchase or redeem Bonds, if permitted by the PFC Act and PFC Regulations, or (D) to the extent permitted by the PFC Act and the PFC Regulations, for any other lawful Airport purpose.

CFC Capital Improvement Fund. The Issuer shall apply moneys on deposit in the CFC Capital Improvement Fund, to the extent permitted by the Act to pay the principal of (whether at maturity or in satisfaction of the Sinking Fund Installments) and interest on the Bonds when due, whenever and to the extent that the money on deposit in the Interest Account, the Principal Account and the Term Bonds Redemption Account and moneys transferred from the Airport Surplus Fund to said Accounts are insufficient for such purposes.

The Issuer, at its option, but only after determining that no amounts are required to be applied to pay the principal of and interest on the Bonds as summarized below, may apply any amounts remaining in the CFC Capital Improvement Fund for any one or more of the following purposes: (A) to pay the costs of CFC Improvements, (B) to pay debt service on any obligation incurred by the Issuer to finance or refinance costs of CFC Improvements, (C) to purchase or redeem Bonds, if permitted by the Act, or (D) to the extent permitted by the Act, for any other lawful Airport System purpose.

Rebate Fund. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Account) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its tax compliance certificate or agreement relating to such Series of Bonds. No Rebate Fund is required to be created until the Issuer is required to deposit rebate amounts pursuant to any such tax compliance certificate or agreement.

Application of Revenues

(A) Revenue Fund. Into the Revenue Account, the Issuer shall deposit promptly, as received, all Gross Revenues. Into the PFC Account, the Issuer shall deposit promptly, as received, all PFC Revenues. Into the CFC Account, the Issuer shall deposit promptly, as received, all CFC Revenues.

(B) Operation and Maintenance Payment Account. Moneys in the Revenue Account shall first be used each month to deposit in the Operation and Maintenance Payment Account such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Issuer may transfer moneys from the Revenue Account or the Airport Surplus Fund or the Operation and Maintenance Reserve Account to the Operation and Maintenance Payment Account at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Payment Account for such purpose. Amounts in the Operation and Maintenance Payment Account shall be paid out from time to time by the Issuer for Operating Expenses.

(C) PFC Account. Moneys in the PFC Account shall be applied on or before the 25th day of each month in the following order of priority:

(1) Debt Service. The Issuer shall deposit or credit to the Interest Account, the Principal Account and the Term Bonds Redemption Account such amounts as it shall determine pursuant to its Annual Budget and which are Eligible PFC Revenues.

(2) PFC Capital Improvement Fund. The remainder of moneys in the PFC Account shall be deposited into the PFC Capital Improvement Fund and shall be utilized in accordance with the terms of the Bond Resolution

(D) CFC Account. Moneys in the CFC Account shall be applied on or before the 25th day of each month in the following order of priority:

(1) Debt Service. The Issuer shall deposit or credit to the Interest Account, the Principal Account and the Term Bonds Redemption Account such amounts as it shall determine pursuant to its Annual Budget and which are Eligible CFC Revenues.

(2) CFC Capital Improvement Fund. The remainder of moneys in the CFC Account shall be deposited into the CFC Capital Improvement Fund.

(E) Subsequent to the payment described in clause (B) above, moneys on deposit in the Revenue Account shall be applied by the Issuer on or before the 25th day of each month in the following order of priority:

(1) Interest Account. The Issuer shall deposit or credit to the Interest Account the sum which, together with the balance in said Account including any moneys transferred from the PFC Account and/or the CFC Account to the Interest Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts and Federal Subsidy Payments shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which are subject to a Qualified Hedge Agreement, interest on such Bonds during the term of the Qualified Hedge Agreement shall be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the Issuer (a) for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. Any Federal Subsidy Payments deposited to the Interest Account shall be deemed to have been applied to the payment of interest on the Federal Subsidy Bonds to which such Federal Subsidy Payments relate. The Issuer shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Qualified Hedge Agreement Counterparty relating to such Bonds shall be paid to the Qualified Hedge Agreement Counterparty on a parity basis with the aforesaid required payments into the Sinking Fund. In computing the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest interest rate borne by such Variable Rate Bonds during any 30-day period during such preceding 24 months, and (B) if such Variable Rate Bonds have not been

Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

(2) Principal Account. Commencing no later than the month which is one year prior to the first principal due date, the Issuer shall next deposit into the Principal Account the sum which, together with the balance in said Account, including any moneys transferred from the PFC Account and/or the CFC Account to the Principal Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) except for the Sinking Fund Installments to be deposited pursuant to clause (E)(3) below, in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the twelfth month immediately preceding the maturity date of such Bonds. The Issuer shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(3) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account including any moneys transferred from the PFC Account and/or the CFC Account to the Term Bonds Redemption Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner provided in the Bond Resolution, and for no other purpose. Term Capital Appreciation bonds shall be payable from the Term Bonds Redemption Account in the years in which such Bonds mature and monthly payments into the Terms Bonds Redemption Account on account of such Bonds shall commence in the twelfth month immediately preceding the due date of the related Sinking Fund Installments. The Issuer shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the Issuer, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of

such Term Bonds, if then redeemable by their terms. Amounts in the Term Bonds Redemption Account which are used to redeem Term Bonds shall be credited against the next succeeding Amortization Installment which shall become due on such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Sinking Fund Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in the Bond Resolution, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Issuer shall pay out of the Term Bonds Redemption Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Operation and Maintenance Payment Account.

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the Issuer to restore the funds on deposit in the Reserve Account (including any subaccounts therein) to an amount equal to the Reserve Account Requirement applicable thereto in the manner provided in the Bond Resolution. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by decreased market value of the investments therein of more than 5% or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the Issuer to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Airport Surplus Fund, the PFC Capital Improvement Fund, the CFC Capital Improvement Fund and the Operation and Maintenance Reserve Account for such purpose, respectively, hereof shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the Issuer into the Revenue Account of the Revenue Fund. The Issuer shall promptly inform each Insurer of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as provided in the Bond Resolution, the Issuer shall fund the Reserve Account in an amount at least equal to the Reserve Account Requirement to the extent such Series of Bonds are to be secured by the Reserve Account or any subaccount therein; provided, however, nothing in the Bond Resolution shall be construed to require the Issuer to fund the Reserve Account or any subaccount for any Series of Bonds. Upon the adoption of the Supplemental Resolution authorizing the issuance of a Series of Bonds, the Issuer shall determine whether such Series of Bonds shall be secured by the Reserve Account or any subaccount therein and, if the Issuer determines that the Series of Bonds will be secured by a separate subaccount therein, the Issuer shall also establish the Reserve Account Requirement applicable thereto. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the

Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 36 months.

Notwithstanding the foregoing provisions, in lieu of or in substitution of the required deposits into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. The Issuer may also substitute a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for cash on deposit in the Reserve Account upon compliance with the terms of the Bond Resolution. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Date or redemption date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to the Bond Resolution and available for such purpose. Upon the initial deposit of any such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, the provider thereof shall be either (a) an insurer whose municipal bond insurance policies insuring the payment, when due, or the principal of and interest on municipal bond issues results in such issues being rated in one of the three highest rating categories by at least two of the Rating Agencies (without regard to gradations, such as "plus" or "minus" or "1," "2" or "3"), or (b) a commercial bank, insurance company or other financial institution which has been assigned a rating in one of the two highest rating categories by at least one of the Rating Agencies (without regard to gradations, such as "plus" or "minus" or "1," "2" or "3"). Any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall equally secure all Bonds secured by the Reserve Account or subaccount into which such Policy or Letter of Credit is deposited.

Each Reserve Account Insurance Policy and Reserve Account Letter of Credit shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the provider of the Reserve Account Insurance Policy or Reserve Account Letter of Credit to reimbursement will be subordinated to cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Insurance Policy or Reserve Account Letter of Credit and the amount then available for further draws or claims. If (a) the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit becomes insolvent or (b) the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit defaults in its payment obligations thereunder or (c) the rating of the provider of a Reserve Account Insurance Policy falls below a rating of "A-" or "A3" by all of the Rating Agencies then rating such provider or (d) the rating of the provider of a Reserve Account Letter of Credit falls below a rating of "AA-" or "Aa3" by all of the Rating Agencies then rating such provider, the obligation to reimburse the provider of the Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be subordinate to the cash replenishment of the Reserve Account. Where applicable, the amount available for draws or claims under a Reserve Account Insurance Policy or Reserve Account Letter of Credit may be reduced by the amount of cash or investments deposited in the Reserve Account pursuant to the provisions hereof.

If the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or if the Reserve Account Insurance Policy or Reserve Account Letter of Credit is no longer valid and enforceable, the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or investments on deposit in the Reserve Account or applicable subaccount to equal the Reserve Account Requirement on all Outstanding Bonds then secured by such Reserve Account or subaccount, such amount to be paid over the ensuing five years in equal

installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Account Insurance Policy or a Reserve Account Letter of Credit meeting the requirements described in the Bond Resolution within six months of such occurrence.

If three days prior to an interest or principal payment date, or such other period of time as shall be required by the terms of the Reserve Account Insurance Policy or Reserve Account Letter of Credit, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on the Bonds on such date, the Issuer shall immediately notify (a) the issuer of the applicable Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, (b) the Paying Agent, and (c) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a subordinate promissory note therefor; provided, however, any such note shall be payable solely from the Pledged Funds in the manner provided in the Bond Resolution. The obligation to reimburse the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit for any Policy Costs shall be subordinate to the payment of debt service on the Bonds.

Any consent or approval of any Insurer shall be required only so long as there are Outstanding Bonds secured by a Bond Insurance Policy issued by such Insurer which is in full force and effect and the commitments of which have been honored by such Insurer. The term "Paying Agent" may include one or more Paying Agents for the Outstanding Bonds.

Whenever the amount of cash in the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Reserve Account may be transferred to the other Accounts of the Sinking Fund for the payment of the Bonds.

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided in the Bond Resolution. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the Issuer deems appropriate. In the event the Issuer by Supplemental Resolution establishes the Reserve Account Requirement for a particular Series of Bonds to be zero dollars (\$0.00) or it shall determine that such Series are not to be secured in any manner by the Reserve Account or a subaccount, then it shall not be required to establish a separate subaccount; provided, however, such Series of Bonds shall have no lien on or pledge of any moneys on deposit in the Reserve Account. Moneys used to replenish the Reserve Account shall be deposited in the separate subaccounts in the Reserve Account and in the Reserve Account on a pro-rata basis. In the event the Issuer shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in the Reserve Account or any subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(5) Subordinated Indebtedness. There shall next be deposited by the Issuer for the payment of any debt service on and other required deposits with respect to Subordinated Indebtedness incurred by the Issuer in connection with Improvements to the Airport System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(6) Operation and Maintenance Reserve Account. There shall be deposited to the Operation and Maintenance Reserve Account an amount which would enable the Issuer to restore the funds on deposit in the Operation and Maintenance Reserve Account to an amount equal to the Operation and Maintenance Reserve Requirement. The moneys in the Operation and Maintenance Reserve Account shall be applied by the Issuer for the purpose of paying Operating Expenses to the extent the amounts in the Operation and Maintenance Payment Account are insufficient therefor; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Operation and Maintenance Reserve Account shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Airport Surplus Fund, the PFC Capital Improvement Fund and the CFC Capital Improvement Fund for such purpose shall not be adequate to fully provide for such insufficiency.

(7) Airport Surplus Fund. The balance of any moneys remaining in the Revenue Account shall be deposited in the Airport Surplus Fund and applied for any lawful purpose relating to the Airport System. Moneys in the Airport Surplus Fund shall be applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due.

(E) Whenever moneys on deposit in the Sinking Fund are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), no further deposits to the Sinking Fund need be made. If on any payment date the Gross Revenues, Eligible PFC Revenues and Eligible CFC Revenues are insufficient to deposit the required amount in any of the funds or accounts or for any of the purposes provided above, the deficiency shall be made up on the subsequent payment dates.

The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(F) In the event the Issuer shall issue a Series of Bonds secured by a Credit Facility, the Issuer may establish separate subaccounts in the Interest Account, the Principal Account and the Term Bonds Redemption Account to provide for payment of the principal of and interest on such Series; provided payment from the Pledged Funds of one Series of Bonds shall not have preference over payment of any other Series of Bonds. The Issuer may also deposit moneys in such subaccounts at such other times and in such other amounts as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds and the Credit Facility.

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund may be applied as provided in the applicable Supplemental Resolution and the Credit Facility to reimburse the

Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the holders thereof for payment; provided such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund. Other payments due to a Credit Bank in relation to obligations arising under its Credit Facility may be on parity with the Bonds secured by such Credit Facility as to source of and security for payment to the extent provided in the Supplemental Resolution relating thereto.

Investment of Funds

Moneys on deposit in the Construction Fund, the Sinking Fund, the PFC Capital Improvement Fund, the CFC Capital Improvement Fund, the Operation and Maintenance Fund, the Airport Surplus Fund and the Revenue Fund shall be invested only in Authorized Investment. Moneys on deposit in the Construction Fund, the PFC Capital Improvement Fund, the CFC Capital Improvement Fund, the Operation and Maintenance Fund, the Airport Surplus Fund, the Revenue Fund and the Sinking Fund (other than the Reserve Account) shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such Fund or Account. Moneys on deposit in the Reserve Account may be invested or reinvested by the Issuer in Authorized Investments which shall have an average aggregate weighted term to maturity not greater than five years. Notwithstanding any other provision hereof, all amounts on deposit in the Construction Fund or Interest Account representing accrued interest and capitalized interest shall be pledged solely to the payment of interest on the corresponding Series of Bonds and, unless otherwise provided by Supplemental Resolution, shall be invested only in Federal Securities maturing in such times and in such amounts as are necessary to pay the interest to which they are pledged. All investments shall be valued at cost; provided, however, that the amounts on deposit in the Reserve Account shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the Issuer on an annual basis as of September 30 of each year.

Any and all income received from the investment of moneys in each separate account of the Construction Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, the Operation and Maintenance Payment Account, the Airport Surplus Fund, the PFC Capital Improvement Fund, the PFC Account, the CFC Capital Improvement Fund, the CFC Account, the Revenue Account, the Reserve Account (to the extent such income and the other amounts in the Reserve Account do not exceed the Reserve Account Requirement) and the Operation and Maintenance Reserve Account (to the extent such income and other amounts in the Operation and Maintenance Reserve Account do not exceed the Operation and Maintenance Reserve Requirement) shall be retained in such respective Fund or Account.

Any and all income received from the investment of moneys in the Reserve Account (only to the extent such income and the other amounts in the Reserve Account exceeds the Reserve Account Requirement) and of moneys in the Operation and Maintenance Reserve Account (to the extent such income and other amounts in the Operation and Maintenance Reserve Account exceeds the Operation and Maintenance Reserve Requirement) shall be deposited upon receipt thereof in the Revenue Account.

Nothing in the Bond Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under the Bond Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Separate Accounts.

The moneys required to be accounted for in each of the funds, accounts and subaccounts established pursuant to the Bond Resolution may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established in the Bond Resolution may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the

restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as provided in the Bond Resolution. The Issuer may create multiple accounts at multiple banks that in the aggregate constitute a fund or account that is required or permitted to be created under the Bond Resolution.

The designation and establishment of the various funds, accounts and subaccounts in and by the Bond Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as provided in the Bond Resolution.

Rate Covenant

For the Fiscal Year commencing July 1, 2025 and for each Fiscal Year thereafter, the Issuer shall fix, establish, maintain and collect such rates, fees, rentals and charges for the services and facilities of the Airport System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year:

(a) Net Revenues, together with the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount, equal to at least 125% of the Debt Service becoming due in such Fiscal Year; and

(b) the Net Revenues, together with Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) and CFC Revenues, shall be adequate at all times to pay in such Fiscal Year at least 100% of (1) the Debt Service becoming due in such Fiscal Year, (2) any amounts required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (3) any amounts required by the terms hereof to be deposited in the Operation and Maintenance Reserve Account in such Fiscal Year, and (4) any Subordinated Indebtedness coming due in said Fiscal Year to the extent the Authority reasonably expects to pay such Subordinated Indebtedness from Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) or CFC Revenues or to the extent such Subordinated Indebtedness is paid from Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution) or CFC Revenues.

When calculating Debt Service for purposes of clauses (a) and (b) above, Debt Service shall be reduced by the amount of principal and/or interest paid with Eligible PFC Revenues that have not been included in Pledged Funds pursuant to a Supplemental Resolution. Additionally, for purposes of clause (a) above, the amount of any Transfer Amount taken into account shall not exceed 25% of Debt Service becoming due in such Fiscal Year.

Such rates, fees, rentals and other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and the Transfer Amount for the purposes provided therefor by the Bond Resolution.

If, for any Fiscal Year, after receipt of the Annual Audit for such Fiscal Year, the actual Net Revenues, together with the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount for such Fiscal Year were not sufficient to meet the coverage requirements, the Issuer shall cause an Airport Consultant to review its rates, fees, rentals, charges, income, Gross Revenues, Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues, Operating Expenses and methods of operation and

to make written recommendations as to the methods by which the Issuer may promptly seek to comply with the coverage requirements. The Issuer shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements for the current and future Fiscal Years. So long as the Issuer implements such recommendations within 120 days of the receipt thereof, the Issuer's failure to meet the coverage requirements in clauses (a) and (b) based upon actual Net Revenues, together with the Eligible PFC Revenues (only if included in Pledged Funds pursuant to a Supplemental Resolution), CFC Revenues and any Transfer Amount for any Fiscal Year shall not be considered an Event of Default under the Bond Resolution.

Certain Other Covenants of the Authority

Annual Budget. The Issuer shall prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget for the Airport System in accordance with applicable law. The Issuer shall use its best efforts to operate the Airport System consistent with the Annual Budget and shall not make expenditures in excess of the Annual Budget except in compliance with its policies and procedures for authorizing such excess. In each Fiscal Year, the Issuer shall designate as part of its Annual Budget the amount of Eligible PFC Revenues which shall be utilized to pay debt service on the Bonds.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such year or the Annual Budget for the preceding Fiscal Year shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for Operating Expenses or Improvements to any Credit Bank or Insurer of Bonds who shall file its address with the Finance Officer and request in writing that copies of all such Annual Budgets and amended Annual Budgets and resolutions be furnished to it. The Issuer shall also make available all such Annual Budgets to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders who requests in writing to review such instruments.

Books and Records. The Issuer shall keep sufficient books, records and accounts of the Gross Revenues, Eligible PFC Revenues, CFC Revenues, Operating Expenses and the operations of the Airport System and the Holders of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto, upon written request.

Annual Audit. The Issuer shall, after the close of each Fiscal Year, cause the books, records and accounts relating to the Airport System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Each Annual Audit shall be in conformity with State auditing requirements for governmental entities such as the Issuer. A copy of each Annual Audit shall regularly be furnished to any Credit Bank or Insurer who shall have furnished its address to the Finance Officer and requested in writing that the same be furnished to it.

No Mortgage or Sale of the Airport System. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the Airport System as a whole or any substantial part thereof (except as provided below) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the Airport System in the following

manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the Airport System, (B) such property is not useful in the operation of the Airport System, (C) such property is not profitable in the operation of the Airport System, or (D) in the case of a lease of such property, will be advantageous to the Airport System and will not materially adversely affect the security for the Bondholders. The Issuer may also mortgage any facilities financed with Special Facilities Revenue Bonds for the benefit of the holders of such Special Facilities Revenue Bonds.

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of five percent (5.00%) of the market value of the gross plant of the Airport System, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property have been met; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of five percent (5.00%) of the market value of the gross plant of the Airport System, (a) an Authorized Issuer Officer shall first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property have been met, (b) the Governing Body shall, by resolution, duly adopt, approve and concur in the finding of the Authorized Issuer Officer, and (c) the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds) or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

Unless otherwise directed by Bond Counsel in the opinion provided above, the proceeds from any such sale or other disposition shall be deposited into the Airport Surplus Fund. Proceeds from any such lease shall constitute Gross Revenues and shall be deposited in the Revenue Account.

The transfer of the Airport System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for such purpose and which constitutes a governmental entity, interest on obligations issued by which are excluded from gross income for purposes of federal income taxation, shall not be deemed prohibited and such successor board or authority shall fall within the definition of "Issuer" and such successor board or authority shall adopt a resolution or take such other action to evidence its obligations under the Bond Resolution.

Notwithstanding the foregoing provisions, the Issuer shall have the authority to sell for fair and reasonable consideration any land comprising a part of the Airport System which is no longer necessary or useful in the operation of the Airport System.

Notwithstanding the foregoing provisions, the Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport System if such contract, license, easement or right does not, in the opinion of the Airport Consultant, as evidenced by a certificate to that effect filed with the Issuer, impede or restrict the operation by the Issuer of the Airport System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the Airport System or any part thereof shall constitute Gross Revenues and shall be deposited in the Revenue Account.

Insurance. The Issuer will carry such insurance as is ordinarily carried by public entities owning and operating aviation facilities similar to the Airport System with a reputable insurance carrier or carriers, in such amounts as the Issuer shall determine to be sufficient and such other insurance against loss or damage by fire, explosion, hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the Airport System, or such other amount or amounts as the

Insurance Consultant shall approve as sufficient. The Issuer shall engage an Insurance Consultant from time to time to assist it with obtaining and maintaining such insurance.

The Issuer may establish minimum levels of insurance for which the Issuer may self-insure. Such minimum levels of insurance shall be in amounts as recommended in writing by the Insurance Consultant.

The proceeds from property loss and casualty insurance shall be deposited in the Airport Surplus Fund and, together with other available funds of the Issuer, shall be used to repair or replace the damaged portion of the Airport System; provided, however, if the Issuer makes a determination that such damaged portion of the Airport System is no longer necessary or useful in the operation of the Airport System, such proceeds shall (1) if such proceeds equal or exceed \$1,000,000, (a) be applied to the redemption or purchase of Bonds, or (b) be deposited in irrevocable trust for the payment of Bonds, provided the Issuer has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Bonds for purposes of federal income taxation (other than Taxable Bonds) and will not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds, or (2) if such proceeds are less than \$1,000,000, be deposited in the Revenue Account.

Management of Airport System. The Issuer shall not take any action which would cause the Administrator of the FAA, the Department of Transportation, or any successor to the powers and authority of such Administrator, to suspend or revoke operating certificates issued for the Airport System or any portion thereof under the Federal Aviation Act of 1958, or any successor statute. The Issuer shall comply with all valid acts, including the acts, rules, regulations, orders and directives of any governmental, legislative, executive, administrative or judicial body applicable to the Airport, unless the same shall be contested in good faith.

Operation of the Airport System. The Issuer covenants that it will at all times use reasonable efforts, subject to *force majeure*, to keep the Airport System open for landings and takeoffs of aircraft of any type using facilities similar to those at the Airport System and to maintain the powers, duties and obligations now reposed in it pursuant to law, and will not at any time take or fail to take any action the effect of which could reasonably be expected to delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the performance or observance of any of the covenants contained in the Bond Resolution.

Federal Income Taxation Covenants; Taxable Bonds. The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds and Federal Subsidy Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become included in gross income for purposes of federal income taxation and that Issuer will comply with all tax compliance agreements entered into by the Issuer in connection with the issuance of such Series of Bonds. The Issuer may issue any Bonds as Taxable Bonds in its discretion.

Defaults and Remedies

Events of Default. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of, Sinking Fund Installment, redemption premium or interest on any Bond when due. In determining whether a payment default has occurred, no effect shall be given to payment made under a Bond Insurance Policy.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication

of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter adopted.

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution on the part of the Issuer to be performed, and such default shall continue for a period of 90 days after written notice of such default shall have been received from an Insurer or the Holders of not less than 25% of the aggregate principal amount of Bonds Outstanding. Notwithstanding the foregoing, the Issuer shall not be deemed to be in default under the Bond Resolution if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until default has been corrected.

Remedies. Any Holder of Bonds issued under the provisions of the Bond Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Tennessee, or granted and contained in the Bond Resolution, and may enforce and compel the performance of all duties required by the Bond Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable.

The Holder or Holders of Bonds in an aggregate principal amount of not less than 25% of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to the Bond Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the Finance Officer. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than 25% in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of such appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given under the Bond Resolution. After the appointment of the first trustee under the Bond Resolution, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

Directions to Trustee as to Remedial Proceedings. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring any then Outstanding Bonds) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee under the Bond Resolution with respect to the Series of Bonds owned by such Holders or insured by such Insurer, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any direction of the Holders which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

Remedies Cumulative. No remedy in the Bond Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Bond Resolution or now or hereafter existing at law or in equity or by statute.

Waiver of Default. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

Application of Moneys after Default. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds (except as for amounts in the subaccounts of the Reserve Account which shall be applied to the payment of the Series of Bonds for which they were established) as follows and in the following order:

(A) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver and Registrar under the Bond Resolution;

(B) To the payment of the amounts required for reasonable and necessary Operating Expenses, and for the reasonable renewals, repairs and replacements of the Airport System necessary to prevent loss of Net Revenues, Eligible PFC Revenues and CFC Revenues, as certified by the Airport Consultant;

(C) To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(i) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of the Bond Resolution.

(ii) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(D) To the payment of all amounts owed to an Insurer or a Credit Bank not covered by A, B or C above.

Control by Insurer. To the extent an Insurer makes any payment of principal of or interest on Bonds in accordance with its Bond Insurance Policy, such Insurer shall become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy. Upon the occurrence and continuance of an Event of Default, an Insurer of a Series of Bonds, if such Insurer shall not be in payment default under its Bond Insurance Policy, shall be deemed to be the sole owner of such Bonds for purposes of (A) directing and controlling the enforcement of all rights and remedies with respect to such Series of Bonds, including any waiver of an Event of Default and removal of any trustee, and (B) exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of such Bonds are entitled to take pursuant to this Article VII hereof. No provision expressly recognizing or granting rights in or to an Insurer shall be modified without the consent of such Insurer. An Insurer's rights shall be suspended during any period in which such Insurer is in default in its payment obligations under its Bond Insurance Policy (except to the extent of amounts previously paid by such Insurer and due and owing to such Insurer) and shall be of no force or effect if its Bond Insurance Policy is no longer in effect or if the Insurer asserts that its Bond Insurance Policy is not in effect or if the Insurer waives such rights in writing. The rights granted to an Insurer under this Section 7.07 are granted in consideration of such Insurer issuing its Bond Insurance Policy. The Issuer shall provide each Insurer immediate notice of any Event of Default and notice of any other Event of Default occurring under the Bond Resolution within 30 days of the occurrence thereof. Each Insurer of any Bonds under the Bond Resolution shall be considered a third-party beneficiary to the Bond Resolution with respect to such Bonds.

Supplemental Resolutions

Supplemental Resolution without Bondholders' Consent. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Bond Resolution or to clarify any matters or questions arising under the Bond Resolution.

(B) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Bond Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in the Bond Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power in the Bond Resolution reserved to or conferred upon the Issuer.

(E) To specify and determine the matters and things referred to in Article II of the Bond Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Projects or to change or modify the description of any Project.

(G) To specify and determine matters necessary or desirable for the issuance of Variable Rate Bonds, Federal Subsidy Bonds or Capital Appreciation Bonds.

(H) To provide for the establishment of a separate subaccount or subaccounts in the Reserve Account which shall independently secure one or more Series of Bonds.

(I) To make any other change that, in the opinion of the Issuer, would not materially adversely affect the security for the Bonds. In making such determination, the Issuer shall not take into consideration any Bond Insurance Policy or Credit Facility.

Supplemental Resolution with Bondholders' and Insurer and Credit Bank Consent. The Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Bond Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. Any Supplemental Resolution shall also require the written consent of the Insurer and the Credit Bank of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect and for which such Insurer and Credit Bank are not in default with respect to their obligations. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued under the Bond Resolution, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by the Bond Resolution or except as otherwise permitted or provided hereby which materially adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account), or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing contained in the Bond Resolution, however, shall be construed as making necessary the approval by Bondholders or the Insurer or Credit Bank of the adoption of any Supplemental Resolution.

Except as otherwise provided in the Bond Resolution, if at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution, the Finance Officer shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Finance Officer and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved.

Whenever the Issuer shall deliver to the Finance Officer an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as provided in the Bond Resolution, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to

enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Notwithstanding the foregoing, the initial purchasers of Additional Bonds shall be deemed to have consented in writing to any amendments to the Bond Resolution that are to become effective on or after the issuance of such Additional Bonds if the proposed amendments are reasonably disclosed in the offering documentation prepared and distributed in connection with the issuance of such Additional Bonds and such offering documentation and the related Supplemental Resolution provides that such initial purchasers have so consented through their purchase, and such deemed consent shall be considered consent and approval by the holders of such Additional Bonds.

Upon the adoption of any Supplemental Resolution, the Bond Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of the Bond Resolution as so modified and amended.

Amendment with Consent of Insurer and Credit Bank Only. For purposes of amending the Bond Resolution, an Insurer or Credit Bank for Bonds shall be considered the Holder of such Bonds which it has provided credit enhancement. The consent of the Holders of such Bonds shall not be required if the Insurer or Credit Bank for such Bonds shall consent to the amendment and such Insurer or Credit Bank is not in default with respect to its obligations under its Bond Insurance Policy or Credit Facility. Prior to adoption of any amendment, notice of such amendment shall be delivered to the Rating Agencies then rating the Bonds. Upon filing with the Finance Officer of evidence of such consent the Insurer or Credit Bank as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notices of an amendment. Notwithstanding the foregoing, the consent of all affected Bondholders shall still be required with respect to any amendment set forth in the clauses (A), (B), (C), (D) or (E).

Defeasance

If (A) the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of any Series of Bonds the principal and interest or Redemption Price, plus accrued interest, due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, and (B) the Issuer shall pay all Policy Costs owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy and all amounts owing to the Insurers and Credit Banks, then all covenants, agreements and other obligations of the Issuer to the holders of such Series of Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Bond Resolution which are not required for payment or redemption of any Series of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto shall be deemed to have been paid if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (ii) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Refunding Securities verified by an independent certified public accountant or nationally recognized company that provides verification services for municipal bonds to be in such amount that the principal of and the interest on or redemption price which when due will provide moneys which, together with the moneys, if any, deposited with such banking institution or trust company

at the same time shall be sufficient, to pay the principal of and interest due and to become due on said Bonds on and prior to the maturity date thereof. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such banking institution or trust company nor any moneys received by such bank or trust company on account of principal of or redemption price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or redemption price of the Bonds for the payment of which they were deposited and the interest accruing thereon to the date of maturity; provided, however, the Issuer may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of and interest on or redemption price of the refunded Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any payment date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Bond Resolution.

If Bonds are not to be redeemed or paid within 60 days after any such defeasance, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with these provisions and stating such maturity date upon which moneys are to be available for the payment of the principal of and interest on or redemption price of said Bonds. Failure to provide said notice shall not affect the Bonds being deemed to have been paid in accordance with these provisions.

Nothing in the Bond Resolution shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal of or interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders until such time as the Insurer or Insurers have been reimbursed and paid in full.

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APPENDIX D

FORM OF THE INDENTURE

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TRUST INDENTURE

between

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION
as Trustee**

Dated as of June 1, 2025

Relating to

**Subordinate Airport Revenue Bonds
(Series 2025)**

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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of June 1, 2025, between the **METROPOLITAN KNOXVILLE AIRPORT AUTHORITY** (the “Authority”), a public body corporate formed under the laws of the State of Tennessee, and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association, as trustee (the “Trustee”),

W I T N E S S E T H:

WHEREAS, the Authority is a metropolitan airport authority duly created by the City of Knoxville, Tennessee (the “City”), pursuant to Chapter 4 of Title 42 of the Tennessee Code Annotated (the “Act”), and has all power and authority under the Act to enter into this Indenture for the purposes herein set forth; and

WHEREAS, the Authority has previously issued its \$68,015,000 Airport Revenue Bonds, Series 2024A (Non-AMT) (the “Series 2024A Bonds”), and its \$41,230,000 Airport Revenue Bonds, Series 2024B (Federally Taxable) (the “Series 2024B Bonds,” and together with the Series 2024A Bonds, the “Series 2024 Bonds”), for the purposes of providing funds to finance a portion of the costs of a new parking garage at McGhee Tyson Airport (the “Parking Garage Project”); and

WHEREAS, the Series 2024 Bonds were issued under and pursuant to Resolution No. 24-03 adopted by the Board of Commissioners of the Issuer (the “Board”) on September 18, 2024 (as amended and supplemented from time to time, the “Master Bond Resolution”), and as particularly supplemented by Resolution No. 24-05 adopted by the Board on September 18, 2024 (the “2024 Supplemental Resolution,” and together with the Master Bond Resolution, the “Senior Bond Resolution”), and are special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the monied and funds pledged under the Senior Bond Resolution, including the Pledged Funds; and

WHEREAS, the Authority is authorized by the Act and deems it necessary and desirable to issue additional bonds for the purpose of financing, refinancing, acquiring, erecting, extending, improving, equipping and repairing any structure, property or facility which the Authority from time to time may determine to construct or acquire as part of the Airport System, together with all equipment, structures, facilities and other property necessary or appropriate in connection therewith, and to that end has duly authorized the issuance of its bonds, to be known as its Subordinate Airport Revenue Bonds, to be sold and delivered from time to time in accordance with the terms of this Indenture (all bonds from time to time outstanding under the terms of this Indenture are hereinafter referred to as the “Bonds”), the proceeds of each series of Bonds (each a “Series of Bonds”) to be used to finance a Project and to pay costs of issuance of the Bonds; and

WHEREAS, it has been determined by the Board by resolution duly adopted on January 22, 2025 (the “Authorizing Resolution”), that the Issuer will issue \$38,600,000 in principal amount of its Subordinate Airport Revenue Bonds, Series 2025 (Non-AMT) (the “Series 2025 Bonds”), pursuant to this Indenture for the purposes of providing funds to finance a portion of the costs of the Parking Garage Project; and

WHEREAS, the execution and delivery of this Indenture, and the issuance of the Bonds under the Act have been in all respects duly and validly authorized by resolution duly passed and approved by the Issuer; and

WHEREAS, to secure the payment of the principal of, interest on, and redemption premium, if any, on the Bonds and the performance and observance of the covenants and conditions herein contained the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, to provide additional security for the timely payment of principal and interest on the Bonds and to provide funds for the purchase of each Series of Bonds that may be tendered for purchase and not remarketed, the Authority will provide, during the Daily Period and Weekly Period (as defined herein) an irrevocable direct-pay letter of credit, as amended, supplemented and extended from time to time (each, a “Credit Facility”), by a bank (each, a “Credit Provider”); and

WHEREAS, each Credit Facility and each Substitute Credit Facility delivered in replacement thereof with respect to any Series of Bonds covered thereby under this Indenture are each referred to herein as a “Credit Facility”; each Credit Provider and the bank or banks (including any agent for such banks) providing any substitute or additional Credit Facility are each herein referred to as the “Credit Provider” with respect to such Credit Facility; and

WHEREAS, the Bonds shall be in the form of Exhibit A-1 or Exhibit A-2, as appropriate, attached hereto with necessary or appropriate variations, omissions and insertions, permitted or required by this Indenture; and

WHEREAS, the Bonds shall be issued as Subordinated Indebtedness within the meaning of the Master Resolution and shall be subordinate in lien and payment to the Series 2024 Bonds and the Existing Bonds, as defined in the Master Resolution, and all other bonds issued on a parity therewith pursuant to the Master Resolution; and

WHEREAS, all things necessary to make each Series of Bonds, when authenticated by the Trustee and issued as provided in this Indenture, the valid and binding limited obligations of the Authority according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the amounts pledged to the payment of the principal of, premium, if any, and interest on each Series of Bonds issued and to be issued hereunder have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of each related Series of Bonds pursuant to supplemental indentures subject to the terms hereof, have in all respects been duly authorized;

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, to secure payment of the principal of, premium, if any, and interest on each Series of Bonds, including Pledged Bonds, issued hereunder according to their tenor and effect and all Reimbursement Obligations related thereto and the performance of all covenants and conditions therein and herein contained, and to secure the obligations of the Authority arising under or in connection with any Credit Facility provided with respect to such Series of Bonds, including Reimbursement Obligations, under the terms hereof (except as hereinafter provided), and in consideration of the premises, and of the purchase of each Series of Bonds by the Holders thereof, the Authority by these presents does grant to the Trustee and its successors in trust, a lien on and a security interest in the following described property, rights, privileges and franchises with respect to each such Series (which collectively are hereinafter called the “Trust Estate”);

GRANTING CLAUSE FIRST

With respect to each Series of Bonds, subject to the prior application and pledge of the Pledged Funds in favor of the Series 2024 Bonds, the Existing Bonds and all additional bonds issued on a parity of lien therewith pursuant to the Senior Bond Resolution (the “Senior Bonds”), all right, title and interest and privilege of the Authority now owned or hereafter acquired in and to the Pledged Funds;

GRANTING CLAUSE SECOND

All moneys received by the Trustee pursuant to any Credit Facility; *provided, however*, that such monies shall be for the sole benefit of Owners of the Series of Bonds to which such Credit Facility relates;

GRANTING CLAUSE THIRD

All monies and securities (including the investment income therefrom) held by the Trustee in any of the funds or accounts established under this Indenture (except each Additional Payments Subaccount referred to in Section 6.02 hereof), subject, however, to the application thereof to the uses and in the manner set forth in this Indenture; *provided, however*, that each Series of Bonds shall only have the benefit of monies and securities in such funds and accounts established for such Series of Bonds; and

GRANTING CLAUSE FIFTH

All property which is by the express provisions of this Indenture required to be subject to the lien hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof, by the Authority or by anyone in its behalf, for the benefit of Owners of one or more Series of Bonds hereunder, and the Trustee is hereby authorized to receive the same at any time as additional security hereunder;

TO HAVE AND TO HOLD the Trust Estate unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit of (a) the Holders from time to time to the extent provided herein for each related Series of Bonds without any priority of any one Bond of a Series over any other Bond of such Series except as herein expressly provided, and (b) each Credit Provider with respect to all amounts payable by the Authority to such Credit Provider under this Indenture or under the applicable Credit Agreement with respect to a related Series of Bonds, including Reimbursement Obligations; *provided, however*, that to the extent the security hereunder is extended to a Credit Provider, as hereinabove provided for, and the obligation of the Authority to such Credit Provider pertains to obligations other than the reimbursement of drawings honored by the Credit Provider under the Credit Facility, then in such event the security for such obligations shall be subject and subordinate to the obligation of the Authority to the Holders of the related Series of Bonds, and shall be limited to the security provided in Granting Clause First.

PROVIDED, HOWEVER, that if (1) the Authority shall pay or cause to be paid the principal of, and the premium, if any, and interest on, a particular Series of Bonds, including Pledged Bonds of such Series, at the time and in the manner mentioned in each Series of Bonds and this Indenture with respect to such Series of Bonds, or shall provide, as permitted hereby, for the payment thereof; (2) the Authority shall perform and observe all the covenants to be performed and observed by it hereunder with respect to such Series of Bonds; (3) the Authority shall pay or cause to be paid to the Trustee and the Remarketing Agent, if any, all sums of money due or to become due to them in accordance with the terms and provisions hereof with regard to such Series of Bonds; and (4) all amounts owed the Credit Provider, if any, under any Credit Facility covering such Series of Bonds and other related documents shall have been paid with regard to such Series of Bonds; then upon such final payments this Indenture and the rights hereby granted shall cease, terminate, and be void with regard to such Series of Bonds (other than such provisions hereof, if any, as may by their express terms survive any such termination); otherwise this Indenture shall be and remain in full force and effect;

AND THEREFORE, the Authority hereby covenants and agrees with the Trustee and with the respective Owners, from time to time, of the Bonds, or any part thereof, for the equal and proportionate benefit of such Owners of each Series of Bonds and for the benefit of each Credit Provider, if any, as follows:

ARTICLE I DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01 Definitions. Certain terms used in this Indenture are defined in this Section 1.01 and in other Sections hereof and, when and if used herein, such terms shall have the meanings given to them in this Section 1.01 and such other Sections (except as otherwise expressly provided or unless the context otherwise requires). All terms defined in the Bonds and used herein shall, unless the context otherwise requires, have the meanings in this Indenture assigned to such terms in the Bonds. “Account” means any account or subaccount created pursuant to the terms of this Indenture.

“Act” means Chapter 4 of Title 42 of the Tennessee Code Annotated, as amended.

“Action,” when referring to an act or action taken by any Bondholder, shall have the meaning assigned to it in Section 12.06 hereof.

“Additional Payments” means the following payments required to be made by the Authority: (a) the fees and expenses of and other amounts payable to a Credit Provider, if any, under any Credit Facility and Credit Agreement, if any, relating to the Bonds; (b) the fees and expenses of the Remarketing Agent under the Remarketing Agreement, if applicable, relating to the Bonds, and the reasonable fees and expenses of the Remarketing Agent, if applicable, (c) the fees and expenses of the Trustee under the Indenture, including all expenses necessary to prepare notices of redemption or purchase of Bonds or to cancel and discharge the Indenture with respect to the Bonds and the reasonable fees and expenses of the Trustee; (d) the fees and expenses of Bond Counsel, the Underwriter and other costs of issuance relating to the Bonds; (e) Rating Agency fees relating to the Bonds; and (f) such other reasonable fees and expenses relating to the Bonds, including, but not limited to, fees and expenses, including costs associated with any acquisition, conversion, substitution or extension of a Credit Facility.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” when used with respect to any specified Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract, by membership or power to appoint directors, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Airport System” shall have the meaning assigned to that term in the Senior Bond Resolution.

“Applicable Factor” means a percentage to be used in the calculation of the Index Rate, which such percentage shall be determined as set forth in Section 2.07 hereof.

“Applicable Margin” means a number of basis points to be used in the calculation of the Index Rate (which such Applicable Margin may include a schedule for changes to the Applicable Margin based upon the credit rating of the Authority), which such number of basis points shall be determined as set forth in Section 2.07 hereof.

“Authority” means the Metropolitan Knoxville Airport Authority and any successor to its functions hereunder.

“Authority Certificate” means a certificate signed by an Authorized Authority Representative and delivered to the Trustee.

“Authority Request,” “Authority Order” or “Authority Consent” means, respectively, a written request, order or consent of the Authority, signed by an Authorized Authority Representative and delivered to the Trustee.

“Authorized Authority Representative” means the President, Chairman, Vice-Chairman, Secretary or Assistant Secretary of the Authority, and when used with reference to any act or document also means any other person authorized by resolution of the Authority, a copy of which is filed with the Trustee, to perform such act or execute such document.

“Authorized Investments” shall mean any investments that are legal investments under the laws of the State of Tennessee for the moneys held by the Authority and that are authorized investments pursuant to the Authority’s Investment Policy.

“Bond Counsel” means an attorney or firm of attorneys nationally recognized on the subject of municipal bonds and the status of the income thereon for purposes of federal income taxation.

“Bond Purchase Agreement” means, with respect to any Series of Bonds, the Bond Purchase Agreement between the Authority and the Underwriter with respect to such Series of Bonds providing for the purchase of such Series of Bonds issued under this Indenture and any Supplemental Indenture, as such agreement may be modified or supplemented (including naming an Underwriter) in connection with such Series of Bonds.

“Bond Register” means the books of the Authority kept by the Trustee to evidence the registration and transfer of Bonds.

“Bondholder,” “Owner,” “owner,” “Holder” or “holder” or any similar term, when used with reference to any of the Bonds, means any Person who shall be shown in the Bond Register as the registered owner of any then Outstanding Bonds.

“Bonds” means the Authority’s Subordinate Airport Revenue Bonds issued in Series from time to time pursuant to this Indenture.

“Book-Entry System” means the system maintained by the Securities Depository described in Section 2.17 hereof.

“Business Day” means, with respect to each Series of Bonds, any day other than (a) a Saturday or Sunday, (b) a day on which the Trustee or the Credit Provider for such Series, if any, is required or permitted by law to close, and (c) a day on which the New York Stock Exchange is closed.

“Closing Date” means, with respect to each Series of Bonds, the date of the issuance and delivery of such Bonds.

“Code” means the Internal Revenue Code of 1986, as amended.

“Conversion Date” means, with respect to a Series of Bonds, the date established for the conversion of the interest rate on the Bonds from one type of Interest Period to another type of Interest Period pursuant to Section 2.09 hereof (whether or not such conversion actually occurs), which date shall be an Interest Payment Date.

“Conversion Option” means, with respect to a Series of Bonds, the option granted to the Authority in Section 2.09 hereof to convert from one type of Interest Period to another type of Interest Period.

“Cost of Issuance Fund” means the fund established by Section 6.05.

“Cost” or “Cost of the Project” shall have the meaning assigned to that term in the Senior Bond Resolution.

“Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

“Credit Agreement” means, with respect to any Series of Bonds, the Credit Agreement, Reimbursement Agreement or similar agreement between the Credit Provider and the Authority and any amendments or supplements thereto, together with any reimbursement or similar agreement between the Authority and any subsequent Credit Provider, and any amendments and supplements thereto.

“Credit Facility” means, with respect to any Series of Bonds, the Letter of Credit and any Substitute Credit Facility provided by the Authority for such Series of Bonds.

“Credit Facility Period” means, with respect to a Series of Bonds, any Interest Period during which payment of the principal and Purchase Price of, and the interest and redemption premium (if any) on, a Series of Bonds is secured by a Credit Facility; provided, however, that any period in which a Series of Bonds bears interest at an Index Rate or a Fixed Rate shall not be a Credit Facility Period.

“Credit Facility Termination Date” means, with respect to a Series of Bonds, the later of (a) that date upon which the Credit Facility shall expire or terminate pursuant to its terms, or (b) that date to which the expiration or termination of the Credit Facility may be extended, from time to time, either by extension or renewal of the existing Credit Facility.

“Credit Provider” means, with respect to a Series of Bonds, the provider of any Credit Facility, initially Truist Bank.

“Daily Period” is defined in Section 2.05 hereof.

“Daily Rate” means, with respect to a Series of Bonds, an interest rate on the Bonds of such Series set under Section 2.05 hereof.

“Date of Taxability” means the earliest date as of which interest on a Series of Bonds shall have been determined to be includable in the gross income of an Owner (including, without limitation, any previous Owner) pursuant to a Determination of Taxability.

“Default” means any Default under this Indenture as specified in and defined by Section 9.01 hereof.

“Default Rate” has the meaning set forth in any Credit Agreement or Direct Placement Agreement.

“Demand Purchase Option” means, with respect to a Series of Bonds, the option granted to Owners of Bonds of such Series, while the Bonds of such Series bear interest at the Daily Rate or the Weekly Rate, to require that Bonds of such Series be purchased pursuant to Section 4.02 hereof.

“Determination of Taxability” means (a) any determination, decision, decree or advisement by the Commissioner of Internal Revenue, any District Director of Internal Revenue or any court of competent jurisdiction to the effect that interest on the Bonds is not excludable from gross income for federal income tax purposes or (b) the delivery to the Direct Placement Purchaser, any Owner or the Bond Trustee of an Opinion of Bond Counsel, to the effect that interest on the Bonds is not excludable from gross income for federal income tax purposes. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following: (i) the date when the Authority files any statement, supplemental statement, or other tax schedule, return or document, which discloses that interest on the Bonds is not excludable from gross income for federal income tax purposes; (ii) the effective date of any federal legislation enacted or federal rule or regulation promulgated after the date of this Indenture which has the effect that interest on the Bonds is not excludable from gross income for federal income tax purposes; or (iii) the sale, lease or other deliberate action within the meaning of the Code which has the effect that interest on the Bonds is not excludable from gross income for federal income tax purposes. Notwithstanding the foregoing, no Determination of Taxability shall be deemed to have occurred unless the Authority shall have been afforded an opportunity, at the sole cost and expense of the Authority, to contest any such determination, decision, decree or advisement, including, without limitation, the right to direct the necessary litigation contesting such determination, decision, decree or advisement, provided that the Authority shall promptly reimburse the Direct Placement Purchaser and the Owners for any reasonable expenses, including reasonable attorneys’ fees, that may be incurred by the Direct Placement Purchaser or the Owners in connection with any such contest.

“Direct Placement Agreement” means with respect to a Series of Bonds, a continuing covenant agreement, bond purchase agreement, index agreement or other similar agreement between the Direct Placement Purchaser and the Authority, and any amendments thereto or restatements thereof.

“Direct Placement Mandatory Purchase Date” means the Mandatory Purchase Date at the end of a Fixed Rate Period or an Index Period.

“Direct Placement Purchaser” means the Holder of a Series of Bonds in the Index Period or the Fixed Rate Period.

“Excluded Bonds” means Bonds owned by or on behalf of the Authority or an Affiliate thereof.

“Fitch” means Fitch, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, with respect to any Series of Bonds, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the consent of the related Remarketing Agent and the related Credit Provider, by written notice to the Trustee.

“Fixed Rate” means a fixed rate of interest per annum determined as set forth in Section 2.08 hereof.

“Fixed Rate Period” is defined in Section 2.08(a) hereof.

“Fixed Rate Period Conversion Notice” shall mean a notice delivered by the Authority in the form of Exhibit C-1 to this Indenture, providing for the conversion of such Series of Bonds to the Fixed Rate Period or the establishment of new Fixed Rate Period.

“Fixed Rate Period Final Terms Notice” shall mean a notice delivered by the Authority in the form of Exhibit C-2 to this Indenture, providing for the final terms of such Series of Bonds for a newly established Fixed Rate Period.

“Government Obligations” means direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America, which obligations are noncallable.

“Indenture” means this Trust Indenture between the Authority and the Trustee, as supplemented from time to time by Supplemental Indentures.

“Index” means the interest rate index used to calculate the Index Rate, which such index shall be determined as set forth in Section 2.07 hereof.

“Index Computation Agent” means the entity that will compute the Index Rate as provided in Section 2.07 hereof, which such entity may be the Trustee, the Direct Placement Purchaser or such other entity approved by the Authority.

“Index Computation Date” means the date on which the Index Computation Agent shall calculate the Index Rate for the following Index Computation Period.

“Index Computation Period” means the period beginning on each Index Reset Date and ending on the next Index Reset Date; provided, however, for Bonds initially issued in the Index Period, the initial Index Computation Period shall commence on the date of issuance of such Bonds and end on the next Index Reset Date.

“Index Period” is defined in Section 2.07(a) hereof.

“Index Period Conversion Notice” shall mean a notice delivered by the Authority in the form of Exhibit D-1 to this Indenture, providing for the conversion of such Series of Bonds to the Index Period or the establishment of new Index Period.

“Index Period Final Terms Notice” shall mean a notice delivered by the Authority in the form of Exhibit D-2 to this Indenture, providing for the final terms of such Series of Bonds for a newly establishment Index Period.

“Index Rate” means the per annum variable interest rate equal to (a) the Applicable Factor times the Index, plus (b) the Applicable Margin; provided, however, the Authority (with the approval of the Direct Placement Purchaser) may elect in the Supplemental Indenture pursuant to which a Series of Bonds are initially issued in the Index Period or in the Index Period Conversion Notice pursuant to which a new Index Period is established, that the Index Rate be stated as the per annum interest rate equal to the Applicable Factor times the sum of the Index and the Applicable Margin.

“Index Reset Date” means the calendar day of each month on which the Index Rate will reset.

“Interest Payment Date” shall have the meaning set forth in the applicable form of the Bonds and for any Index Period or Fixed Rate Period shall be the dates elected by the Authority in connection with any conversion to a new Index Period or Fixed Rate Period; provided, however that any date that is a Mandatory Purchase Date shall also be deemed to be an Interest Payment Date.

“Interest Period” means each Daily Period, Weekly Period, Fixed-Rate Period and Index Period.

“Investment Agreement” or “Investment Agreements” means any written investment agreement and any amendments thereto or replacements thereof relating to any Series of Bonds entered or to be entered into by the Trustee at the prior written direction of the Authority, with the prior written approval of the

Credit Provider, if any, providing a Credit Facility with respect to such Series of Bonds for the purpose of investing moneys deposited in certain of the Funds with the proceeds of such Series of Bonds.

“Letter of Credit” means, with respect to each Series of Bonds, an irrevocable direct-pay letter of credit, dated the date of issuance of such Series of Bonds, issued by a bank with a short-term rating in one of the three highest rating categories by one of the Rating Agencies or better on the Closing Date.

“Mandatory Purchase Date” means (a) each Conversion Date for such Series of Bonds other than a conversion between the Daily Period and the Weekly Period, (b) the Interest Payment Date immediately before the Credit Facility Termination Date, (c) the Interest Payment Date concurrent with the effective date of a Substitute Credit Facility, (d) the day immediately before the first day of an Index Period, (e) the day immediately before the first day of a Fixed Rate Period, (f) each Direct Placement Mandatory Purchase Date, and (g) following the occurrence of an “Event of Default” under a Credit Agreement or receipt of notice from a Credit Provider that the Credit Provider has not been reimbursed for any drawing under the Credit Facility such that the amount of such drawing will not be reinstated, the third Business Day after the Trustee receives direction from the Credit Provider to call the Bonds for mandatory tender for purchase.

“Market Agent” means any Person appointed by the Authority to serve as market agent in connection with such Authority’s election to establish an Index Period or a Fixed Rate Period, who, in the judgment of the Authority, possesses sufficient knowledge of the market for obligations comparable with such Series of Bonds to evaluate rates and terms proposed by potential purchasers of such Series of Bonds.

“Maximum Federal Corporate Tax Rate” means the maximum rate of income taxation imposed on corporations pursuant to the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Direct Placement Purchaser with respect to any Series of Bonds, the maximum statutory rate of federal income taxation which could apply to such Direct Placement Purchaser).

“Maximum Lawful Rate” means the highest interest rate that may be borne by the Bonds, in effect and applicable from time to time under applicable law.

“Maximum Rate” shall mean an interest rate per annum equal to the lesser of the Maximum Lawful Rate and, during the Daily Period or Weekly Period, 12%.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, with respect to any Series of Bonds, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the consent of the related Remarketing Agent and the related Credit Provider, by written notice to the Trustee.

“New York Banking Day” shall mean any date (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Opinion of Counsel” means a written opinion of Counsel, who may (except as otherwise expressly provided in this Indenture) be counsel for the Authority.

“Outstanding” when used with respect to the Bonds or any Series of Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture (including, without limitation, Pledged Bonds), except:

(a) Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, maturity;

(a) Bonds paid or deemed paid pursuant to Article IX hereof;

(b) Bonds in lieu of which others have been authenticated under Section 2.13 or 2.14 hereof; and

(c) Bonds deemed tendered hereunder and for which another Bond has been issued.

“Owner” means the person or persons in whose name or names a Bond of a Series shall be registered on the books of the Authority kept by the Trustee for that purpose in accordance with provisions of this Indenture.

“Par” means one hundred percent (100%) of the principal amount of any Bond of a Series, or of the aggregate principal amount of the Bonds Outstanding of a Series, as the context may require, exclusive of accrued interest.

“Participant” means one of the entities which is a member of the Securities Depository and deposits securities, directly or indirectly, in the Book-Entry System.

“Person” means any natural person, corporation, joint venture, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity, as in the context may be appropriate.

“Pledged Bonds” means any Bonds of a Series which shall, at the time of determination thereof, be pledged to the Credit Provider pursuant to the Credit Agreement provided with respect to such Series of Bonds.

“Pledged Funds” shall have the meaning assigned to that term in the Senior Bond Resolution.

“Project” means a “project” as defined in the Act, all or a portion of the Costs of which is financed by the Authority pursuant to this Indenture.

“Purchase Price” means, with respect to a Series of Bonds, an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered pursuant to Section 4.01 or 4.02 hereof, plus, in the case of purchase pursuant to Section 4.02 hereof, accrued and unpaid interest thereon to the date of purchase.

“Rating Agency” means Moody’s, S&P or Fitch.

“Record Date” is defined in the form of the Bonds.

“Redemption Date” means, with respect to a Series of Bonds, when used with respect to any Bond of such Series to be redeemed means the date on which it is to be redeemed pursuant hereto.

“Redemption Price” means, with respect to a Series of Bonds, when used with respect to any Bond of such Series to be redeemed means the price at which it is to be redeemed pursuant hereto.

“Reimbursement Obligations” means, collectively, any and all obligations of the Authority to reimburse a Credit Provider for amounts advanced under the related Credit Facility and all obligations to repay the Credit Provider for any such amounts advanced thereunder, including in each instance all interest accrued thereon, which obligations are evidenced and secured by the Pledged Bonds

“Remarketing Agent” means, with respect to a Series of Bonds, the remarketing agent for such Series of Bonds appointed by the Authority. Any Remarketing Agent must be a Participant in the Book-Entry System with respect to the Series of Bonds. “Principal Office” of the Remarketing Agent means the principal office of the Remarketing Agent designated in the Remarketing Agreement.

“Remarketing Agreement” means, with respect to each Series of Bonds, the Remarketing Agreement between the Authority and the Remarketing Agent, with respect to such Series of Bonds, providing for the remarketing of Bonds of such Series tendered pursuant to Article IV hereof, and all modifications, alterations, amendments and supplements thereto.

“Responsible Officer” when used with respect to the Trustee means the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice-president, any trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and who, in any event is located at the principal corporate trust office of the Trustee and shall also mean, with respect to a particular corporate trust matter any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject; with respect to any signature on or authentication of Bonds by the Trustee, the term “Responsible Officer” shall also include any authorized signers of the Trustee.

“Securities Depository” means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns.

“Senior Bond Resolution” has the meaning assigned to that term in the recitals to this Indenture.

“Series Bond Account” will have the meaning set forth in Sections 6.02(a).

“Series” means all Bonds designated as being of the same series initially delivered as part of a simultaneous transaction evidencing a borrowing authorized by this Indenture and any Bonds thereafter authenticated and delivered in lieu thereof or in exchange therefor.

“S&P” means Standard & Poor’s Rating Services, a Division of The McGraw Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, with respect to any Series of Bonds, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the consent of the related Remarketing Agent and the related Credit Provider, if any, during any Credit Facility Period, by written notice to the Trustee.

“State” means the State of Tennessee.

“Subordinated Bond Fund” means the fund created in Section 6.02.

“Substitute Credit Facility” means a letter of credit, line of credit, insurance policy or other credit facility securing the payment of the principal and Purchase Price of, redemption premium (if any) and interest on any Series of Bonds, delivered to the Trustee in accordance with Section 6.06 of the Indenture.

“Supplemental Indenture” means any indenture supplemental to this Indenture entered into pursuant to Article XII.

“Taxable Rate” means during any Index Period or Fixed Rate Period, (a) the interest rate borne by a Series of Bonds in the absence of a Determination of Taxability divided by (b) one (1) minus the Maximum Federal Corporate Tax Rate in effect as of the date of adjustment; provided, however, a different Taxable Rate may be provided for in the Supplemental Indenture pursuant to which a Series of Bonds are initially issued in the Index Period or the Fixed Rate or in the Index Period Conversion Notice or the Fixed Rate Period Conversion Notice pursuant to which a new Index Period or Fixed Rate Period is established.

“Tender Date” means (a) during any Daily Period, any Business Day, and (b) during any Weekly Period, the seventh day (unless such day is not a Business Day, in which case the next succeeding Business Day) following receipt by the Trustee and the Remarketing Agent of notice from the Owner that such Owner has elected to tender bonds (as more fully described in Section 4.02 hereof); *provided, however*, the failure of the Trustee to receive such notice for any reason shall not prevent such date from being treated as a “Tender Date.”

“Trust Estate” means the property conveyed to the Trustee pursuant to the Granting Clauses of this Indenture.

“Trust Funds” means all of the funds and accounts held by the Trustee pursuant to the terms hereof.

“Trust Moneys” has the meaning stated in Section 6.01.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor Trustee at the time serving as successor Trustee hereunder. “Principal Office” of the Trustee means the addresses specified in Section 12.07 hereof or such other address as may be designated in writing to the Remarketing Agent, the Authority and the Credit Providers, if any.

“Underwriter” means, with respect to a Series of Bonds, the firm appointed as underwriter for such Series of Bonds by the Board of Commissioners of the Authority.

“Unremarketed Bonds” shall have the meaning set forth in Section 4.08 hereof.

“Weekly Period” is defined in Section 2.06 hereof.

“Weekly Rate” means, with respect to a Series of Bonds, an interest rate on the Bonds of such Series set under Section 2.06 hereof.

SECTION 1.02 Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Indenture;

(a) Words importing the singular number shall include the plural number and vice versa.

(b) All references herein to particular articles or sections are references to articles or sections of this Indenture.

(c) The headings and the table of contents herein are solely for convenience of reference and shall not constitute a part of this Indenture nor shall they affect its meaning, construction or effect.

(d) This Indenture shall be construed for the benefit of the parties hereto and, with respect to a related Series of Bonds, the Bondholders of such Series, and each Credit Provider, if any, related to such Series of Bonds to the extent not inconsistent with the rights of the Trustee, such Bondholders and such Credit Provider, if any.

(e) With respect to any Series of Bonds, as to which a Credit Facility is no longer in effect and no Pledged Bonds are outstanding and all amounts due under the Credit Facility and any Pledged Bonds shall have been paid in accordance with the terms thereof and of this Indenture, the provisions of this Indenture that relate to the Credit Facility and the Credit Provider, shall be of no force and effect. Any rights granted hereunder to a Credit Provider with respect to a Series of Bonds for which it provides a Credit Facility to consent, approve or otherwise control events, circumstances, rights or remedies hereunder shall be of no force or effect during any period during which such Credit Provider shall be in default of its obligations under the Credit Facility, provided, that the foregoing shall not affect any rights of such Credit Provider as the holder of Pledged Bonds or other Bonds.

(f) The provisions hereof shall be applicable, as indicated, to the respective Credit Provider if the related Series of Bonds are covered by a Credit Facility.

(g) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and words of the neuter gender shall be deemed and construed to include correlative words of the masculine and feminine genders.

ARTICLE II THE BONDS

SECTION 2.01 Authorization of Issue of Bonds. Pursuant to the Act, there is hereby authorized bonds of the Authority to be designated as “Subordinate Airport Revenue Bonds” (the “Bonds”), which Bonds may be issued from time to time in Series in such amounts and at such times as the Authority may from time to time deem to be necessary or advisable as provided in Section 2.02, pursuant to the terms, conditions and limitations of this Indenture, for the purpose of paying Costs of Projects. No Bonds may be issued under the provisions of this Indenture except in accordance herewith.

SECTION 2.02 Issuance of Series of Bonds.

(a) The Authorized Authority Officer may execute and deliver a Supplemental Indenture attested by the Secretary and under said Supplemental Indenture deliver a Series of Bonds at such time and from time to time as is required to provide funds to finance or refinance one or more Projects, including refunding outstanding Bonds, of the Authority. The Authority shall sell each Series of Bonds to the Underwriter pursuant to a Bond Purchase Agreement relating to such Series of Bonds or in such other manner as is approved by the Authority.

(b) Each Series of Bonds shall be authenticated and delivered from time to time when authorized by Supplemental Indenture executed by the Authorized Authority Officer and attested by the Secretary of the Authority which shall specify:

- (1) The designation of such Bonds (which shall include, in addition to the designation “Subordinate Airport Revenue Bonds,” a further appropriate designation) and the directions for the authentication and delivery of the Bonds upon payment of the purchase price therein set forth;
- (2) The purpose for which such Series is being issued;
- (3) The date of such Series, the date of delivery, and maturity dates and the aggregate principal amount of such Series;
- (4) The initial Interest Period of such Series and, (A) in the case of the Index Period, the information required by Section 2.07(d) hereof and (B) in the case of the Fixed Rate Period, the information required by Section 2.08(b) hereof;
- (5) The redemption premiums and redemption terms, if any, for such Series (if varied from Article III hereof);
- (6) The principal and interest payment dates for such Series;
- (7) The Maximum Rate if different from the Maximum Rate set forth herein; and
- (8) Any additional provisions or changes to the Indenture, provided that any such additional provisions or changes to the Indenture shall only apply to the Series of Bonds to which such Supplemental Indenture relates.

(c) The Bonds of each Series shall be executed by the Authorized Authority Officer and attested by the Secretary of the Authority and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the purchaser thereof, but only upon receipt by the Trustee of:

- (1) An executed counterpart of a Supplemental Indenture setting forth the provisions of such Series of Bonds, including a mandatory sinking fund schedule and/or principal repayment schedule, and pledging and assigning to the Trustee all the right, title and interest of the Authority in and to the Trust Estate;
- (2) An Opinion of Bond Counsel to the effect that (i) such Series of Bonds are valid and binding limited obligations of the Authority and enforceable in accordance with their terms and the terms of this Indenture, subject to customary qualifications related to bankruptcy and insolvency laws; (ii) such Series of Bonds have been duly and validly authorized and issued in accordance with law and this Indenture; and (iii) subject to customary qualifications and to the extent applicable to such Series of Bonds, the interest on such Series of Bonds is, or when validly issued will be, excluded from gross income of the holders thereof for purposes of Federal income taxation (unless the Authority has set forth in the Supplemental Indenture that interest on the Series of Bonds will be includable in gross income of the holders thereof for purposes of Federal income taxation as set forth in the Supplemental Indenture);

- (3) A copy of the resolution of the Board authorizing such Series of Bonds certified by the Secretary of the Authority;
- (4) An executed counterpart of this Indenture and certification by the Secretary of the Authority that it has not been amended or supplemented in a manner that affects the Bonds of such Series except by the Supplemental Indenture establishing such Series and any other Supplemental Indenture previously furnished to the Trustee that applies to such Series;
- (5) A Credit Facility and supplement thereto, unless a Credit Facility is not required under Section 2.02(e) hereof;
- (6) Opinions of Counsel to the Credit Provider, if any, and to the Authority, in form and substance satisfactory to Bond Counsel;
- (7) An Authority Certificate stating that on the date of the authentication and delivery of such Series of Bonds the Authority is not in default in the performance or observance of any of the covenants, conditions, agreements or provisions of this Indenture relating to such Series of Bonds;
- (8) The purchase price of such Series of Bonds, as stated in the related Supplemental Indenture;
- (9) An Authority Request for the authentication and delivery of such Series of Bonds; and
- (10) In the case of a Series of Bonds issued for the purpose of refunding Bonds of any Series prior to their stated maturity or maturities or refinancing any Project, such additional documents as shall be required by the Trustee to show that provision has been duly made in accordance with the terms of this Indenture for payment on redemption of such Bonds.

(d) With respect to each Series of Bonds, the Authority shall promptly give written notice of each Supplemental Indenture and the issuance of a Series of Bonds thereunder and of any amendment thereof, setting forth the details thereof, to the Remarketing Agent and the Credit Provider, if any, not less than ten days prior to execution and delivery thereof, if any such Supplemental Indenture affects any obligations of such parties under this Indenture. More than one separate Series of Bonds may be designated to be initially issued in the same or in different Interest Periods on the same Closing Date.

(e) Except as hereinafter set forth, there shall be a Credit Facility provided with respect to each Series of Bonds. Notwithstanding the foregoing, (i) if the Authority shall have obtained and filed with the Trustee, written evidence from at least one Rating Agency that the long-term rating and the short-term rating on any such proposed Series of Bonds upon issuance will not result in a rating lower than the minimum investment grade rating of such Rating Agency, then a Credit Facility shall not be required and (ii) no Credit Facility or evidence of rating will be required with respect to any Series of Bonds during an Index Period or a Fixed Rate Period.

(f) At the time each Series of Bonds is issued, (i) there shall not have occurred and be continuing (A) any condition or event that constitutes a Default or that with the giving of notice or lapse of

time, or both, would, unless cured or waived, become a Default under this Indenture applicable to such Series of Bonds or (B) a “Default”, as such term is defined and used in the Credit Facility and Credit Agreement related to such Series of Bonds and (ii) any Credit Facility applicable to such Series shall not have been terminated and no notice of either such party’s intent to terminate shall have been given with respect thereto.

(g) The proceeds from the sale of Bonds of such Series received by the Trustee shall be applied by the Trustee as provided in the related Supplemental Indenture and in Article VI hereof.

SECTION 2.03 Ratable Security Only for Bonds of each Series. The Bonds of each Series from time to time Outstanding under this Indenture shall be equally and ratably secured as to principal, premium, if any, and interest by this Indenture as to such Series of Bonds but not as to any other Series of Bonds, and all subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution.

SECTION 2.04 Terms of Bonds and Initial Interest Rate.

(a) The Bonds of each Series shall be designated “Metropolitan Knoxville Airport Authority, Subordinate Airport Revenue Bonds, Series _____” with such sub-designations as shall be provided in the related Supplemental Indenture. The Bonds of each Series shall be in substantially the form of Exhibit A-1 while in any Daily Period or Weekly Period and shall be in substantially the form of Exhibit A-2 while in any Index Period or Fixed Rate Period, which is part of this Indenture, in the denominations provided for in the Bonds, with such changes or additional provisions as shall be set forth in the related Supplemental Indenture.

(b) The Bonds of each Series shall be dated the date of initial authentication and delivery, shall bear interest from such date, and shall mature (subject to prior redemption) on as set forth in the related Supplemental Indenture. The Bonds of each Series shall bear interest at the Daily Rate, the Weekly Rate, the Index Rate or the Fixed Rate, as more fully described in this Article II. The Authority may change the type of Interest Period pursuant to the provisions of Section 2.09 hereof. Interest on the Bonds of each Series will initially be payable based on the Interest Period specified in the related Supplemental Indenture. The rate of interest borne by the Bonds shall not exceed the Maximum Rate.

(c) The principal and Purchase Price of and premium, if any, and interest on the Bonds shall be payable as provided for in the Bonds.

SECTION 2.05 Daily Period.

(a) From the date of issuance of Bonds of a Series that are initially issued in a Daily Period, as set forth in the related Supplemental Indenture, until the next following Conversion Date, and from any subsequent Conversion Date after which the Bonds of such Series will bear interest at the Daily Rate until the next following Conversion Date (the “Daily Period”), the Bonds of such Series shall bear interest at the Daily Rate, as hereinafter described.

(b) The Daily Rate will be determined by the Remarketing Agent (and the authority to so determine the rate is hereby delegated by the Authority to the Remarketing Agent) as follows: the interest rate for each day shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds of such Series at a price of Par on such date. Upon determining the Daily Rate for each date, the Remarketing Agent shall notify the Trustee of such rate by telephone or such other manner as may be appropriate on the date of such determination, which notice shall

be promptly confirmed in writing. Such notice shall be provided by not later than 10:30 A.M. New York City time on each Business Day for that Business Day. The Daily Rate for any non-Business Day will be the rate for the last day on which a rate was set.

(c) The determination of the Daily Rate (absent manifest error) shall be conclusive and binding upon the Authority, the Trustee, the related Credit Provider (if any), and the Owners of the Bonds of such Series. If for any reason the Remarketing Agent shall fail to establish the Daily Rate with respect to a Series of Bonds, the Bonds of such Series shall bear interest at the Daily Rate in effect on the last day for which a rate was set.

SECTION 2.06 Weekly Period.

(a) From the date of issuance of Bonds of a Series that are initially issued in a Weekly Period, as set forth in the related Supplemental Indenture, until the next following Conversion Date, and from any subsequent Conversion Date after which the Bonds of such Series will bear interest at the Weekly Rate until the next following Conversion Date (the “Weekly Period”), the Bonds of such Series shall bear interest at the Weekly Rate, as hereinafter described.

(b) The Weekly Rate will be determined by the Remarketing Agent (and the authority to so determine the rate is hereby delegated by the Authority to the Remarketing Agent) on (i) for any Bonds initially issued in a Weekly Period, the date of issuance of the Bonds for the period beginning on the date of issuance of the Bonds and ending on the following Tuesday, or for any Bonds converted to a Weekly Period, the Conversion Date and ending on the following Tuesday, and (ii) each Wednesday for the period beginning on such Wednesday and ending on the following Tuesday, in each case, as follows: the interest rate shall be established at a rate equal to the interest rate per annum that, in the sole judgment of the Remarketing Agent, taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds of such Series at a price of Par on such date. Upon determining the Weekly Rate, the Remarketing Agent shall notify the Trustee of such rate by telephone or such other manner as may be appropriate on the date of such determination, which notice shall be promptly confirmed in writing. Such notice shall be provided by not later than 2:00 P.M. New York City time. If any Wednesday is not a Business Day, then the Weekly Rate shall be established on the next preceding Business Day. Any Supplemental Indenture establishing a Series of Bonds may provide for the Weekly Period to end on a day of the week other than Tuesday and for any correlative changes to this Indenture related to such change.

(c) The determination of the Weekly Rate (absent manifest error) shall be conclusive and binding upon the Authority, the Trustee, the related Credit Provider (if any), and the Owners of the Bonds of such Series. If for any reason the Remarketing Agent shall fail to establish the Weekly Rate, the Bonds shall bear interest at the Weekly Rate last in effect.

SECTION 2.07 Index Period.

(a) From the date of issuance of Bonds that are initially issued in an Index Period until the next following Conversion Date, and from any subsequent Conversion Date after which the Bonds of such Series will bear interest at the Index Rate until the next following Conversion Date (the “Index Period”), the Bonds of such Series shall bear interest at the Index Rate.

(b) During an Index Period, the Index Computation Agent shall determine the Index Rate on each Index Computation Date for the immediately following Index Computation Period. The Index Computation Agent shall give prompt notice of the Index Rate so determined to the Trustee and the Direct Placement Purchaser. Upon the request of any Holder or the Authority, the Trustee shall confirm the Index Rate then in effect. If for any reason the Index Computation Agent shall fail to establish the Index Rate for

any Index Computation Period, the Bonds of such series shall be deemed to bear interest at the most recently determined Index Rate.

(c) The determination of the Index Rate (absent manifest error) shall be conclusive and binding upon the Authority, the Trustee, the related Credit Provider (if any), and the Holders of the Bonds of such Series.

(d) The Authority shall determine the following for each Index Period:

- (i) the Direct Placement Purchaser;
- (ii) the Direct Placement Mandatory Purchase Date;
- (iii) the Index;
- (iv) the Index Computation Agent;
- (v) the Index Computation Date;
- (vi) the Index Reset Date;
- (vii) the Applicable Factor (unless the Authority elects to have the Applicable Factor determined by the Market Agent in accordance with Section 2.07(g)(iii)),
- (viii) the Applicable Margin (unless the Authority elects to have the Applicable Factor determined by the Market Agent in accordance with Section 2.07(g)(iii)),
- (ix) the Market Agent, if any, and
- (x) the Default Rate, if any.

The determination of the foregoing shall be specified in the Supplemental Indenture pursuant to which a Series of Bonds are initially issued in the Index Period or in the Index Period Final Terms Notice pursuant to which a new Index Rate is established.

(e) Upon a Determination of Taxability, then from and after the Date of Taxability with respect to a Series of Bonds in the Index Period, the Index Rate shall be a rate equal to the Taxable Rate. From and after the occurrence of an Event of Default with respect to a Series of Bonds in the Index Period, the Index Rate shall be a rate equal to the Default Rate. In the event that a Date of Taxability and an Event of Default hereunder have both occurred with respect to a Series of Bonds in the Index Rate, the Index Rate shall be a rate equal to the greatest of (i) the Taxable Rate, (ii) the Default Rate and (iii) the interest rate that otherwise would be applicable to such Series of Bonds.

(f) During the Index Period, the Maximum Rate shall be the Maximum Lawful Rate, and in no event may the Index Rate exceed the Maximum Lawful Rate.

(g) If the Authority elects to establish an Index Period (whether the related Series of Bonds are currently in an Index Period or another Interest Period), then the following shall apply:

- (i) The Authority shall provide an Index Period Conversion Notice to the Trustee, the Direct Placement Purchaser, if any, the Market Agent, if any, the Remarketing Agent, if any, and the Credit Provider, if any, not later than the 30th day prior to the commencement of

such proposed Index Period. Such notice shall include the information shown on the form of Index Period Conversion Notice attached hereto.

(ii) The Authority (or the Market Agent if elected by the Authority as provided in Section 2.07(g)(iii) below) shall determine the Applicable Factor and the Applicable Margin in conjunction with the Index identified by the Authority in the Index Period Conversion Date so as to produce the Index Rate that is the minimum interest rate at which a Person will agree to purchase the related Bonds upon the commencement of the new Index Period at a purchase price (without regard to accrued interest) equal to the principal amount thereof, and the related Series of Bonds shall be remarketed to a Direct Placement Purchaser at such purchase price on the first day of the new Index Period.

(iii) The Authority may elect to have a Market Agent establish the Applicable Factor and Applicable Margin. The Authority shall indicate such election on the Index Period Conversion Notice, and on or before the first day of such new Index Period, the Market Agent shall determine the Applicable Factor and the Applicable Margin for the new Index Period as provided in Section 2.07(g)(ii) above, and provide notice of such determination to the Authority and the Trustee;

(iv) The Authority, or the Market Agent if applicable, will use reasonable best efforts to resell the related Series of Bonds at par on or prior to the first day of the new Index Period. On or prior to the first day of the new Index Period, the Authority shall provide the Trustee and the Direct Purchaser for the new Index Period with an Index Period Final Terms Notice in the form attached hereto.

(v) If at any time during an Index Period the Authority elects to establish a new Index Period, then, notwithstanding that the day immediately prior to the first day of such new Index Period is a Mandatory Purchase Date, the current Direct Placement Purchaser (with the consent of the Authority) may elect to retain its Bonds by delivering to the Trustee and the Authority a written notice prior to the commencement of such new Index Period stating its election to retain the Bonds during such new Index Period and acknowledging its agreement to the terms set forth in the Index Period Final Terms Notice for such new Index Period.

SECTION 2.08 Fixed Rate Period.

(a) From the date of issuance of Bonds that are initially issued in a Fixed Rate Period until the next following Conversion Date, and from any subsequent Conversion Date after which the Bonds of such Series will bear interest at the Fixed Rate until the next following Conversion Date (the "Fixed Rate Period"), the Bonds of such Series shall bear interest at the Fixed Rate.

(b) The Authority shall determine the following for each Fixed Rate Period.

- (i) the Direct Placement Purchaser;
- (ii) the Direct Placement Mandatory Purchase Date;
- (iii) the Market Agent, if any, and
- (iv) the Default Rate, if any.

The determination of the foregoing shall be specified in the Supplemental Indenture pursuant to which a Series of Bonds are initially issued in the Fixed Rate Period or in the Fixed Rate Period Final Terms Notice pursuant to which a new Fixed Rate Period is established.

(c) Upon a Determination of Taxability, then from and after the Date of Taxability with respect to a Series of Bonds in the Fixed Rate Period, the Fixed Rate shall be a rate equal to the Taxable Rate. From and after the occurrence of an Event of Default with respect to a Series of Bonds in the Fixed Rate Period, the Fixed Rate shall be a rate equal to the Default Rate. In the event that a Date of Taxability and an Event of Default hereunder have both occurred with respect to a Series of Bonds in the Fixed Rate, the Fixed Rate shall be a rate equal to the greatest of (i) the Taxable Rate, (ii) the Default Rate and (iii) the interest rate that otherwise would be applicable to such Series of Bonds.

(d) During the Fixed Rate Period, the Maximum Rate shall be the Maximum Lawful Rate, and in no event may the Fixed Rate exceed the Maximum Lawful Rate.

(e) If the Authority elects to establish a Fixed Rate Period (whether the related Series of Bonds are currently in a Fixed Rate Period or another Interest Period), then the following shall apply:

(i) The Authority shall provide a Fixed Rate Period Conversion Notice to the Trustee, the Direct Placement Purchaser, if any, the Market Agent, if any, the Remarketing Agent, if any, and the Credit Provider, if any, not later than the 30th day prior to the commencement of such proposed Fixed Rate Period. Such notice shall include the information shown on the form of Fixed Rate Period Conversion Notice attached hereto.

(ii) The Authority (or the Market Agent if elected by the Authority as provided in Section 2.08(e)(iii) below) shall determine the Fixed Rate which shall be the minimum interest rate at which a Person will agree to purchase the related Bonds upon the commencement of the new Fixed Rate Period at a purchase price (without regard to accrued interest) equal to the principal amount thereof, and the related Series of Bonds shall be remarketed to a Direct Placement Purchaser at such purchase price on the first day of the new Fixed Rate Period.

(iii) The Authority may elect to have a Market Agent establish the Fixed Rate. The Authority shall indicate such election on the Fixed Rate Period Conversion Notice, and on or before the first day of such new Fixed Rate Period, the Market Agent shall determine the Fixed Rate for the new Fixed Rate Period as provided in Section 2.08(g)(ii) above and provide notice of such determination to the Authority and the Trustee.

(iv) The Authority, or the Market Agent if applicable, will use reasonable best efforts to resell the related Series of Bonds at par on or prior to the first day of the new Fixed Rate Period. On or prior to the first day of the new Fixed Rate Period, the Authority shall provide the Trustee and the Direct Purchaser for the new Fixed Rate Period with a Fixed Rate Period Final Terms Notice in the form attached hereto.

(v) If at any time during a Fixed Rate Period the Authority elects to establish a new Fixed Rate Period, then, notwithstanding that the day immediately prior to the first day of such new Fixed Rate Period is a Mandatory Purchase Date, the current Direct Placement Purchaser (with the consent of the Authority) may elect to retain its Bonds by delivering to the Trustee and the Authority a written notice prior to the commencement of such new Fixed Rate Period stating its election to retain the Bonds during such new Fixed Rate Period and acknowledging its agreement to the terms set forth in the Fixed Rate Period Final Terms Notice for such new Fixed Rate Period.

SECTION 2.09 Conversion Option.

(a) With respect to any Series of Bonds, the Authority shall have the option (the “Conversion Option”) to direct a change in the type of Interest Period to another type of Interest Period by delivering to the Trustee and the Remarketing Agent written instructions setting forth (i) the Conversion Date, (ii) the new type of Interest Period and (iii) whether such Interest Period will be a Credit Facility Period. Such instructions shall be delivered at least 30 days prior to the Conversion Date to such Interest Period. With such instructions the Authority shall furnish to the Trustee an opinion of Bond Counsel to the effect that such change in Interest Period will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds. The delivery by the Authority to the Trustee of a letter from Bond Counsel confirming the opinion accompanying the notification described above on the Conversion Date is a condition precedent to the change in the type of Interest Period. In the event that the Authority fails to deliver to the Trustee the letter of Bond Counsel referred to in the preceding sentence, such Series of Bonds shall continue in the Interest Period in place at the time of exercise of the Conversion Option.

(b) With respect to any Series of Bonds, any change in the type of Interest Period must comply with the following: (i) the Conversion Date must be an Interest Payment Date for the Interest Period then in effect, (ii) no change in Interest Period shall occur after an Event of Default with respect to such Series of Bonds shall have occurred and be continuing, and (iii) following such change, the type of Interest Period shall be the same for all of the Bonds of such Series.

SECTION 2.10 Execution; Limited Obligations. Each Series of Bonds shall be executed on behalf of the Authority with the manual or facsimile signature of the Chairman or Vice Chairman of the Authority and the manual or facsimile signature of its Secretary or Assistant Secretary. All authorized facsimile signatures shall have the same force and effect as if manually signed. The Bonds, including Pledged Bonds, and Reimbursement Obligations shall not be general obligations of the Authority but limited and special obligations payable solely from the Trust Estate, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution, and shall be a valid claim of the respective Owners thereof (including any Credit Provider) only against the Trust Estate, which amounts are hereby pledged, assigned and otherwise secured for the equal and ratable payment of such Series of Bonds, including Pledged Bonds, and Reimbursement Obligations, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution, and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on such Series of Bonds, including Pledged Bonds, and Reimbursement Obligations, except as may be otherwise expressly authorized in this Indenture. The Authority has no taxing power, and the Bonds, including Pledged Bonds, and Reimbursement Obligations do not constitute an indebtedness of the Authority or a loan of credit thereof within the meaning of any constitutional or statutory provisions.

SECTION 2.11 Authentication. No Bond of a Series shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond substantially in the form set forth in the appropriate form of Bond shall have been duly executed by the Trustee, and such executed certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The certificate of authentication on any Bond shall be deemed to have been executed by the Trustee if signed by an authorized signatory of the Trustee but it shall not be necessary that the same signatory execute the certificate of authentication on all of the Bonds.

In the event that any Bond of a Series is deemed tendered to the Trustee as provided in Section 4.01 or 4.02 hereof but is not physically so tendered, the Authority shall execute and the Trustee shall authenticate a new Bond of such Series of like denomination of that deemed tendered.

SECTION 2.12 Form of Bonds. The Bonds of each Series and the certificate of authentication to be endorsed thereon are to be in substantially the form set forth in Exhibit A-1 or Exhibit A-2, as applicable, attached hereto, with appropriate variations, omissions and insertions as permitted or required by this Indenture and the related Supplemental Indenture.

SECTION 2.13 Mutilated, Lost, Stolen or Destroyed Bonds. With respect to any Series of Bonds, in the event any Bond is mutilated, lost, stolen, or destroyed, the Authority shall execute and the Trustee shall authenticate a new Bond of such Series of like date and denomination as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Authority or the Trustee, and in the case of any lost, stolen, or destroyed Bond, there first shall be furnished to the Authority and the Trustee evidence of such loss, theft or destruction satisfactory to the Authority and the Trustee, together with an indemnity satisfactory to them. In the event any such Bond shall have matured, the Trustee, instead of issuing a duplicate Bond, may pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond. The Authority and the Trustee may charge the Owner of such Bond with their reasonable fees and expenses for such service. In authenticating a new Bond, the Trustee may conclusively assume that the Authority is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Bond or with any indemnity furnished in connection therewith if, after notification of the same, the Trustee has not received within two days following such notification written notice from the Authority to the contrary.

SECTION 2.14 Transfer of Bonds; Persons Treated as Owners. The Trustee shall keep books for the transfer of each Series of Bonds as provided in this Indenture. Upon surrender for transfer of any Bond at the Principal Office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of such Series in authorized denominations for a like aggregate principal amount. Subject to the provisions of Section 2.17 hereof relating to the transfer of ownership of a Series of Bonds held in the Book-Entry System, any Bond of such Series, upon surrender thereof at the Principal Office of the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or its attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of such Series of any denominations authorized by this Indenture in an aggregate principal amount equal to the principal amount of such Bond. In each case, the Trustee may require the payment by the Owner of the Bond of such Series requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

With respect to a Series of Bonds, the Trustee shall not be required to exchange or register a transfer of (a) any Bonds during the fifteen day period next preceding the selection of such Bonds of a Series to be redeemed and thereafter until the date of the mailing of a notice of redemption of such Bonds selected for redemption, or (b) any Bonds of a Series selected, called or being called for redemption in whole or in part except, in the case of any such Bond to be redeemed in part, the portion thereof not so to be redeemed; *provided* that the foregoing shall not apply to the registration or transfer of any Bond which has been tendered to the Trustee pursuant to Section 4.02 hereof, and in any such case, for purposes of selection for redemption, the Bond so tendered and the Bond issued to the transferee thereof pursuant to Section 4.04 hereof shall be deemed and treated as the same Bond. If any Bond of a Series shall be transferred and delivered pursuant to Section 4.04(a) hereof after such Bond has been (i) called for redemption or (ii) tendered pursuant to Sections 4.01 or 4.02, the Trustee shall deliver to such transferee a copy of the applicable redemption notice or tender notice indicating that the Bond delivered to such transferee has previously been called for redemption or tender, and such Bonds shall not be delivered by the Trustee to the transferee until the transferee shall acknowledge receipt of such notice in writing.

Subject to the provisions of Section 2.17 hereof relating to Bonds of a Series held in the Book-Entry System, the Trustee and the Authority may treat the person in whose name a Bond is registered as the absolute Owner thereof for all purposes, and neither the Authority nor the Trustee shall be bound by any notice or knowledge to the contrary, but such registration may be changed as hereinabove provided. All payments made to the Owner shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECTION 2.15 Destruction of Bonds. Subject to the provisions of Section 2.17 hereof relating to a Series of Bonds held in the Book-Entry System, whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, or for replacement pursuant to Section 2.13 hereof, such Bond shall be promptly cancelled and cremated or otherwise destroyed by the Trustee, and, upon the request of the Authority, counterparts of a certificate of destruction evidencing such cremation or other destruction shall be furnished by the Trustee to the Authority.

SECTION 2.16 Temporary Bonds. Until a Series of Bonds in definitive form are ready for delivery, the Authority may execute, and upon the request of the Authority, the Trustee shall authenticate and deliver, subject to the provisions, limitations and conditions set forth above, one or more Bonds of such Series in temporary form, whether printed, typewritten, lithographed or otherwise produced, substantially in the form of the definitive Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the liens and benefits of this Indenture.

Upon presentation and surrender of any Bond or Bonds of a Series in temporary form, the Authority shall, at the request of the Trustee, execute and deliver to the Trustee, and the Trustee shall authenticate and deliver, in exchange therefor, a Bond or Bonds of such Series in definitive form. Such exchange shall be made by the Trustee without making any charge therefor to the Owner of such Bond in temporary form. Notwithstanding the foregoing, Bonds in definitive form may be issued hereunder in typewritten form.

SECTION 2.17 Book-Entry System. The Authority has entered into an agreement with The Depository Trust Company (“DTC”) for the purpose of establishing a “Book Entry System” for each Series of Bonds. Pursuant to such agreement, Bonds of each Series will be registered in the name of DTC, or its nominee, for the benefit of other parties (“DTC Participants”), and DTC shall agree to keep accurate records of the DTC Participants, and promptly to transfer funds received by it in payment for such Bonds to appropriate beneficiaries. The ownership interest of each actual purchaser of a Bond will be recorded in the records of the DTC Participant and each such purchaser will receive a written confirmation of the purchase providing details of the Bond acquired. Transfers of ownership will be accomplished by book entries made by DTC and, in turn, by the DTC Participant who will act on behalf of each such purchaser. Under such circumstances, purchasers will not receive certificates representing their ownership interest in the Bonds, except as otherwise specifically provided in this Indenture. The Authority and the Trustee may treat the registered holder of each Bond as the owner thereof for all purposes, including payment of principal, interest and redemption premium thereof, the giving of notices, and receipt of consents and direction as specified herein. DTC shall be entitled to take all action with respect to such notices and consents regarding Bonds registered in its or its nominee’s name and may take actions with respect to a portion of such Bonds so registered which are inconsistent with the actions taken with respect to other portions of the Bonds so registered. With respect to a Series of Bonds, none of the Authority, any Credit Provider nor the Trustee is or will be responsible for the actions of DTC or anyone else in connection with the operation of the Book Entry System. In any case where delivery of a Bond to the Trustee is required under this Indenture, such delivery shall be deemed to have been made by appropriate notation of transfer or registration on the records of DTC so long as the Book Entry System is in effect. DTC may determine to discontinue providing its service with respect to a Series of Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the

Trustee shall transfer and exchange Bond certificates to the actual purchaser of each Bond (the “Beneficial Owner”). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the registered owner of such Bonds.

With respect to a Series of Bonds, and to the extent permitted by the rules of DTC, the Authority may determine that continuation of the system of the book-entry transfers through DTC is not in the best interests of the respective Beneficial Owners and that the Beneficial Owners shall be able to obtain Bond certificates. In such event, the Authority or DTC Participants, upon the direction of the Authority, shall notify the Beneficial Owners of the availability of Bond certificates and the Trustee shall transfer and exchange Bond certificates to such Beneficial Owners. Thereafter, upon presentation of the Bonds of such Series for transfer, the Trustee shall transfer the Bonds or portions thereof in accordance with Section 2.14 of this Indenture.

The costs and expenses of printing, preparing and delivering Bond certificates of a Series upon the termination of the services of DTC shall be borne by the Authority.

Anything herein to the contrary notwithstanding, the foregoing provisions of this Section 2.17 shall not apply to any Series of Bonds while in the Fixed Rate Period or the Index Period, unless the Authority and Direct Placement Purchaser shall so elect.

ARTICLE III REDEMPTION OF BONDS

SECTION 3.01 Redemption. Each Series of Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Article III, such Series of Bonds and the Supplemental Indenture related to such Series of Bonds.

SECTION 3.02 Optional Redemption.

(a) Each Series of Bonds shall be subject to redemption by the Authority, in whole or in part (subject to Section 3.07 hereof), at the times and at redemption prices set forth below. Such redemptions shall be made upon written direction from the Authority to the Trustee.

(b) With respect to a Series of Bonds during the Daily Period or the Weekly Period, Bonds of such Series are subject to redemption at the option of the Authority (but with the prior written consent of the Credit Provider whose Credit Facility will be drawn upon to pay the redemption price of such Bonds) in whole at any time or in part on any Interest Payment Date, less than all of such Bonds to be selected by lot or in such other manner as the Trustee shall determine (except as otherwise provided in Section 3.07 hereof), at a redemption price of 100% of the Outstanding principal amount thereof plus accrued interest to (but not including) the redemption date. With respect to a Series of Bonds during the Fixed Rate Period or the Index Period, subject to any terms and conditions set forth in the Direct Placement Agreement, the Bonds are subject to redemption by the Authority in whole or in part at any time, at a redemption price of 100% of the Outstanding principal amount thereof plus accrued interest to (but not including) the redemption date.

(c) With respect to a Series of Bonds on any Conversion Date, Bonds of such Series are subject to redemption at the option of the Authority (but with the prior written consent of the Credit Provider whose Credit Facility will be drawn upon to pay the redemption price of such Bonds) in whole or in part, less than all of such Bonds to be selected by lot or in such manner as the Trustee shall determine (except as otherwise provided in Section 3.07 hereof), at a redemption price of 100% of the Outstanding principal amount thereof plus accrued interest to (but not including) the redemption date.

(d) Pledged Bonds of a Series are subject to optional redemption on any Business Day, in whole or in part, by telephonic notice by the Trustee to the Credit Provider in accordance with Section 3.04, at a redemption price equal to the principal amount thereof without premium, in authorized denominations from the amounts on deposit in the Principal Subaccount of the General Account of the Series Bond Account of the Subordinated Bond Fund to pay principal of such Series of Bonds, except for amounts needed to redeem Bonds with respect to which notice of redemption has been mailed. Notwithstanding anything contained herein to the contrary, any Pledged Bonds of a Series shall be redeemed prior to the redemption of any other Bonds of such Series.

SECTION 3.03 Mandatory Sinking Fund Redemption of Bonds.

(a) On the first day of June of each year designated, if any, in the Supplemental Indenture with respect to any Series of Bonds, such Series of Bonds shall mature or shall be subject to mandatory redemption at the price of Par plus accrued interest to the redemption date without a premium and shall be redeemed, in whole or in part, in authorized denominations set forth in Sections 3.07(b) and (c) and in the amounts, if any, set forth in the Supplemental Indenture relating to such Series of Bonds.

(b) Upon the optional redemption of any maturity of any Series of Bonds as to which a mandatory sinking fund redemption requirement applies, the Authority may designate how the optional redemption amount shall be credited against the mandatory sinking fund requirements by delivering a notice in writing to the Trustee, provided, however, if the Authority agrees in a Direct Placement Agreement the manner in which such optional redemption amount shall be credited, the Authority's designation shall comport with such Direct Placement Agreement.

(c) With respect to any Series of Bonds, the mandatory sinking fund redemption set forth in the related Supplemental Indenture may be revised by the Authority with the consent of the Credit Provider with respect to such Series of Bonds upon receipt by the Authority of an Opinion of Bond Counsel that the revised mandatory sinking fund redemption provisions will not adversely affect the exclusion from gross income of interest on the related Series of Bonds for federal income tax purposes.

(d) Unremarketed Bonds shall be redeemed in accordance with the terms set forth in the Credit Agreement; however, this mandatory redemption provision does not relieve the Remarketing Agent of its obligation pursuant to Section 4.08 to continue its efforts to remarket Unremarketed Bonds that have not been redeemed if the Authority has established a Fixed Rate Period or an Index Period. Unremarketed Bonds shall bear interest at the rate established in the Credit Agreement.

SECTION 3.04 Notice of Redemption.

(a) With respect to each Series of Bonds, notice of the call for redemption, identifying the Series of Bonds or portions thereof to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by first class mail at least 20 days but not more than 60 days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register. Any notice mailed as provided in this Section 3.04 shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for redemption as to any Owner to whom proper notice is mailed. Notwithstanding the foregoing provisions of this Section 3.04, delivery by the Trustee of a copy of a redemption notice to a transferee of a Bond which has been called for redemption, pursuant to the requirements of Section 2.15 hereof, shall be deemed to satisfy the requirements of the first sentence of this Section 3.04 with respect to any such transferee.

(b) With respect to each Series of Bonds, in addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in (a) above. Each further notice of redemption given hereunder shall contain the information required in (a) above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Series of Bonds as originally issued; (iii) the maturity date of each Bond being redeemed; and (iv) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption shall be sent at least 30 days before the redemption date to the Municipal Securities Rulemaking Board at www.emma.msrb.org (or any successor information repository). Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

SECTION 3.05 Redemption Payments. With respect to any Series of Bonds, pursuant to Section 6.06 hereof, during any Credit Facility Period, the Trustee is authorized and directed to draw upon the Credit Facility in order to provide for the payment of the redemption price of the Bonds of such Series called for redemption, and is hereby authorized and directed to apply such funds to the payment of the principal of the Bonds of such Series or portions thereof called, together with accrued interest thereon to the redemption date. In the event the Bonds of such Series called for redemption are not secured by a Credit Facility, then if on or prior to the date fixed for redemption, sufficient moneys shall be on deposit with the Trustee to pay the redemption price of the Bonds called for redemption, the Trustee is hereby authorized and directed to apply such funds to the payment of the principal of the Bonds of such Series or portions thereof called, together with accrued interest thereon to the redemption date and any required premium. Upon the giving of notice and the deposit of moneys for redemption at the required times on or prior to the date fixed for redemption, as provided in this Article, interest on the Bonds of such Series or portions thereof thus called shall no longer accrue after the date fixed for redemption.

SECTION 3.06 Cancellation. All Bonds which have been redeemed shall not be reissued but shall be canceled and cremated or otherwise destroyed by the Trustee in accordance with Section 2.14 hereof.

SECTION 3.07 Partial Redemption of Bonds.

(a) With respect to any Series of Bonds, upon surrender of any Bond of such Series for redemption in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof a new Bond or Bonds of such Series of authorized denominations, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

(b) With respect to any Series of Bonds, during any Daily Period or Weekly Period, during which the authorized denominations are \$100,000 or integral multiples of \$5,000 in excess thereof, in the event a Bond of such Series is of a denomination larger than \$100,000, a portion of such Bond may be redeemed, but Bonds shall be redeemed only in an amount that causes the unredeemed portion to be in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof.

(c) Notwithstanding anything to the contrary contained in this Indenture, whenever a Series of Bonds which are not held in a Book-Entry System are to be redeemed in part, such Bonds which are Pledged Bonds at the time of selection of Bonds for redemption shall be selected for redemption prior to the selection of any other Bonds. If the aggregate principal amount of Bonds to be redeemed exceeds the aggregate principal amount of Pledged Bonds at the time of selection, the Trustee may select for redemption

Bonds in an aggregate principal amount equal to such excess by lot or in such other manner as the Trustee may determine.

ARTICLE IV

MANDATORY PURCHASE DATE; DEMAND PURCHASE OPTION

SECTION 4.01 Mandatory Purchase of Bonds on Mandatory Purchase Date.

(a) Bonds of a Series shall be subject to mandatory tender by the Owners thereof for purchase on each Mandatory Purchase Date.

(b) In the case of a Mandatory Purchase Date under clauses (a) through (f) of the definition of Mandatory Purchase Date, the Trustee shall deliver or mail by first class mail a notice in substantially the form of Exhibit B attached hereto at least fifteen days prior to the Mandatory Purchase Date to the Owners of the Bonds at the address shown on the Bond Register of the Authority maintained by the Trustee. In the case of a Mandatory Purchase Date under clause (g) of the definition of Mandatory Purchase Date, the Trustee shall deliver or mail by first class mail a notice in substantially the form of Exhibit B attached hereto to the Owners of the Bonds at the address shown on the Bond Register of the Authority maintained by the Trustee immediately upon receipt from the Credit Provider of direction to call the Bonds for mandatory tender for purchase.

(c) Any notice given by the Trustee as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. Failure to mail any such notice, or the mailing of defective notice, to any Owner, shall not affect the proceeding for purchase as to any Owner to whom proper notice is mailed.

(d) With respect to a Series of Bonds, owners of Bonds shall be required to tender their Bonds to the Trustee for purchase at the Purchase Price, no later than 11:00 A.M. New York City time on the Mandatory Purchase Date, and any such Bonds not so tendered by such time on the Mandatory Purchase Date ("Untendered Bonds") shall be deemed to have been purchased pursuant to this Section 4.01. In the event of a failure by an Owner of Bonds to tender its Bonds on or prior to the Mandatory Purchase Date, said Owner shall not be entitled to any payment (including any interest to accrue subsequent to the Mandatory Purchase Date) other than the Purchase Price for such Untendered Bonds, and any Untendered Bonds shall no longer be entitled to the benefits of this Indenture, except for the purpose of payment of the Purchase Price therefor.

(e) The Trustee shall provide the Credit Provider, if any, with a copy of any notice delivered to the Owners of the Bonds pursuant to this Section 4.01.

SECTION 4.02 Demand Purchase Option. With respect to a Series of Bonds, any Bond of such Series bearing interest at the Daily Rate or the Weekly Rate shall be purchased from the Owners thereof on any Tender Date at the Purchase Price as provided below;

(a) While the Book-Entry System is not in effect:

(i) delivery to the Trustee at its Principal Office and to the Remarketing Agent at its Principal Office of a written notice (said notice to be irrevocable and effective upon receipt) which (1) states the aggregate principal amount and Bond numbers of the Bonds of such Series to be purchased; and (2) states the date on which such Bonds are to be purchased; and

(ii) delivery to the Trustee at its Principal Office at or prior to 11:00 A.M. New York City time on the date designated for purchase in the notice described in (i) above of such Bonds to be purchased, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank.

(b) While the Book-Entry System is in effect, the ownership interest of any Beneficial Owner of a Bond of such Series or portion thereof in an authorized denomination shall be purchased at the Purchase Price if such Beneficial Owner causes the Participant through whom such Beneficial Owner holds such Bonds to (i) deliver to the Trustee at its Principal Office and to the Remarketing Agent at its Principal Office a notice which (1) states the aggregate amount of the beneficial ownership interest to be purchased, and (2) states the date on which such beneficial interest is to be purchased; and (ii) on the same date as delivery of the notice referred to in (i) above, deliver a notice to the Securities Depository irrevocably instructing it to transfer on the registration books of the Securities Depository the beneficial ownership interests in such Bond or portion thereof to the account of the Trustee, for settlement on the purchase date on a “free delivery” basis with a copy of such notice delivered to the Trustee on the same date.

With respect to Bonds of a Series bearing interest at the Daily Rate, the written notices described in Section 4.02(a) or (b), above, shall be delivered not later than 10:30 A.M. New York City time on the Tender Date and, if the Book-Entry System is not in effect, shall be accompanied by the Bonds referenced in such notices. With respect to Bonds of a Series bearing interest at the Weekly Rate, the written notices described in Section 4.02(a) or (b), above, shall be delivered not later than 10:30 A.M. New York City time at least seven (7) days prior to the Tender Date and, if the Book-Entry System is not in effect, shall be accompanied by the Bonds referenced in such notices.

SECTION 4.03 Funds for Purchase of Bonds. With respect to a Series of Bonds, on the date Bonds of such Series are to be purchased pursuant to Sections 4.01 or 4.02 hereof, such Bonds shall be purchased at the Purchase Price only from the funds listed below. Subject to the provisions of Section 6.06 hereof, funds for the payment of the Purchase Price shall be derived from the following sources in the order of priority indicated.

(a) the proceeds of the sale of such Series of Bonds which have been remarketed by the Remarketing Agent, which proceeds have been paid directly to the Trustee and which proceeds are on deposit with the Trustee prior to 12:00 noon New York City time on the Mandatory Purchase Date or the Tender Date, but, during any Credit Facility Period, only if such Bonds were purchased by an entity other than the Authority or any Affiliate of the Authority;

(b) moneys drawn by the Trustee under the Credit Facility provided for such Series of Bonds, during any Credit Facility Period, pursuant to Section 6.06 hereof; and

(c) any other moneys furnished to the Trustee and available for such purpose.

Notwithstanding the foregoing, and for purposes of clarity, the Authority shall not be required to furnish moneys to pay the Purchase Price of Bonds to be purchased pursuant to Section 4.01 when a Credit Facility is in effect or pursuant to Section 4.02 in the event moneys described in Sections 4.03(a) and (b) are insufficient to pay such Purchase Price, and such Purchase Price shall be payable only from the sources provided above.

SECTION 4.04 Delivery of Purchased Bonds.

(a) With respect to a Series of Bonds, Bonds purchased with moneys described in Section 4.03(a) hereof shall be delivered by the Trustee, at its Principal Office, to or upon the order of the

purchasers thereof and beneficial interests so purchased shall be registered on the books of the Securities Depository in the name of the Participant through whom the new Beneficial Owner has purchased such beneficial interest; *provided, however*, that during any Credit Facility Period, the Trustee shall not deliver any Bonds of such Series and there shall not be registered any beneficial ownership as with respect to Bonds of such Series as described in this paragraph with respect to Bonds which were Pledged Bonds until the Credit Provider has confirmed, in writing, that the Credit Facility with respect to such Series of Bonds has been reinstated in full.

(b) With respect to a Series of Bonds, any Bond purchased by the Trustee with money drawn under the Credit Facility with respect to a Series of Bonds as described in Section 4.03(b) hereof shall be delivered by the Trustee to or upon the order of the Credit Provider and shall, if requested by the Credit Provider, be marked with a legend indicating that they are Pledged Bonds.

(c) With respect to a Series of Bonds, Bonds purchased with moneys described in Section 4.03(c) hereof shall, at the direction of the Authority, (i) be delivered as instructed by the Authority, or (ii) be delivered to the Trustee for cancellation; *provided, however*, that any Bonds so purchased after the selection thereof by the Trustee for redemption shall be delivered to the Trustee for cancellation.

(d) While the Book-Entry System is in effect with respect to a Series of Bonds, delivery of Bonds of such Series for purchase shall be deemed to have occurred upon transfer of ownership interests therein to the account of the Trustee on the books of the Securities Depository.

(e) With respect to a Series of Bonds, while the Book-Entry System is in effect, payment of the Purchase Price of beneficial ownership interests tendered pursuant to Section 4.02(b) hereof shall be made by payment to the Participant from whom the notice of tender is received from the sources provided herein for the purchase of such Bonds. The Trustee shall hold beneficial ownership interests of Bonds delivered to it pursuant to Section 4.02(b) hereof pending settlement in trust for the benefit of the Participant from whom the beneficial interests in the Bonds are received.

Except as provided above, Bonds delivered as provided in this Section shall be registered in the manner directed by the recipient thereof.

SECTION 4.05 Delivery of Proceeds of Sale of Purchased Bonds. With respect to a Series of Bonds, except in the case of the sale of any Pledged Bonds, the proceeds of the sale of any Bonds of such Series delivered to the Trustee pursuant to Section 4.01 or 4.02 hereof, to the extent not required to pay the Purchase Price thereof in accordance with Section 4.03 hereof, shall be paid to or upon the order of the Credit Provider, to the extent required to satisfy the obligations of the Authority under the Credit Agreement provided with respect to such Series, and the balance, if any, shall be paid to or upon the order of the Authority.

SECTION 4.06 Duties of Trustee with Respect to Purchase of Bonds.

(a) With respect to a Series of Bonds, the Trustee shall hold all Bonds of such Series delivered to it pursuant to Section 4.01 or 4.02 hereof in trust for the benefit of the respective Owners of Bonds which shall have so delivered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Owners of Bonds;

(b) With respect to a Series of Bonds, the Trustee shall hold all moneys delivered to it pursuant to this Indenture (including funds advanced pursuant to any Credit Facility) for the purchase of Bonds of such Series in a separate account, in trust for the benefit of the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for

the account of such person or entity, and after such delivery, in trust for the benefit of the person or entity who have not tendered or received payment for their Bonds;

(c) With respect to a Series of Bonds, the Trustee shall deliver to the Authority, the Remarketing Agent and, during any Credit Facility Period, the Credit Provider, a copy of each notice delivered to it in accordance with Section 4.02 hereof and, immediately upon the delivery to it of Bonds of such Series in accordance with said Section 4.02, give telephonic or telegraphic notice to the Authority, the Remarketing Agent and the Credit Provider, during any Credit Facility Period, specifying the principal amount of the Bonds of such Series so delivered; and

(d) With respect to a Series of Bonds, during any Credit Facility Period, the Trustee shall draw moneys under the Credit Facility as provided in Section 6.06 hereof to the extent required to provide for timely payment of the Purchase Price of Bonds in accordance with the provisions of Section 4.03 hereof.

SECTION 4.07 Remarketing of Bonds. With respect to a Series of Bonds, the Remarketing Agent for such Series shall remarket, in accordance with the terms of the Remarketing Agreement for such Series, Bonds of such Series or beneficial interests tendered pursuant to the terms of Sections 4.01 and 4.02 hereof at a price equal to the principal amount thereof plus accrued interest thereon from the last previous Interest Payment Date upon which interest has been paid to the date of such remarketing; *provided, however,* that the Remarketing Agent shall not offer for sale or remarket the Bonds of such Series to the Authority or any Affiliate thereof. At or prior to 12:00 Noon, New York City time, on the Business Day preceding the date any Bonds of such Series are to be purchased pursuant to Section 4.04 hereof, the Remarketing Agent shall give notice by telephone, promptly confirmed in writing, to the Authority and the Trustee specifying the principal amount of such Bonds, if any, remarketed by it, and shall provide the proceeds of the sale of such Bonds to the Trustee. The Trustee shall not authenticate and release Bonds or beneficial interests in Bonds of such Series prior to 12:00 Noon New York City time on the date of any remarketing.

SECTION 4.08 Remarketing After Direct Placement Mandatory Purchase Date. The Remarketing Agent shall use its best efforts to place Bonds (or portions thereof) at a price of par plus accrued interest, if any, on each Direct Placement Mandatory Purchase Date. Any Bonds not placed on a Direct Placement Mandatory Purchase Date shall become “Unremarketed Bonds;” however, if the Authority has established an Index Rate Period or a Fixed Rate Period the Remarketing Agent shall continue to use its best efforts to place such Unremarketed Bonds at a price of par plus accrued interest, if any, following such Direct Placement Mandatory Purchase Date. By 12:00 noon, New York City Time, on the Business Day prior to each Direct Placement Mandatory Purchase Date, the Remarketing Agent shall give initial notice by telephone (promptly confirmed by telecopy) of the principal amount of the Bonds for which it has arranged placement, together with the principal amount of the Bonds, if any (and such other particulars with respect thereto as the Trustee may deem necessary), for which it has not arranged placement, to the Trustee, the Authority and the Direct Placement Purchaser.

ARTICLE V COVENANTS

SECTION 5.01 Payment of Principal, Premium, if any, and Interest. The Authority covenants that it will promptly pay or cause to be paid the principal of, premium, if any, and interest on every Bond of each Series of Bonds issued under this Indenture at the place, on the dates, and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, but solely from the amounts pledged therefor which are from time to time held by the Trustee in the various accounts of the Subordinated Bond Fund. The principal of, premium, if any, and interest on each Series of Bonds, including Pledged

Bonds, and Reimbursement Obligations are payable from the Trust Estate, which amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Authority.

Neither the Authority, the State, nor any political subdivision of the State shall in any event be liable for the payment of the principal of, premium, if any, or interest on any of the Bonds or for the performance of any pledge, obligation or agreement undertaken by the Authority except to the extent that the moneys pledged herein are sufficient therefor. No Owner of any Bonds has the right to compel any exercise of taxing power of the State or any political subdivision thereof to pay the Bonds or the interest thereon, and the Bonds do not constitute an indebtedness of the Authority, the State or any political subdivision of the State, or a loan of credit of any of the foregoing within the meaning of any constitutional or statutory provision. The Authority has no taxing power.

SECTION 5.02 Performance of Covenants. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond of every Series executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Authority covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue each Series of Bonds authorized hereby and to execute this Indenture and each Supplemental Indenture, and to pledge the amounts hereby pledged in the manner and to the extent herein set forth, that all action on its part for the issuance of each respective related Series of Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that each Series of Bonds in the hands of the Owners thereof are and will be valid and enforceable limited obligations of the Authority according to the terms thereof and hereof.

SECTION 5.03 Further Assurances. The Authority shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging and assigning to the Trustee all of the rights assigned hereby and the revenues and receipts pledged hereby to the payment of the principal of and interest on each Series of Bonds. The Authority shall cooperate with the Trustee, each Credit Provider and the Bondholders in protecting the rights and security of each Credit Provider and the Bondholders.

SECTION 5.04 Inspection of Books and Project. All books and documents in the Authority's possession relating to the Trust Estate shall at all times be open to inspection by such agents as the Trustee, the Credit Provider and the Holders of 25% in aggregate principal amount of Bonds then Outstanding may from time to time designate.

SECTION 5.05 Rights Under Other Agreements. The Trustee in its own name or in the name of the Authority may enforce all rights of the Authority under and pursuant to any Credit Agreement and any Remarketing Agreement, for and on behalf of the Bondholders, whether or not the Authority is in default hereunder. Without limiting the generality of the foregoing, pursuant to the subrogation rights of Credit Providers more fully described in Section 9.11 hereof, the Trustee and the Authority acknowledge and agree that, so long as the Credit Provider with respect to any Series of Bonds is not in default with respect to its obligations under the Credit Facility relating to such Series, the Credit Provider shall be treated as the Owner of the Bonds of such Series and in such capacity may direct the Authority and/or the Trustee in connection with the exercise of all rights, duties and obligations of the Authority.

SECTION 5.06 Prohibited Activities. The Authority shall not knowingly engage in any activities or take any action that might result in (a) any Bond becoming an "arbitrage bond" within the meaning of Section 148 of the Code and the regulations and rulings thereunder, if applicable, or (b) any

interest on the Bonds otherwise becoming includable in the gross income of the recipients thereof under the federal income tax laws, if applicable, or becoming taxable under the laws of the State, if applicable.

SECTION 5.07 Incorporation of Covenants. From and after the date hereof and so long as this Indenture is in effect, the Authority agrees that it will, for the benefit of the Holders of Bonds and any Credit Provider, if any, comply with, abide by, and be restricted by all the agreements, covenants, obligations and undertakings contained in the provisions of the Senior Bond Resolution, together with the related definitions, exhibits and ancillary provisions, all of which are incorporated herein by reference, *mutatis mutandis*, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety, and no amendment, modification or waiver to any of the foregoing shall in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein.

ARTICLE VI SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 6.01 “Trust Moneys” Defined. All moneys received by the Trustee with respect to a Series of Bonds as elsewhere herein provided to be held and applied under this Article VI (other than amounts advanced under a Credit Facility to pay the Purchase Price of any Bond held in the Purchase Price Draw Subaccount of the Credit Facility Account of a Series Bond Account of the Subordinated Bond Fund and other than amounts held in the Additional Payments Subaccount of the General Account of the Series Bond Account of the Subordinated Bond Fund), or required to be paid to the Trustee and whose disposition is not elsewhere herein otherwise specifically provided for, including but not limited to the investment income of all Trust Funds held by the Trustee under this Indenture (all such moneys being herein sometimes called “Trust Moneys”) shall be held by the Trustee as a part of the Trust Estate for such Series of Bonds as and to the extent provided in the granting clauses of this Indenture, and, upon the exercise by the Trustee of any remedy specified in Article X hereof, such Trust Moneys shall be applied in accordance with Section 9.05 hereof, except to the extent that the Trustee is holding in trust moneys and/or Government Obligations for the payment of any specified Bonds of a Series which are no longer deemed to be Outstanding under the provisions of Article IX hereof, which moneys and/or Government Obligations shall be applied only as provided in said Article IX. Prior to the exercise of any such remedy, all or any part of the Trust Moneys shall be held, invested, withdrawn, paid or applied by the Trustee, from time to time, as provided in this Article VI and in Article VII hereof.

The Bonds of each Series are special obligations of the Authority, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Indenture and in the related Supplemental Indenture, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution. No Holder of any Bond shall ever be entitled to payment of such Bond from any moneys of the Authority except from the Pledged Funds in the manner and to the extent provided herein. The Bonds and the obligations evidenced thereby shall not constitute a lien upon the Airport System or any other property of the Authority, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution. The Bonds and interest thereon shall not be deemed to constitute a debt of the State or any political subdivision thereof, including the Authority. Neither the State nor any political subdivision thereof, including the Authority, shall be obligated to pay the principal of or interest on the Bonds or other costs incident thereto except from the revenues and receipts pledged therefor, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof, including the Authority, is pledged to the payment of the principal of or interest on any Series of Bonds or other costs incident thereto. The Authority has no taxing power.

SECTION 6.02 Subordinated Bond Fund.

(a) A special trust fund is hereby established with the Trustee and designated as the “Subordinated Bond Fund.” There shall be established within the Subordinated Bond Fund an account for each Series of Bonds to be identified by its Series designation (each a “Series Subordinated Bond Account”). Within each Series Subordinated Bond Account there shall be established certain trust accounts, to be designated the “General Account,” the “Credit Facility Account” and the “Remarketing Account,” and within each Credit Facility Account, a “P&I Draw Subaccount” and a “Purchase Price Draw Subaccount.”

(b) With respect to each Series of Bonds, there shall be deposited into the Series Subordinated Bond Account established for such Series of Bonds within the Subordinated Bond Fund from time to time the following:

(i) in the P&I Draw Subaccount of the Credit Facility Account, moneys drawn under the Credit Facility (during any Credit Facility Period) with respect to payments of principal and interest on the Bonds, and in the Purchase Price Draw Subaccount of the Credit Facility Account moneys drawn under the Credit Facility (during any Credit Facility Period) to pay the Purchase Price of Bonds, which shall be held uninvested and separate and apart from moneys derived from any other source;

(ii) in the Remarketing Account, moneys received by the Trustee from the proceeds of the remarketing of such Series of Bonds which shall be held separate and apart from moneys derived from any other source; and

(iii) unless provided otherwise in a Credit Agreement with respect to a Series of Bonds for which a Credit Facility has been provided, in the General Account, all moneys transferred by the Authority to the Trustee on or before the 25th day of each month under and pursuant to Section 4.05(E)(5) of the Senior Bond Resolution, and, to the extent permitted under the Senior Bond Resolution, all moneys transferred by the Authority to the Trustee under and pursuant to Sections 4.06 and 4.07 of the Senior Bond Resolution.

(c) Within each General Account established for such Series of Bonds there shall be established a Principal Subaccount, an Interest Subaccount, a Reimbursement Subaccount and an Additional Payments Subaccount.

(i) There shall be credited to each Principal Subaccount, as and when received, the sum which, together with the balance in said Principal Subaccount, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then-current calendar month if such principal amounts were deemed to accrue monthly computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount, including the Optional Prepayment Price, to be used (1) with respect to a Series of Bonds for which a Credit Facility has been provided and for which the terms of reimbursement to the Credit Provider for draws made under the Credit Facility to make principal (or the portion of the Purchase Price of the Bonds corresponding to principal) and redemption payments on such Series of Bonds is not otherwise provided for in the related Credit Agreement, to reimburse the Credit Provider as required by the Credit Agreement for such draws made under the Credit Facility to make principal (or the portion of the Purchase Price of the Bonds corresponding to principal) and redemption payments on such Series of Bonds, or (2) with respect to a Series of Bonds for which a Credit Facility is not required or in place, to make principal, premium, if any, and redemption payments on such Series of Bonds. All income

derived from the investment of such amounts shall be transferred on the fifth day of each month to the Additional Payments Subaccount.

(ii) There shall be credited to each Interest Subaccount, as and when received, the sum which, together with the balance in said Interest Subaccount, shall equal the interest on all Bonds Outstanding accrued and unpaid and to accrue to the end of the then current calendar month, including any capitalized interest transferred from the Capitalized Interest Account of the Subordinate Bond Construction Fund, and used (1) with respect to a Series of Bonds for which a Credit Facility has been provided and for which the terms of reimbursement to the Credit Provider for draws made under the Credit Facility to make interest payments (or the portion of the Purchase Price of the Bonds corresponding to interest) on such Series of Bonds is not otherwise provided for in the related Credit Agreement, to reimburse the Credit Provider as required by the Credit Agreement for such draws made under the Credit Facility to make interest payments (or the portion of the Purchase Price of the Bonds corresponding to interest) on such Series of Bonds, or (2) with respect to a Series of Bonds for which a Credit Facility is not required or in place, to pay interest on such Series of Bonds. All income derived from the investment of such amounts shall be transferred on the fifth day of each month to the Additional Payments Subaccount. There shall also be credited to the Interest Subaccount the interest earnings realized from the Subordinate Bond Construction Fund as set forth in Section 6.03 hereof unless directed to be retained in the Subordinate Bond Construction Fund or transferred to the Cost of Issuance Fund as set forth in Section 6.03 hereof and all earnings from the related Series Bond Account of the Cost of Issuance Fund.

(iii) There shall be credited to the Additional Payments Subaccount, when and as received, (1) all Additional Payments received by the Trustee under and pursuant to any of the provisions of this Indenture, and (2) certain interest earnings from the Principal Subaccount and the Interest Subaccount as described in (i) and (ii) above. All income derived from the investment of such amounts shall be retained in the Additional Payments Subaccount. To the extent the amounts set forth in (1) through (2) exceed the amount necessary to pay the Additional Payments next coming due, the Trustee, upon written direction of the Authority, may transfer such excess to the Interest Subaccount and/or Principal Subaccount.

The Authority hereby covenants to pay Additional Payments directly to the Trustee when due. Such Additional Payments shall not be treated or considered as Trust Moneys for any purpose of this Indenture. Except as set forth in the following sentence, Additional Payments will be deposited by the Trustee to the applicable Additional Payment Subaccount as collected and shall be disbursed by the Trustee as due upon receipt of an invoice therefor promptly reviewed and approved by the Authority. Notwithstanding the foregoing, the Authority may elect to pay Additional Payments directly to the party to which such Additional Payments are owed by mutual agreement with such party.

(iv) Unless the terms of the payment of Reimbursement Obligations is otherwise provided in a Credit Agreement with respect to a Series of Bonds for which a Credit Facility has been provided, there shall be credited to each Reimbursement Subaccount, as and when received, payment of each Reimbursement Obligation received by the Trustee under and pursuant to the provisions of this Indenture or the related Credit Agreement and used to reimburse the related Credit Provider with respect to Bonds of related Series for any draws on the related Credit Facility and interest thereon.

(d) With respect to each Series of Bonds, except as provided in Sections 4.03, 4.05, 4.06 and 6.06 hereof, during any Credit Facility Period with respect to a Series of Bonds, moneys in the

Principal Subaccount and Interest Subaccount shall be used solely to reimburse the Related Credit Provider for drawings under the related Credit Facility and, at all other times, for the payment of the principal of, premium, if any, and interest on such Series of Bonds and for the redemption of such Series of Bonds. Subject to the provisions of Section 6.06 hereof, funds for such payments of the principal of and premium, if any, and interest on such Series of Bonds shall be derived from the following sources in the order of priority indicated:

(i) with respect to each Series of Bonds covered by a Credit Facility, moneys drawn by the Trustee under such Credit Facility during any Credit Facility Period, and with respect to a Series of Bonds for which no Credit Facility is required, interest on such Series of Bonds shall be paid from the Interest Subaccount and principal and premium, if any, shall be paid from the Principal Subaccount; and

(ii) any moneys furnished to the Trustee and available for such purpose.

(e) All moneys paid over to the Trustee for the account of the Subordinated Bond Fund (except the Additional Payments Subaccount and the Purchase Price Draw Subaccount of the Credit Facility Account of a Series Bond Account of the Subordinated Bond Fund) under any provision hereof, shall be held (subject to the provisions of Sections 6.02(f) and 6.09) in trust by the Trustee for the benefit of the Holders of the respective Series of Bonds, as each is entitled to be paid therefrom.

(f) With respect to each Series of Bonds, any moneys remaining in the Interest Subaccount, the Principal Subaccount, the Reimbursement Subaccount or the Additional Payments Subaccount after payment of such Series of Bonds (including Pledged Bonds), payment of all obligations under the Credit Agreement and the Credit Facility, if any, related to such Series of Bonds, and payment of the fees, charges and expenses of the Trustee, the Remarketing Agent and the Credit Provider which have accrued and which will accrue and all other items required to be paid hereunder with respect to such Series of Bonds, shall be paid to the Authority.

SECTION 6.03 Creation of Subordinate Bond Construction Fund.

(a) There is hereby created and established with the Trustee a trust fund to be designated the “Subordinate Bond Construction Fund.” Within the Subordinate Bond Construction Fund, a separate account shall be established by the Trustee for each Series of Bonds. The proceeds from the sale of each Series of Bonds (other than amounts designated for deposit to the Cost of Issuance Fund) shall be deposited in the applicable account in the Subordinate Bond Construction Fund and used only for payment of the Cost of a Project.

(b) The Trustee shall use moneys within Subordinate Bond Construction Fund solely to pay the Cost of the Project. Moneys deposited to the Subordinate Bond Construction Fund for capitalized interest shall be transferred by the Trustee to the Interest Subaccount on the 25th day of each month. The Trustee shall make disbursements or payments from the Subordinate Bond Construction Fund to the Authority to pay the Cost of the Project upon receipt of appropriate evidence from the Authority that such payment is due in accordance with the disbursement procedures established by the Authority; *provided, however*, if instructed by the Authority pursuant to Section 6.03(h) below, the Trustee shall transfer all amounts then held in the Subordinate Bond Construction Fund to a project fund established by the Authority in its own name upon the written direction of the Authority, which such written direction can be set forth in a closing memorandum with respect to a Series of Bonds signed by an Authorized Authority Representative; *provided further, however*, if there is an Event of Default of which the Trustee has actual notice, then no further disbursements shall be made without the consent of the Credit Provider. The Trustee shall be entitled to conclusively rely upon the information stated in any disbursement request and transfer

direction, including any closing memorandum signed by an Authorized Authority Representative, from the Authority and shall not be liable for any disbursement made in accordance therewith.

(c) The Trustee shall make such payment by check or wire made payable to or upon the order of the Authority as provided in the disbursement request. Disbursements shall be made by the Trustee from the Subordinate Bond Construction Fund to pay the Cost of the Project only on the Closing Date and on the 5th through the 25th day of each month or if any such day is not a Business Day on the first Business Day thereafter. The Trustee shall make such disbursement as soon as possible after receipt of the disbursement request but not later than the earlier of (i) seven days after receipt of the disbursement request and (ii) if the seventh day after receipt of the disbursement request is after the 25th day of the month, then on the first day of the next succeeding month and if such day is not a Business Day, then on the next succeeding Business Day. The proceeds of each disbursement hereunder shall be applied exclusively to payment, or to reimbursement of the Authority for payment, of the Cost of the Project which may include costs of issuance of the related Series of Bonds if not paid on the Closing Date.

(d) The final payment from any account within the Subordinate Bond Construction Fund shall be made no later than three years from the Closing Date of the Series of Bonds from which proceeds funded such account unless that Authority delivers to the Trustee an Opinion of Bond Counsel that the disbursement of funds from such account more than three years from such Closing Date will not adversely affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes.

(e) The balance of any moneys remaining in any account of the Subordinate Bond Construction Fund upon completion of a Project or which remain after three years from the Closing Date for which no Opinion of Bond Counsel has been delivered as described above shall be (i) deposited in the respective Principal Subaccount of the General Account of the Series Bond Account in the Subordinated Bond Fund and applied by the Trustee to the redemption of the related Series of Bonds on the first redemption date occurring after such completion, or if such Series of Bonds is covered by a Credit Facility, then to the reimbursement of the Credit Provider for a draw, which the Trustee is hereby authorized and directed to make, under the Credit Facility for such redemption, at the applicable optional or mandatory redemption price, and/or (ii) deposited in the respective Interest Subaccount of the General Account of the Series Bond Account, for payment of interest or reimbursement to the Credit Provider for payment of interest on the next Interest Payment Date for the applicable Series of Bonds.

(f) All funds held in an account of the Subordinate Bond Construction Fund shall be invested by the Trustee in Authorized Investments at the written direction of the Authority. Except as otherwise set forth below, all earnings received on funds in an account of the Subordinate Bond Construction Fund shall be credited on the twenty-fifth day of each month first to the respective Interest Subaccount of the General Account of the Series Bond Account in the Subordinated Bond Fund in an amount, which when combined with all other amounts then held therein does not exceed interest due on such Series of Bonds on the next succeeding Interest Payment Date and then to the Additional Payments Subaccount of the General Account of the Series Bond Account in the Subordinated Bond Fund; *provided, however*, that the transfer shall not exceed the amount necessary, together with amounts on deposit in such Interest Subaccount and the Additional Payments Subaccount, to make the next succeeding interest payment on such Series of Bonds and Additional Payments with respect to such Series of Bonds.

(g) At the written direction of an Authorized Authority Representative, all or a portion of the earnings accruing on funds in an account of the Subordinate Bond Construction Fund shall be retained in such account of the Subordinate Bond Construction Fund or transferred to the Cost of Issuance Fund and to the extent so retained shall not be transferred as described in (f) above.

(h) Notwithstanding the foregoing, the Authority may instruct the Trustee at any time to transfer all amounts then held in the Subordinate Bond Construction Fund to a project fund established by the Authority in its own name. Upon any such transfer, (i) the Trustee shall have no further obligations under this Section and shall have no responsibility to assure that the proceeds of such Series of Bonds are expended by the Authority for eligible purposes and (ii) such proceeds shall no longer be part of the Trust Estate.

SECTION 6.04 Trust Moneys; Reports. Except as otherwise specifically provided herein, all moneys required to be deposited with or paid to the Trustee shall be Trust Funds under the terms hereof and shall not be subject to lien or attachment of any creditor of the Authority or the Trustee. Such moneys shall be held in trust and applied in accordance with the provisions of this Indenture. The Trustee shall furnish to the Authority as of each Interest Payment Date a statement of the activity within the funds and accounts.

SECTION 6.05 Cost of Issuance Fund. There is hereby created and ordered established with the Trustee a trust fund to be designated the “Cost of Issuance Fund” and within the Cost of Issuance Fund, a Series Bond Account to be identified by its Series designation for each Series of Bonds. Moneys in the Series Bond Account of the Cost of Issuance Fund shall be used to pay, with respect to such Series of Bonds, the costs of issuing the Series of Bonds, all printing expenses in connection with this Indenture, the preliminary and final offering memorandum and any subsequent disclosure documents for the Series of Bonds, Blue Sky fees and expenses, fees and expenses of any Rating Agencies, fees and expenses of the Underwriter, any initial fees of the Credit Provider under the Credit Facility, Bond Counsel, counsel to the Credit Provider, counsel to the Trustee, counsel to the purchaser or purchasers of the Series of Bonds, counsel to the Authority, any accounting expenses incurred in connection with determining that the Bonds of such Series are not arbitrage bonds, the Trustee’s initial fee for the Series of Bonds, initial fees of the Authority, the initial fee of any financial advisor to the Authority, the fee of independent certified public accountants or consultants for verification services to the Authority, and costs of any market demand study or survey. Such costs shall be paid on the date of original authentication and delivery of the Series of Bonds, upon the submission of a closing memorandum and/or requisitions to the Trustee stating the amount to be paid, to whom it is to be paid and the reason for such payment, such closing memorandum to be signed by an Authorized Authority Representative. Moneys in the Cost of Issuance Fund shall be invested as directed in writing by the Authority and all earnings on moneys in the Cost of Issuance Fund shall be credited to the related Interest Subaccount on the 5th day of each month.

SECTION 6.06 Credit Facility and Substitute Credit Facility.

(a) With respect to any Series of Bonds for which a Credit Facility is required, during any Credit Facility Period, the Trustee shall timely draw moneys under the Credit Facility for such Series of Bonds in accordance with the terms thereof (i) to pay when due (whether by reason of maturity, the occurrence of an Interest Payment Date, redemption or otherwise) the principal of, premium, if any, and interest on the Bonds, and (ii) to the extent moneys described in Section 4.03(a) hereof are not available therefor prior to 12:00 noon New York City time on the Mandatory Purchase Date or the Tender Date, to pay when due the Purchase Price of such Series of Bonds.

(b) Subject to the conditions set forth in this Section 6.06, the Authority may provide for the delivery to the Trustee of a Substitute Credit Facility with respect to any Series of Bonds. The Authority shall furnish written notice to the Trustee, not less than twenty days prior to the Mandatory Purchase Date, (a) notifying the Trustee that the Authority is exercising its option to provide for the delivery of a Substitute Credit Facility to the Trustee with respect to such Series of Bonds, (b) setting forth the Mandatory Purchase Date in connection with the delivery of such Substitute Credit Facility, which shall in any event be an Interest Payment Date that is not less than two Business Days prior to the expiration date

of the Credit Facility then in effect with respect to the Bonds of such Series, and (c) instructing the Trustee to furnish notice to the Bondholders of such Series regarding the Mandatory Purchase Date at least fifteen days prior to the Mandatory Purchase Date, as more fully described in Section 4.01 of the Indenture. Any Substitute Credit Facility shall be delivered to the Trustee prior to such Mandatory Purchase Date, shall be effective on and after such Mandatory Purchase Date, and shall expire on a date which is two Business Days after an Interest Payment Date for the Bonds of the related Series or such other period following an Interest Payment Date as may be required by any Rating Agency then rating the Bonds of such Series. On or before the date of such delivery of a Substitute Credit Facility to the Trustee, the Authority shall furnish to the Trustee (a) a written opinion of Bond Counsel stating that the delivery of such Substitute Credit Facility will not adversely affect the exclusion from gross income of interest on the Bonds of such Series for federal income tax purposes; and (b) a written opinion of counsel to the Substitute Credit Provider to the effect that the Substitute Credit Facility is a legal, valid, binding and enforceable obligation of the Substitute Credit Provider in accordance with its terms.

The Authority will promptly notify the Trustee in writing of the Authority's intention to deliver a Substitute Credit Facility and direct the Trustee to give notice in accordance with this Section 6.06(b). Upon receipt of such notice, the Trustee will promptly mail a notice of the anticipated delivery of a Substitute Credit Facility by first-class mail to the Remarketing Agent and each Bondholder at the holder's registered address, which notice must be mailed not later than thirty (30) days prior to the effective date of the Substitute Credit Facility.

(c) In the event of a drawing under the Credit Facility to pay the Purchase Price of Bonds upon a Mandatory Purchase Date relating to the issuance and delivery of a Substitute Credit Facility, the Trustee shall draw moneys under the Credit Facility in effect on and prior to such Mandatory Purchase Date and shall not draw upon the Substitute Credit Facility that will become effective on or after such Mandatory Purchase Date and shall not submit a certificate of acceptance for the Substitute Credit Facility unless and until such draw under the Credit Facility in effect on and prior to such Mandatory Purchase Date has been honored.

(d) Notwithstanding any provision to the contrary which may be contained in this Indenture, including, without limitation, Section 6.06(a) hereof, (i) in computing the amount to be drawn under the Credit Facility on account of the payment of the principal or Purchase Price of, or premium, if any, or interest on such Series of Bonds, the Trustee shall exclude any such amounts in respect of any Bonds which a Trust Officer knows are Pledged Bonds or Excluded Bonds on the date such payment is due, and (ii) amounts drawn by the Trustee under the Credit Facility shall not be applied to the payment of the principal or Purchase Price of, or premium, if any, or interest on, any Bonds which the Trustee Officer knows are Pledged Bonds or Excluded Bonds on the date such payment is due.

SECTION 6.07 Repayment to the Credit Provider. With respect to a Series of Bonds, any amounts remaining in any account of the Series Accounts of the Subordinated Bond Fund or any other fund or account created hereunder after payment in full of the principal of, premium, if any, and interest on such Series of Bonds, the fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder with respect to any Series of Bonds for which a Credit Facility is provided, shall be paid immediately to the Credit Provider to the extent of any indebtedness to the Credit Provider under the Credit Agreement, and, after repayment of all such indebtedness, if any, to the Authority. In making any payment to a Credit Provider under this Section, the Trustee may rely conclusively upon a written statement provided by the Credit Provider as to the amount payable to the Credit Provider under the Credit Agreement.

SECTION 6.08 Nonpresentment of Bonds. In the event any Bond of a Series shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if moneys sufficient to pay any such Bond shall have been deposited with

the Trustee for the benefit of the Owner thereof, all liability of the Authority to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, uninvested or invested in Government Obligations maturing overnight, but in any event without liability for interest thereon, for the benefit of the Owner of such Bond which shall thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under this Indenture with respect to such Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of such Bonds within two (2) years after the date on which the same shall have become due shall be repaid by the Trustee to the Authority upon written direction of an Authorized Authority Representative, and thereafter Owners of Bonds shall be entitled to look only to the Authority for payment, and then to the extent of the amount so repaid, and all liability of the Trustee with respect to such money shall thereupon cease, and the Authority shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

SECTION 6.09 Payment of Bonds with Proceeds of Refunding Bonds. Anything in this Indenture to the contrary notwithstanding, principal of, premium, if any, and interest on any Series of Bonds may be paid from the proceeds of refunding obligations.

ARTICLE VII INVESTMENTS

SECTION 7.01 Subordinated Bond Fund and Cost of Issuance Investments. Except as otherwise herein provided, moneys held in the Subordinated Bond Fund and the Cost of Issuance Fund shall be invested and reinvested by the Trustee in Authorized Investments as directed by the Authority in writing or orally, promptly confirmed in writing, provided, however, that while a Credit Facility is in effect, such Funds may only be invested in Government Obligations. Notwithstanding the foregoing sentence, moneys held in the Credit Facility Account of the Subordinated Bond Fund will not be co-mingled and shall be held uninvested or, in the case of the Remarketing Account of the Subordinated Bond Fund, shall be invested in Government Obligations for the lesser of 30 days or such shorter period as determined by the Trustee. In the absence of any such instruction, moneys in such funds shall remain uninvested. All such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which the moneys so invested were originally held and the interest accruing thereon and any profit realized therefrom shall be credited to and held in such fund or account and any loss resulting therefrom shall be charged to such fund or account unless otherwise set forth herein. The Trustee is directed to sell at the best price reasonably obtainable in the markets in which the Trustee is normally active and convert to cash a sufficient amount of such investments in any fund whenever the cash held in such fund is insufficient for the purposes thereof.

SECTION 7.02 Use of Trustee's Departments. The Trustee may make the investments referred to in Section 7.01 through any division or department of the Trustee or any of its Affiliates and charge and collect its or their customary and usual fees and expenses with the written consent of the Authority.

SECTION 7.03 Limitation of Liability.

(a) Since any investments permitted by this Article VII made at the request of the Authority and the making of such investments from time to time will be subject to the Authority's discretion, the Authority, in addition to the limit of liability set forth herein, specifically disclaims any obligation of the Trustee for any loss arising from investments made at the direction of the Authority pursuant to this Article VII. The Trustee shall not be responsible for any losses on investments or for the redemption, sale or maturity of any such investments made at the direction of the Authority in accordance with this Article VII, and, to the extent permitted by applicable law, the Authority shall hold the Trustee

harmless for any claim resulting from any losses on investments made in accordance with the Authority's instructions.

(b) Notwithstanding any provision of this Indenture to the contrary, unless otherwise specifically agreed in a separate written agreement, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with, or for the purpose of complying with, Section 148 of the Code, or any successor statute or any regulation, ruling or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in nonpurpose obligations having a yield higher than the yield on any Series of Bonds, or the determination as to whether any investments are permissible under Section 148 of the Code or the regulations thereunder, and the Trustee shall not be liable or responsible for monitoring the compliance by the Authority with any of the requirements of Section 148 of the Code or any applicable regulation, ruling or other judicial or administrative interpretation thereof (other than as set forth in Section 7.04 hereof); it being acknowledged and agreed that the sole obligation of the Trustee in this regard shall be to hold and invest monies received by it pursuant to the terms hereof in accordance with this Indenture in each case pursuant to the instructions of the Authority or as otherwise set forth herein. The Trustee may conclusively presume that any investment made at the request of the Authority is permitted by applicable law.

SECTION 7.04 Arbitrage. The Authority agrees that it will not knowingly commit any act that would cause any Series of Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and the applicable regulations thereunder, if applicable to such Series of Bonds. The Trustee covenants that, should the Authority file with the Trustee, or should the Trustee otherwise receive, an Opinion of Bond Counsel, to the effect that any proposed investment or other use of proceeds of the Series of Bonds would cause such Bonds to become "arbitrage bonds", then the Trustee will comply with any instructions of the Authority or such counsel regarding such investment or use so as to prevent the Series of Bonds from becoming "arbitrage bonds". The Trustee shall file a copy of any such Opinion of Bond Counsel with the Authority.

ARTICLE VIII DISCHARGE OF LIEN

SECTION 8.01 Discharge of Lien and Security Interests. If the Authority shall pay or cause to be paid in full the principal of and the interest on all Bonds bearing interest at a Fixed Rate or at an Index Rate or all or any portion of any Series of Bonds bearing interest at a Fixed Rate or at an Index Rate through depositing or causing to be deposited with the Trustee in trust cash and/or Government Obligations, which do not permit the redemption thereof at the option of the issuer thereof, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the Holder), will, without reinvestment (except as provided in (e) below), provide cash which, together with the cash, if any, deposited with the Trustee at the same time, shall be sufficient to pay and discharge the entire indebtedness on all such Bonds or all or any portion of any such Series of Bonds as the same become due (calculating interest at the Maximum Lawful Rate for any such Series of Bonds if bearing interest at the Index Rate) not theretofore canceled by the Trustee or delivered to the Trustee for cancellation, for principal and interest (and premium, if any) which have become due and payable, or to the stated maturity thereof or earlier Redemption Date or Mandatory Tender Date, as the case may be, and (a) has paid or made arrangements satisfactory with the Trustee to pay, all fees and expenses (including, without limitation, counsel's fees and expenses) of the Trustee which have accrued or which the Trustee estimates will accrue prior to the final payment of all such Bonds or all or any portion of any such Series of Bonds in full, (b) has furnished to the Trustee an Opinion of Bond Counsel to the effect that the deposit of such cash and Government Obligations is in compliance with the provisions hereof and will not adversely affect the exclusion of interest on all such Bonds or all or any portion of any such Series of Bonds in gross income for purposes of Federal

income taxation; if applicable, (c) has made arrangements satisfactory to the Trustee for the giving of notice of redemption, if any, (d) has paid or made arrangements satisfactory to the Credit Provider for the payment in full of all obligations under the Credit Facility, if any, and Credit Agreement with respect to such Series of Bonds, including all fees and expenses of the Credit Provider including Counsel's fees and expenses which have accrued or which the Credit Provider estimates will accrue prior to the final payment of all such Bonds or all or any portion of any such Series of Bonds in full, and (e) has delivered to the Trustee a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Credit Provider (unless such requirement is waived by the Credit Provider) verifying the sufficiency of the funds or Government Obligations deposited to pay principal of, redemption premium, if any, and interest on the Bonds of such Series when due, if the amount deposited on the date of such deposit is not sufficient to pay the principal of, redemption premium, if any, and interest on such Series of Bonds when due, then the lien hereof, these presents and the Trust Estate and the security interests therein shall cease, determine and be void with respect to all such Bonds or all or any portion of any such Series of Bonds. The redemption of such Bonds must occur on the earlier of the first optional or mandatory tender date or the redemption date. Upon the discharge of the lien hereof, these presents and the Trust Estate and the security interests therein ceasing, determining and being void as provided in the preceding sentence, the Trustee shall, upon receipt of evidence satisfactory to it that all conditions precedent to the satisfaction and discharge of this Indenture as to all such Bonds or all or any portion of any such Series of Bonds have been complied with, cancel and discharge this Indenture and the security interests therein as to all such Bonds or all or any portion of such Series of Bonds, execute and deliver to the Authority such instruments in writing as shall be required to cancel and discharge this Indenture and the security interests therein as to all such Bonds or of all or any portion of such Series of Bonds and apply any moneys and investments held in the Subordinated Bond Fund in accordance with Article VI, and all moneys then held in the Subordinated Bond Fund for the purpose of paying such Bonds which have not yet been presented for payment. If such a Series of Bonds will not be redeemed in whole within 60 days of such discharge, the Trustee shall give notice of such discharge to all Bondholders of such Series whose Bonds will not be redeemed within 60 days of such discharge. Notwithstanding the other provisions of this Section, the lien and security interest granted in this Indenture to a Credit Provider with respect to such a Series of Bonds shall not be discharged until all amounts owing to such Credit Provider under such Credit Facility and other related documents have been fully paid and such Credit Facility has been terminated as to such Series of Bonds.

SECTION 8.02 Discharge of the Indenture. Notwithstanding the fact that the lien of this Indenture upon the Trust Estate may have been discharged and canceled in accordance with Section 8.01, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with the fact that the lien upon the Trust Estate may have been discharged and canceled, shall nevertheless continue and subsist until the principal of and premium, if any, and the interest on, all of the Bonds shall have actually been paid in full (other than by a Credit Provider), and all amounts owed to each Credit Provider, if any, under a Credit Facility, Pledged Bonds and other related documents, and to the Trustee shall have been paid in full, and the Trustee shall have applied in accordance with Article VI, as applicable, and all funds theretofore held by the Trustee for payment of any Bonds not theretofore presented for payment or purchase, as the case may be, which funds shall be held in trust solely for the Holders of such Bonds pending their application in accordance herewith, have been applied in accordance herewith.

ARTICLE IX DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE, CREDIT PROVIDER AND BONDHOLDERS

SECTION 9.01 Events of Default. Each of the following events is hereby defined as and declared to be and to constitute a "Default" hereunder with respect to any Series of Bonds.

- (a) Default in the due and punctual payment of interest on any Bond of such Series;

(b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond of such Series, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(c) Default in the due and punctual payment of the Purchase Price of any Bond of such Series at the time required by Section 4.01 other than Unremarketed Bonds or 4.02 hereof;

(d) With respect to any Series of Bonds (i) for which a Credit Facility is required, at any time during the Credit Facility Period, receipt by the Trustee of written notice from the Credit Provider that either: (A) an Event of Default has occurred under the Credit Agreement; or (B) the amount of an interest drawing under the Credit Facility will not be reinstated because the Credit Provider has not been reimbursed in full for any such drawing; and (ii) during any Fixed Rate Period or Index Period, receipt by the Trustee of written notice from the Direct Placement Purchaser that an Event of Default has occurred under the Direct Placement Agreement (and any applicable cure periods in the Direct Placement Agreement have passed).

(e) The failure of the Authority to observe and perform any of the covenants, conditions, agreements, or provisions contained herein, or in the Bonds of such Series, on the part of the Authority to be observed or performed (except obligations referred to in subsections (a) or (b) of this Section), and the continuation thereof for sixty(60) days after written notice, specifying such default and requiring the same to be remedied, is given to the Authority by the Trustee, unless the Trustee, upon the direction of the Credit Provider or Direct Placement Purchaser, if applicable, shall agree in writing to an extension of such time period prior to its expiration.

SECTION 9.02 Remedies.

(a) With respect to a Series of Bonds, subject to Section 9.10, upon the occurrence of a Default, the Trustee shall have the power to proceed with any right or remedy available at law or in equity or by statute, as it or the Credit Provider, if any, with respect to such Series of Bonds, as applicable, may deem best, including any suit, action or special proceeding in equity or at law for the collection of amounts due and to become due hereunder and under the Bonds of such Series or the performance of any covenant or agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Trustee or the Credit Provider during a Credit Facility Period, as applicable, shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law, provided, however, that in no event may the Trustee accelerate the payment of any amounts payable with respect to the Bonds or the Reimbursement Obligations. The rights herein specified are to be cumulative to all other available rights, remedies or powers. In all circumstances under this Section 9.02, the Trustee, upon being furnished indemnity for its liabilities, costs and attorneys' fees, shall follow the direction of the Credit Provider, if applicable.

No delay or omission to exercise any right or remedy accruing upon any Default shall impair any such right or remedy or shall be construed to be a waiver of any such Default or acquiescence therein; and every such right and remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Default hereunder, whether by the Trustee, the Credit Provider, if any, or the Bondholders, shall extend to or shall affect any subsequent event of default or shall impair any rights or remedies consequent thereon.

SECTION 9.03 Rights of Bondholders. With respect to a Series of Bonds, upon the occurrence of a Default, other than a Default under Sections 9.01(d), if requested so to do by the Holders of more than fifty percent (50%) in aggregate principal amount of Bonds then Outstanding of such Series and if indemnified as provided in Section 10.01(h), the Trustee, subject to the provisions of Sections 9.04 and

9.10, shall be obligated to exercise such one or more of the rights and remedies conferred by this Article as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders of such Series and the Credit Provider, if applicable.

SECTION 9.04 Right of Bondholders to Direct Proceedings. With respect to a Series of Bonds, anything herein to the contrary notwithstanding except Sections 9.10 and 10.01(h), the Holders of more than fifty percent (50%) in aggregate principal amount of Bonds then Outstanding as to a Series of Bonds shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder with respect to such Series.

SECTION 9.05 Application of Moneys. With respect to a Series of Bonds, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article (other than moneys drawn under the Credit Facility, which shall be deposited directly into the Credit Facility Account of the Series Bond Account of the Subordinated Bond Fund, proceeds of any remarketing of such Series of Bonds, which shall be deposited directly into the Remarketing Account of the Series Bond Account of the Subordinated Bond Fund, or moneys deposited with the Trustee and held in accordance with Section 6.08 hereof) shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances owing to or incurred or made by the Trustee, be deposited in the General Account of the Series Bond Account of the Subordinated Bond Fund and the moneys in each account of the Subordinated Bond Fund for such Series of Bonds shall be applied as follows:

FIRST – To the payment to the persons entitled thereto of all installments of interest then due on such Series of Bonds, in the order of the maturity of the installments of such interest (with interest on overdue installments of such interest, to the extent permitted by law, at the rate of interest borne by such Series of Bonds) and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND – To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds of such Series which shall have become due (other than Bonds of such Series matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture) and, if the amount available shall not be sufficient to pay in full all Bonds of such Series due on any particular date, then to the payment ratably according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD – To the payment to the persons entitled thereto as the same shall become due of the principal of and premium, if any, and interest on the Bonds of such Series which may thereafter become due and, if the amount available shall not be sufficient to pay in full Bonds of such Series due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the

date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal of, premium, if any, and interest on all Bonds of such Series have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, any balance remaining in any account of the Series Bond Account of the Subordinated Bond Fund for such Series of Bonds shall be paid to the Credit Provider or the Authority as provided in Section 6.08 hereof.

Notwithstanding anything to the contrary herein or otherwise, moneys drawn under a Credit Facility related to a Series of Bonds shall be applied only to the payment of principal or Purchase Price of and accrued interest on such Series of Bonds.

SECTION 9.06 Rights and Remedies Vested in Trustee. With respect to each Series of Bonds, all rights of action and remedies (including the right to file proofs of claim) hereunder or under any of the Bonds may be enforced (subject to Section 9.10) by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted (subject to Section 9.10) by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds or the Credit Provider, if applicable.

SECTION 9.07 Rights and Remedies of Owners of Bonds. No Owner of any Bond of a Series shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (subject to the provisions of Section 9.02 hereof) (a) a Default has occurred of which the Trustee has been notified as provided in Section 10.01(e) hereof, or of which by said subsection it is deemed to have notice, (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of Outstanding Bonds of a Series shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding and shall have offered to the Trustee indemnity as provided in Section 10.01(h), and (c) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds of such Series shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds of such Series. However, with respect to a Series of Bonds, nothing contained in this Indenture shall affect or impair the right of any Owner of Bonds of such Series to enforce the payment of the principal or Purchase Price of, premium, if any, and interest on any Bond of such Series at and after the maturity thereof, or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds of such Series issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner in the Bonds expressed. No Owner of any Bond of such Series shall have any right to institute any suit, action or proceeding at equity or at law to enforce a drawing under the Credit Facility related to such Series of Bonds.

SECTION 9.08 Termination of Proceedings. With respect to a Series of Bonds, in case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Owners of Bonds of such Series shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 9.09 Waivers of Default. With respect to a Series of Bonds, the Trustee shall waive any Default hereunder and its consequences upon the written request of the Owners of (1) at least a majority in aggregate principal amount of all Outstanding Bonds of such Series in respect of which default in the payment of principal or interest, or both, exists or (2) at least a majority in aggregate principal amount of Outstanding Bonds of such Series in the case of any other Default; provided, however, that there shall not be waived any Default hereunder unless and until the Trustee shall have received written notice from the Credit Provider, if any, that the Credit Facility with respect to such Series has been reinstated in full; and provided further that any Default under subsection (d) of Section 9.01 hereof may only be waived upon the written request of such Credit Provider and the rescission by such Credit Provider of the notice referred to in subsection (d) of Section 9.01 (and in such case the consent of the Owners of the Bonds of such Series shall not be required); and provided further that there shall not be waived any Default specified in subsection (a) or (b) of Section 9.01 hereof unless prior to such waiver or rescission, the Authority shall have paid to the Trustee (i) all arrears of principal and interest with interest at the rate then borne by such Bonds on overdue installments, to the extent permitted by law, and (ii) all fees and expenses of the Trustee in connection with such Default. In case of any waiver or rescission described above, or in case any proceeding taken by the Trustee on account of any such Default shall have been discontinued or concluded or determined adversely, then and in every such case the Authority, the Trustee and the Owners of Bonds of such Series shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Default, or impair any right consequent thereon.

With respect to a Series of Bonds, notwithstanding the foregoing, no waiver, rescission or annulment of a Default hereunder shall be made if the Credit Provider, if any, shall theretofore have honored in full a drawing under the Credit Facility in respect of such Default.

SECTION 9.10 Notice of Defaults under Section 9.01(e); Opportunity to Cure Such Defaults. With respect to any Series of Bonds, anything herein to the contrary notwithstanding, no Default under Section 9.01(e) hereof shall be deemed a Default until notice of such Default shall be given to the Authority by the Trustee or by the Owners of not less than fifty percent (50%) in aggregate principal amount of all Outstanding Bonds, and the Authority shall have had thirty (30) days after receipt of such notice to correct said Default or to cause said Default to be corrected and shall not have corrected said Default or caused said Default to be corrected within the applicable period; *provided, however*, if said Default be such that it cannot be corrected within the applicable period, it shall not constitute a Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the Default is corrected.

SECTION 9.11 Subrogation Rights of Credit Provider. With respect to any Series of Bonds, the Credit Provider, if any, shall be subrogated to the rights possessed under this Indenture by the Owners of such Series of Bonds, to the extent the Credit Facility is drawn upon and the amount of such drawing is not subsequently reimbursed to the Credit Provider. For purposes of the subrogation rights of the Credit Provider hereunder, (a) any reference herein to the Owners of the Bonds of such Series shall mean the Credit Provider, (b) any principal of or interest on the Bonds paid with moneys collected pursuant to the Credit Facility shall be deemed to be unpaid hereunder, and (c) the Credit Provider may exercise any rights it would have hereunder as the Owner of the Bonds of such Series. The subrogation rights granted to the Credit Provider in this Indenture are not intended to be exclusive of any other remedy or remedies available

to the Credit Provider and such subrogation rights shall be cumulative and shall be in addition to every other remedy given hereunder, under the Credit Agreement or under any other instrument or agreement with respect to the reimbursement of moneys paid by the Credit Provider under the Credit Facility or with respect to the security for the obligations of the Authority under the Credit Agreement, and every other remedy now or hereafter existing at law or in equity or by statute.

ARTICLE X THE TRUSTEE AND THE REMARKETING AGENT

SECTION 10.01 Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it hereby, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) With respect to each Series of Bonds, the Trustee, prior to the occurrence of a Default of which it is required to have notice under Section 10.01(e)(4) and after the curing of all such Defaults which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied agreements or obligations shall be read into this Indenture with respect to or against the Trustee. In case a Default of which it is deemed or required to have notice under Section 10.01(e)(4) has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) With respect to each Series of Bonds, the Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, or receivers and shall not be responsible for any misconduct or negligence on the part of any receiver, agent or attorney appointed with due care by it hereunder. The Trustee shall be entitled to advice of Counsel concerning all matters of trusts hereof and the duties hereunder and may in all cases pay reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Authority or the Credit Provider), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in any Series of Bonds (except with respect to the authentication certificate of the Trustee endorsed on such Series of Bonds), or for the recording or re-recording, filing or re-filing of this Indenture or any other document, or for insuring the Trust Estate or for the validity of the execution hereof by the Authority or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds, or for the value of or title in and to the Trust Estate or any part of the Trust Estate or otherwise as to the maintenance of the security hereof, except that if the Trustee enters into possession of a part or all of the Trust Estate pursuant to any provision hereof it shall use due diligence in preserving the same, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any agreements or conditions on the part of the Authority, except as hereinafter set forth; but the Trustee may require of the Authority full information and advice as to the performance of the agreements and conditions aforesaid and as to the condition of the Trust Estate.

(d) Except to the extent herein specifically provided, the Trustee shall not be accountable for the use of the proceeds of any Series of Bonds. The Trustee, in its individual capacity, or as trustee under other indentures of trust, may in good faith buy, sell, own, hold or deal in any of the Bonds issued hereunder, and may join in any action which any Bondholder may be entitled to take with like effect as if such Person did not act in any capacity hereunder. The Trustee or the Remarketing Agent, in its

individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the Credit Provider and may act as depository, trustee or agent for any committee or body of Bondholders in connection with any other indenture or similar agreement to which the Authority or the Credit Provider is a party and hold any bonds secured thereby or other obligations of the Authority as freely as if such Person did not act in any capacity hereunder.

(e) Except as is otherwise provided in subsection (a) above:

- (1) The Trustee shall be protected in acting upon Opinions of Counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee, pursuant hereto upon the request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the Holder of any Bond, shall be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee may conclusively rely upon a certificate furnished by a Credit Provider as to amounts owing under its Credit Facility with respect to each Series of Bonds covered by such Credit Facility.
- (2) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon an Authority Certificate as sufficient evidence of the facts therein contained and prior to the occurrence of a Default of which the Trustee has been notified as provided in subsection (e)(4) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept an Authority Certificate to the effect that a resolution in the form therein set forth has been adopted as conclusive evidence that such resolution has been adopted and is in full force and effect.
- (3) The right of the Trustee to do things enumerated herein shall not be construed as a duty and the Trustee shall not be answerable for other than its gross negligence or willful misconduct. Further, the Trustee shall not have any liability with respect to, and the Authority hereby waives, releases and agrees not to sue for, any special, indirect or consequential damages suffered by the Authority in connection with claims related to or arising under this Indenture, the Bonds, the Credit Facilities or the Remarketing Agreements.
- (4) With respect to a Series of Bonds, unless a Responsible Officer of the Trustee shall be specifically notified in writing of a Default by the Authority, the Remarketing Agent, a Credit Provider or the Holders of more than fifty percent (50%) in aggregate principal amount of Outstanding Bonds of any Series of Bonds, the Trustee shall not be required to take notice or be deemed to have notice of such Default hereunder except (i) failure to pay the principal or purchase price of or

interest on such Series of Bonds when due, and (ii) an act of bankruptcy pursuant to which the Trustee has notice. All notices or other instruments required to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Default except as aforesaid. In the event that any payment referred to above is not paid when due, the Trustee shall give Immediate Notice to the Authority and the Credit Provider providing a Credit Facility with respect to such Series, that such payment has not been made and shall immediately confirm such notice by registered or certified mail to the Credit Provider.

(f) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(g) Notwithstanding anything elsewhere herein contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any action whatsoever within the purview hereof, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof, as a condition of such action by the Trustee which the Trustee deems desirable for the purpose of establishing the right to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(h) Before taking any action hereunder (other than making a draw on the Credit Facility, making payment on the Bonds when due or causing, effecting a tender of Bonds for purchase under Sections 4.01 or 4.02 hereunder), at the request or direction of any Bondholder or Credit Provider, if any, the Trustee may require that a satisfactory indemnity bond be furnished by the Holders of the related Series of Bonds (or other Person acceptable to the Trustee) for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the gross negligence or willful misconduct of the Trustee, by reason of any action so taken.

(i) All moneys received by the Trustee, or the Remarketing Agent, for the Bonds shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required herein or by law. Neither the Trustee nor the Remarketing Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(j) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(k) With respect to a Series of Bonds, the Trustee shall be entitled to pay any amount to a Credit Provider required hereunder upon written notice from such Credit Provider pursuant to this Indenture, the Credit Facility or Credit Agreement, or other related documents, and the Trustee shall have no obligation to determine whether such amount is in fact owed to such Credit Provider.

SECTION 10.02 Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment of reasonable fees for its services rendered hereunder and reimbursement of all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in connection with such services including, without limitation, the reasonable compensation, expenses and disbursements of its agents and

counsel. With respect to a Series of Bonds, upon the occurrence of a Default, but only upon the occurrence of a Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of, premium, if any, and interest on any Bond of such Series upon the Trust Estate (exclusive of the proceeds of any drawing under the Credit Facility, proceeds of the remarketing of the Bonds, and funds held by the Trustee for matured and unrepresented Bonds) for the foregoing fees, charges and expenses of the Trustee. When the Trustee incurs expenses or renders services after the occurrence of bankruptcy or insolvency with respect to the Authority, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. The Authority shall have no liability to pay any fees, charges or other expenses of the Trustee hereinabove mentioned except from the amounts pledged under this Indenture. The rights of the Trustee under this Section shall survive the Trustee's resignation or removal.

SECTION 10.03 Notice by Trustee.

(a) With respect to a Series of Bonds, if a Default occurs of which the Trustee is by Section 10.01(e)(4) required to take notice or if notice of a Default be given as in Section 10.01(e)(4) provided, then the Trustee shall give written notice thereof by first-class mail, postage prepaid, to the Authority, the Credit Provider, if any, the Remarketing Agent and the Holders of all Bonds then Outstanding as to such Series of Bonds.

(b) With respect to a Series of Bonds, at any time that any Series of Bonds is rated by a Rating Agency, the Trustee shall promptly give notice to such Rating Agency, at such address as the Rating Agency shall have furnished to the Trustee, of:

- (1) any change in the identity of the Trustee, the Remarketing Agent or the Credit Provider providing a Credit Facility for such Series;
- (2) any amendments of or supplements of this Indenture, the Series of Bonds or the Credit Facility relating to such Series;
- (3) any redemption of all the Bonds of such Series or any mandatory purchase of all the Bonds of such Series, any defeasance of all Bonds of any Series, any conversion from one Interest Period to any other Interest Period;
- (4) any renewal, termination, expiration, extension or substitution of the Credit Facility relating to such Series; and
- (5) any mandatory tender relating to Bonds of such Series; and
- (6) any other information that the Rating Agency may reasonably request.

It is expressly understood and agreed that the Trustee shall have no liability for its failure to furnish any notice under this paragraph (b).

SECTION 10.04 Intervention by Trustee. With respect to a Series of Bonds, in any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee, which may be based upon the advice of its Counsel, has a substantial bearing on the interest of the Credit Provider, if any, or the Bondholders, the Trustee may, upon being provided indemnity as set forth in Section 10.01(h), intervene on behalf of the Credit Provider, if any, and the Bondholders and shall do so if requested in writing by the Credit Provider, if any, or the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Bonds for such Series of Bonds. The rights and obligations of the Trustee under this Section

are subject to the approval of a court of competent jurisdiction if such approval is required by law as a condition to such intervention.

SECTION 10.05 Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 10.06 Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving written notice by first-class mail, postage prepaid, to the Authority, the Remarketing Agent and each Credit Provider, if any, and to each Bondholder, but such resignation shall take effect only upon the appointment and acceptance of a successor Trustee and the assignment and transfer of the Credit Facility to the successor Trustee; *provided, however*, that if a successor Trustee shall not have been appointed within 60 days from the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

SECTION 10.07 Removal of the Trustee. The Trustee may be removed at any time by the Authority, by an instrument or concurrent instruments in writing delivered to the Trustee, the Remarketing Agent, each Credit Provider and the Bondholders (with the consent of each Credit Provider during any Credit Facility Period and each Direct Placement Purchaser during any Index Rate Period or Fixed Rate Period), or by the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Bonds of all Series of Bonds by an instrument or concurrent instruments in writing delivered to the Trustee, the Authority and the Remarketing Agent (with the consent of each Credit Provider during any Credit Facility Period and each Direct Placement Purchaser during any Index Rate Period or Fixed Rate Period); *provided, however*, that such removal shall take effect only upon the appointment and acceptance of a successor Trustee as provided in Section 10.08 and upon the assignment and transfer of each Credit Facility to the successor Trustee.

SECTION 10.08 Appointment of Successor Trustee; Temporary Trustee. If the Trustee shall resign, be removed, be dissolved, be in course of dissolution or liquidation, or shall otherwise become incapable of acting hereunder or in case it shall be taken under the control of any public officer, officers or a receiver appointed by a court, a successor may be appointed by the Authority or by the Holders of more than fifty percent (50%) of the principal amount of the Outstanding Bonds, by an instrument or concurrent instruments in writing signed by an Authorized Authority Representative or by the Bondholders, with the consent of each Credit Provider during any Credit Facility Period and each Direct Placement Purchaser during any Index Rate Period or Fixed Rate Period. Every such Trustee appointed pursuant to the provisions of this Section 10.08 shall be, if there be such an institution willing, qualified and able to accept the trusts upon reasonable and customary terms in good standing, a bank with trust company powers having a combined capital surplus and undivided profits of not less than \$100,000,000]. Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Credit Provider during any Credit Facility Period and each Direct Placement Purchaser during any Index Rate Period or Fixed Rate Period shall be appointed.

SECTION 10.09 Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and each Credit Provider during any Credit Facility Period and each Direct Placement Purchaser during any Index

Rate Period or Fixed Rate Period an instrument in writing accepting such appointment hereunder and specifying its principal corporate trust office for the purpose of this Indenture, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor including, but not limited to, all rights and obligations under each Credit Facility; but such predecessor shall, nevertheless, on the written request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee in order to more fully and certainly vest in such successor the estates, properties, rights, powers and trusts hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed and/or recorded by the successor Trustee wherever required by applicable law or to continue the perfection of any lien or security interest created hereby.

SECTION 10.10 Right of Trustee to Pay Taxes and Other Charges. If any tax, assessment or governmental or other charge upon any part of the Trust Estate as to any Series of Bonds is not paid as required herein, the Trustee may pay (with prior notice to the Authority of such payment) such tax, assessment or charge, without prejudice, however, to any rights of the Trustee, any Credit Provider or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon (to the extent permitted by law) from the date of such payment until paid to the Trustee in full at a rate per annum equal to the Prime Rate not to exceed the Maximum Lawful Rate, shall become so much additional indebtedness secured hereby, and the same shall be given a preference in payment over the principal of, premium, if any, purchase price and the interest on, such Series of Bonds and shall be paid out of the revenues and receipts from the Trust Estate for such Series, if not otherwise caused to be paid; *provided, however*, that payments of any such tax, assessment or charge shall not have any such preference with respect to and shall not be paid from (a) amounts held in the Subordinated Bond Fund, or (b) any proceeds from the remarketing of the Bonds by the Remarketing Agent pursuant to Section 4.02. The Trustee shall not be under obligation to make any such payment unless it shall have been requested to do so by the Credit Provider providing a Credit Facility with respect to such Series of Bonds, or the Holders of more than fifty percent (50%) in aggregate principal amount of the Bonds of such Series then Outstanding and shall have been provided with sufficient moneys for the purpose of making such payment.

SECTION 10.11 Trustee Protected in Relying Upon Resolutions, etc. The resolutions, opinions, certificates and other instruments provided for herein may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of moneys hereunder.

SECTION 10.12 Successor Trustee as Custodian of Funds. Upon a change in the office of Trustee, the predecessor Trustee which has resigned or has been removed shall cease to be the holder of the funds and accounts hereunder, and the successor Trustee shall become such holder.

SECTION 10.13 Trustee's Duties as Paying Agent. The Authority does hereby appoint as its agent the Trustee as the paying agent for the Bonds. The Trustee hereby accepts the duties and obligations imposed upon it hereunder;

(a) to hold all sums held by it for the payment of the principal of, premium, if any, purchase price or interest on Bonds in trust for the benefit of Owners until such sums shall be paid to such Owners or otherwise disposed of as herein provided; and

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Authority and the Credit Provider at all reasonable times.

SECTION 10.14 Designation and Succession of Remarketing Agent. The Authority hereby appoints the firm named in each Remarketing Agreement for a Series of Bonds as the Remarketing Agent for the Bonds of such Series. Each Remarketing Agent shall designate to the Trustee and each Credit Provider its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by entering into the Remarketing Agreement.

Any corporation or association into which a Remarketing Agent may be merged, or with which it may be consolidated, or to which it may sell, lease or transfer its investment banking business and assets as a whole or substantially as a whole, shall be and become successor hereunder and shall be vested with all the powers, rights, obligations and duties hereunder as was its predecessor, without the execution or filing of any instrument by any party thereof.

A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days' notice to the Authority, the related Credit Provider and the Trustee, provided that no such resignation shall take effect until a successor Remarketing Agent has been appointed pursuant to this Section and such appointment has been accepted; provided, however, that if a successor Remarketing Agent shall not have been appointed within 60 days from the date of such notice of resignation, the resigning Remarketing Agent may petition any court of competent jurisdiction for the appointment of a successor Remarketing Agent. A Remarketing Agent may be removed at any time with the consent of the related Credit Provider by an instrument signed by an Authorized Authority Representative and filed with the Trustee, such Credit Provider and the Remarketing Agent.

In the event of the resignation or removal of a Remarketing Agent, or in the event a Remarketing Agent shall be dissolved, or if the property or affairs of a Remarketing Agent shall be taken under the control of any state or federal court or administrative body by reason of insolvency, bankruptcy or for any other reason, the Authority shall appoint a successor Remarketing Agent meeting the requirements set forth in Section 10.15 hereof with the written consent of a related Credit Provider which appointment shall be conclusive (subject to the right to thereafter remove such Remarketing Agent).

No Remarketing Agent shall be required to be in place while the Bonds are in an Index Rate Period or a Fixed Rate Period; provided, however, the Authority shall immediately appoint a Remarketing Agent in accordance with the Indenture if at any time during an Index Rate Period or a Fixed Rate Period the action of a Remarketing Agent shall be required to fulfill the provisions of the Indenture.

SECTION 10.15 Qualifications of Remarketing Agent. Each Remarketing Agent shall be either a member of the National Association of Securities Dealers, Inc., or a member of The New York Stock Exchange or a commercial bank having capital, surplus and undivided profits of at least \$100,000,000 and authorized by law to perform all the duties imposed upon it by this Indenture.

In the event of the resignation or removal of a Remarketing Agent, such Remarketing Agent shall pay over, assign, and deliver any moneys and Bonds held by it in such capacity to its successor or, if there be no successor, to the Trustee. Successor Remarketing Agents shall be appointed in accordance with the provisions of Sections 10.14.

No Remarketing Agent shall be required to be in place while Bonds are in the Fixed Rate Period or the Index Period; however, the Authority shall immediately appoint a Remarketing Agent in accordance

with the Indenture if at any time during a Fixed Rate Period or the Index Period the action of a Remarketing Agent shall be required to fulfill the provisions of the Indenture.

ARTICLE XI SUPPLEMENTAL INDENTURES

SECTION 11.01 Supplemental Indentures Not Requiring Consent of Bondholders. With respect to any Series of Bonds, the Authority and the Trustee may, without the consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental hereto which shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes, provided that in the opinion of the Trustee the change effected thereby is not to the prejudice of the interests of the Trustee or the Bondholders:

(a) to issue and provide for the terms of Series of Bonds authorized hereunder, as contemplated by Section 2.02(b);

(b) to cure any ambiguity or formal defect or omission herein or between the terms and provisions hereof and the terms and provisions of any other instrument or document executed in connection herewith or with the issuance of any Series of Bonds;

(c) to grant to or confer upon the Trustee for the benefit of the Bondholders of any Series of Bonds any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon such Bondholders or the Trustee;

(d) to subject to the lien and pledge hereof additional payments, revenues, properties or collateral;

(e) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Bonds of a Series for sale under the securities laws of any of the states of the United States of America, including the Securities Act of 1933, and, if they so determine, to add hereto or to any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute;

(f) to evidence the appointment of the succession of a new Trustee hereunder;

(g) to effect any other supplement to this Indenture which, in the judgment of the Trustee, will not adversely affect the interests of the Bondholders;

(h) to provide for separate accounts within the Funds established pursuant to Article VI;

(i) to make any change to reflect any provision in the Code or the interpretations thereof by the Internal Revenue Service, provided that such change does not materially adversely affect the rights of any Bondholder;

(j) to correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;

(k) to make any revisions of this Indenture that shall be required by Fitch, Moody's or S&P in order to obtain or maintain an investment grade rating on any Series of Bonds;

(l) to make any revisions of this Indenture that shall be necessary in connection with the Authority furnishing a Credit Facility;

(m) to provide for an uncertificated system of registering the Bonds or to provide for changes to or from the Book-Entry System;

(n) to effect any other change herein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of Bonds; or

(o) to make revisions to this Indenture that shall become effective only upon, and in connection with, the remarketing of all of the Bonds then Outstanding.

In the event Fitch, S&P and/or Moody's has issued a rating of any of the Bonds, Fitch, S&P and/or Moody's, as the case may be, shall receive prior written notice from the Trustee of the proposed amendment but such notice shall not be a condition of the effectiveness of such amendment.

SECTION 11.02 Supplemental Indentures Requiring Consent of Bondholders.

(a) With respect to any Series of Bonds, exclusive of supplemental indentures covered by Section 11.01 and subject to the terms and provisions contained in this section, and not otherwise, the Holders of not less than fifty-one percent in aggregate principal amount of the related Series of Bonds Outstanding, with the consent of the Credit Provider, if applicable, providing a Credit Facility with respect to a Series of Bonds, shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein or in any supplemental indenture; *provided, however*, that nothing in this Section contained shall permit, or be construed as permitting, (1) an extension of the maturity date on which the principal of or the interest on any Bond is, or is to become, due and payable, (2) a reduction in the principal amount of any Bond, premium, if any, or interest rate on any of the Bonds, (3) the creation of a lien ranking prior to or on a parity with the lien of this Indenture on the property conveyed pursuant to this Indenture or the deprivation of such lien, (4) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (5) the elimination of any mandatory redemption or mandatory purchase of Bonds, extension of the due date for the purchase of Bonds or call for mandatory redemption or the reduction of the purchase price or Redemption Price for the Bonds, or (6) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture without the consent of all Bondholders and the Credit Provider, if any.

(b) If the Authority shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause written notice of the proposed execution of such supplemental indenture together with a copy of such proposed supplemental indenture or a summary thereof to be given by first class mail, postage prepaid, to the Holders of the related Series of Bonds at their addresses shown on the Trustee's books of registration. If, within 60 days following the mailing of such notice or such longer period as shall be prescribed by the Authority and specified in such notice, the Holders of not less than fifty-one percent in aggregate principal amount of the related Series of Bonds then outstanding and, if applicable, the Credit Provider, if any, shall have consented to and approved the execution of such supplemental indenture as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution

thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this section permitted and provided, this Indenture shall be modified and amended in accordance therewith.

(c) During any Credit Facility Period with respect to a Series of Bonds, the related Credit Provider shall be deemed the Owner of the Bonds of such Series for the purpose of this Section 11.02; *provided, however*, that such Credit Provider shall not, by virtue of being deemed the Owner of the Bonds of such Series for purposes of this Section 11.02, be permitted to (a) extend the maturity of the principal of, or the interest on, any Bond of such Series, or (b) reduce the principal amount or Purchase Price of, or redemption premium on, any Bond or the rate of interest thereon, or (c) create a privilege or priority of any Bond or Bonds of such Series over any other Bond or Bonds of such Series, or (d) reduce the aggregate principal amount of the Bonds of such Series required for consent to such supplemental indentures or any modifications or waivers of the provisions of this Indenture without the consent of the Owners of all Bonds of such Series Outstanding.

SECTION 11.03 Trustee Authorized to Join in Supplements; Reliance on Counsel. The Trustee and the Authority are authorized to join in the execution and delivery of any supplemental indenture permitted by this Article XII and, in so doing, each shall be fully protected by an Opinion of Bond Counsel that such supplemental indenture is so permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding supplemental indenture have been done. The Trustee shall not be required to enter into any supplemental indenture permitted by this Article XII if, in the sole judgment of the Trustee, such action might adversely affect its rights, remedies, privileges, protections or indemnities or might increase its liability in any respect.

ARTICLE XII MISCELLANEOUS

SECTION 12.01 Severability. If any provision hereof shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

SECTION 12.02 Payments Due or Acts to Occur on Saturdays, Sundays, and Holidays. Except as may otherwise be provided in this Indenture, in any case where the date of maturity of principal of and/or the interest of the Bonds of a Series or the date fixed for the redemption or purchase of any Bonds or the last day for performance of any act or the exercising of any right under the Indenture shall not be a Business Day, then such payment of principal and/or interest may be made or such act may be performed or right may be exercised on the next succeeding Business Day with the same force and effect as if made, performed or exercised on the date otherwise provided for under the Bonds or this Indenture.

SECTION 12.03 Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 12.04 Compliance Certificates and Opinions. Upon any application or request by the Authority to the Trustee to take any action under any provision of this Indenture, the Authority shall furnish to the Trustee an Authority Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Bond Counsel stating

that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of an Opinion of Bond Counsel is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Notwithstanding any provision herein to the contrary, any provision herein that requires an Opinion of Bond Counsel with respect to the exclusion of interest on a Series of Bonds as a precedent or condition to take any action hereunder, such Opinion of Bond Counsel shall not be required if the interest on the Series of Bonds as to which the opinion relates is not intended to be excluded from gross income for federal income tax purposes, in which case such Opinion of Bond Counsel shall be waived.

SECTION 12.05 Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Any certificate or opinion of an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, Counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Authority stating that the information with respect to such factual matters is in the possession of the Authority, unless such Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument. An “application” for the authentication and delivery of Bonds, or the release of property, or the withdrawal of cash, under any provision of this Indenture, shall consist of, and shall not be deemed complete until the Trustee shall have been furnished with, all such documents, cash, Bonds, securities and other instruments as are required by such provision to establish the right of the Authority to the transaction applied for, and the date of such application shall be deemed to be the date upon which such application shall be so completed.

SECTION 12.06 Actions of Bondholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced

by one or more instruments of substantially similar tenor signed by such Bondholders in person and delivered to the Trustee and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Authority, the Remarketing Agent and the Credit Provider. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “Action” of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument, shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the persons executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The Trustee shall be entitled to rely on the Bond Register as to the identities and rights of the Owners of the Bonds.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee, the Authority or the Credit Provider in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 12.07 Notices to Trustee, Authority and Rating Agencies. Except as otherwise provided in this Indenture, any request, demand, authorization, direction, notice, consent, waiver or Action of Bondholders or other document provided or permitted by this Indenture shall be sufficient for any purpose under this Indenture and shall be deemed given when mailed certified mail, return receipt requested, postage prepaid (with a copy to the other parties) at the following addresses (or such other address as may be provided by any party by notice): To the Authority: Metropolitan Knoxville Airport Authority

2055 Alcoa Hwy, Suite I
Alcoa, Tennessee 37701
Attention: President

To the Trustee:

U.S. Bank Trust Company, National Association, as trustee
333 Commerce Street, Suite 900
Nashville, Tennessee 37201
Attention: Connie Jaco
Telephone: 615-251-0716
Telecopy: 615-251-0737

To S&P:

S&P Global – Ratings
55 Water Street, 41st Floor
New York, New York 10041-0003
Attention: Municipal Structured Surveillance
Email: pubfin_structured@spglobal.com

Any notice given as provided above shall be deemed received upon the earlier of (i) the actual receipt by the party to whom such notice is addressed, as may be evidenced by the return receipt, or (ii) five days after mailing.

SECTION 12.08 Notices to Bondholders; Waiver. Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder at his address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, if any, prescribed for the first mailing of such notice. Any notice may be waived in writing by the Person entitled to receive such notice, either before or after the event. Waivers of notice by Bondholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 12.09 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 12.10 Successors and Assigns. All covenants and agreements in this Indenture by the Authority and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

SECTION 12.11 Governing Law. This Indenture shall be construed in accordance with the laws of the State of Tennessee.

SECTION 12.12 Benefit of Indenture. Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto, and their successors hereunder, each Credit Provider, if any, and the Holders of Bonds, any benefit or other legal or equitable right, remedy or claim under this Indenture.

SECTION 12.13 Limitation of Liability. No recourse under or upon any obligation, covenant or agreement or in any Bond, or under any judgment obtained against the Authority or the Trustee, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any incorporator, member, director or officer, employee or agent as such, past, present, or future, of the Authority or the Trustee, either directly or through the Authority or the Trustee, or otherwise, for the payment for or to the Authority or the Trustee or any receiver thereof, or for or to the holder of any Bond, of any sum that may be due and unpaid by the Authority or the Trustee upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director, or officer, employee or agent as such, to respond by reason of any act or omission on his part or otherwise for the payment for or to the Authority or the Trustee or any receiver thereof, or for or to the Holder of any Bond, of any sum that may remain due and unpaid upon the Bonds or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issue of such Bonds.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have caused this Trust Indenture to be executed in their respective corporate names by their respective authorized officers, all as of the date first above written.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
President

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

EXHIBIT A-1

FORM OF BOND IN INTEREST DAILY PERIOD OR WEEKLY PERIOD

[The Legend in the two paragraphs immediately following shall appear so long as the Book-Entry System described in Section 2.17 of the Indenture has not been discontinued.]

THE AUTHORITY HAS ESTABLISHED A BOOK-ENTRY SYSTEM OF REGISTRATION FOR THIS BOND. EXCEPT AS SPECIFICALLY PROVIDED OTHERWISE IN THE INDENTURE, CEDE & CO., AS NOMINEE OF THE DEPOSITORY TRUST BORROWER, A NEW YORK CORPORATION (“DTC”), WILL BE THE REGISTERED OWNER AND WILL HOLD THIS BOND ON BEHALF OF EACH BENEFICIAL OWNER HEREOF. BY ACCEPTANCE OF A CONFIRMATION OF PURCHASE, DELIVERY OR TRANSFER, EACH BENEFICIAL OWNER OF THIS BOND SHALL BE DEEMED TO HAVE AGREED TO SUCH ARRANGEMENT. CEDE & CO., AS REGISTERED OWNER OF THIS BOND, MAY BE TREATED AS THE OWNER OF IT FOR ALL PURPOSES.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, WITH RESPECT TO ANY BOND ISSUED THAT IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA

STATE OF TENNESSEE

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

Subordinate Airport Revenue Bond

Series

TYPE OF INTEREST

MATURITY DATE

DATED DATE

PERIOD

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY (the “Authority”), for value received, promises to pay from the source and as hereinafter provided, to the Registered Owner identified above on the Maturity Date set forth above, upon surrender hereof, the Principal Amount set forth above, and in like manner to pay interest on said sum as provided herein.

THIS BOND AND THE ISSUE OF WHICH IT IS A PART AND THE PREMIUM, IF ANY, AND INTEREST HEREON ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH TRUST ESTATE HAS BEEN PLEDGED AND ASSIGNED TO THE TRUSTEE TO SECURE PAYMENT OF THE BONDS, SUBJECT TO THE PRIOR APPLICATION AND PLEDGE OF THE PLEDGED FUNDS IN FAVOR OF THE SENIOR BONDS PURSUANT TO THE SENIOR BOND RESOLUTION. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY. NONE OF THE STATE OF TENNESSEE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE TRUST ESTATE PLEDGED THEREFOR, SUBJECT TO THE PRIOR APPLICATION AND PLEDGE OF THE PLEDGED FUNDS IN FAVOR OF THE SENIOR BONDS PURSUANT TO THE SENIOR BOND RESOLUTION, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION OF THE STATE OF TENNESSEE, NOR THE TAXING POWER OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

No covenant or agreement contained in this Series ___ Bond shall be deemed to be a covenant or agreement of any officer, agent, or employee of the Authority in his individual capacity, and neither the members of the Authority nor any officer thereof executing this Series ___ Bond shall be liable personally on this Series ___ Bond or be subject to any personal liability or accountability by reason of the issuance of this Series ___ Bond.

1. **Purpose; Pledge; Incorporation by Reference.** This Series ___ Bond is one of the duly authorized Bonds (the “Bonds”) of the Authority issued or to be issued in part from time to time in series (each a “Series”) under and pursuant to Chapter 4 of Title 42 of the Tennessee Code Annotated, as amended (the “Act”), a resolution (the “Resolution”) adopted by the Authority on _____, _____, and a Trust Indenture dated as of 1, 2025, as further supplemented by the Series ___ Supplemental Trust Indenture, dated as of _____, 20__ between the Authority and the Trustee (as further supplemented and amended from time to time, the “Indenture”) for the purpose of financing, refinancing, acquiring, erecting, extending, improving, equipping and repairing any structure, property or facility which the Authority from time to time may determine to construct or acquire as part of the Airport System, together with all equipment, structures, facilities and other property necessary or appropriate in connection therewith.

The Authority’s Subordinate Airport Revenue Bonds, Series _____ (the “Series _____ Bonds”), of which this Series _____ Bond is one, are issued in the aggregate principal amount of \$ _____ pursuant to the Authorizing Resolution, the Act, and the Indenture for the purpose of (i) [financing _____ (the “_____ Project”); (ii) payment of capitalized interest during construction and for up to six months thereafter; and (iii) payment of costs of issuance in connection with the issuance and sale of the Series _____ Bonds.

The Series _____ Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Indenture, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution. The Authority has caused to be delivered to the Trustee an irrevocable direct-pay letter of credit (together with any Substitute Credit Facility, the “Credit Facility”) issued by _____ (in such capacity, the “Bank”) and dated the date of issuance and delivery of the Series _____ Bonds, which will expire, unless earlier terminated or extended, on

_____, 20____. Subject to certain conditions, the Credit Facility may be replaced by a substitute Credit Facility under the terms and conditions set forth in the Indenture. Under the Credit Facility, the Trustee will be entitled to draw up to an amount sufficient to pay (a) the principal of the Bonds and (b) up to ____ days' accrued interest on the Bonds at a maximum rate per annum of ____%.

Reference is hereby made to the Indenture for a description of the Trust Estate, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Authority, the Trustee and the Registered Owners of the Series _____ Bonds and the terms upon which the Series _____ Bonds are issued and secured. All capitalized terms used, but not defined, are defined in the Indenture and are used herein in the same manner and with the same meaning as in the Indenture.

For so long as the Series _____ Bonds are held in a book-entry-only system and so long as a Securities Depository or its nominee is the Registered Owner of the Bonds, references herein to the Registered Owners shall mean such Securities Depository and not the beneficial owners. Neither the Trustee nor the Authority shall be responsible or liable for maintaining, supervising or reviewing the records maintained by the Securities Depository, its participants or persons acting through such participants.

The transfer of this Bond may be registered by the Registered Owner hereof in person or by his attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Series _____ Bond. Upon such transfer a new registered Series _____ Bond or Series _____ Bonds of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof (whether or not this Series _____ Bond shall be overdue) for all purposes, and neither the Authority nor the Trustee shall be bound by any notice or knowledge to the contrary.

2. **Interest Rate.** Interest on this Series _____ Bond will be paid at the lesser of (a) a Daily Rate or a Weekly Rate as selected by the Authority and as determined in accordance with the Indenture and (b) the maximum rate permitted by law or, when a Credit Facility supports the Series _____ Bonds, such lower maximum rate as may be specified in the Credit Facility. Interest will initially be payable at the [Weekly Rate], [Daily Rate] as set forth in the Indenture. The Authority may change the interest rate determination method from time to time. A change in the method, other than a change between the Daily Rate and the Weekly Rate, will result in the Series _____ Bonds becoming subject to mandatory tender for purchase on the effective date of such change.

When interest is payable at a Daily Rate or Weekly Rate, it will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be.

3. **Interest Payment and Record Dates.** Interest will accrue on the unpaid portion of the principal of this Series _____ Bond from the last date to which interest was paid or duly provided for or, if no interest has been paid or duly provided for, from the date of initial authentication and delivery of the Series _____ Bonds, until the entire principal amount of this Series _____ Bond is paid or duly provided for. When interest is payable at the rate in the first column below, interest accrued during the period (an "Accrual Period") shown in the second column will be paid on the date (an "Interest Payment Date") in the third column to holders of record on the date (a "Record Date") in the fourth column:

<u>TYPE OF INTEREST PERIOD</u>	<u>ACCRUAL PERIOD</u>	<u>INTEREST PAYMENT DATE</u>	<u>RECORD DATE</u>
Daily	Calendar Month	Fifth Business Day of the next month	Last Business Day of the Accrual Period
Weekly	First Wednesday of each Calendar Month through the first Tuesday of the next succeeding Calendar Month	First Wednesday of each month	Last Business Day before Interest Payment Date

4. **Conversion Option.** The Authority shall have the option (the “Conversion Option”) to direct a change in the type of Interest Period to another type of Interest Period as provided in the Indenture.

5. **Method of Payment.** The Trustee will be the registrar and paying agent for the Series _____ Bonds. Holders must surrender Series _____ Bonds to the Trustee to collect principal and premium, if any, at maturity or upon redemption and to collect the purchase price for Series _____ Bonds tendered for purchase as described in paragraphs 7 or 8 below. Interest on Series _____ Bonds will be paid to the registered holder hereof as of the Record Date by check mailed by first-class mail on the Interest Payment Date to such holder’s registered address or by wire transfer to an account in the continental United States if the holder provides the Registrar with a written request therefor and the account address at least five Business Days before the Record Date. Notices requesting wire transfers may provide that they will remain in effect for later interest payments until changed or revoked by another written notice. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. If any payment on the Series _____ Bonds is due on a non-Business Day, such payment will be made on the next Business Day, and no additional interest will accrue as a result.

6. **Mandatory Tender for Purchase of Series _____ Bonds on Mandatory Purchase Date.** The Series _____ Bonds shall be subject to mandatory tender by the Registered Owners thereof for purchase on any Mandatory Purchase Date.

7. **Demand Purchase Option.** Any Series _____ Bond bearing interest at the Daily Rate or the Weekly Rate shall be purchased from the Registered Owners thereof on any Tender Date as provided in the Indenture.

If the Authority is unable to pay any amount in full on any Tender Date and no subsequent holder can be determined, the Authority will refund this Series _____ Bond in the following manner:

- a. The final maturity of the refunding debt obligation will not extend beyond the final maturity of this Series _____ Bond;
- b. The debt service structure of the refunding debt obligation will be substantially similar to or more declining than the debt structure of this Series _____ Bond; and
- c. The Authority shall submit a plan of refunding to the Comptroller of the Treasury of the State of Tennessee or the comptroller’s designee.]

8. **Optional Redemption by the Authority.** During any Daily Period or Weekly Period, the Series _____ Bonds are subject to redemption by the Authority, at the option of the Authority, as provided in the Indenture.

9. **Mandatory Sinking Fund Redemption.** The Series _____ Bonds are subject to mandatory sinking fund redemption as set forth in the Indenture.

10. **Denominations; Transfer; Exchange.** The Series _____ Bonds are in registered form without coupons in \$100,000 minimum denominations, with \$5,000 increments in excess thereof. A holder may transfer or exchange Series _____ Bonds in accordance with the Indenture. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Except in connection with Series _____ Bonds tendered for purchase, the Trustee will not be required to transfer or exchange any Series _____ Bond which has been called for redemption (except the unredeemed portion of any Series _____ Bond being redeemed in part) or during the period beginning 15 days before the mailing of notice calling the Series _____ Bonds or any portion of the Series _____ Bonds for redemption and ending on the redemption date.

11. **Persons Deemed Owners.** Except as otherwise specifically provided herein and in the Indenture with respect to rights of Participants and Beneficial Owners when a Book-Entry System is in effect, the registered holder of this Series _____ Bond shall be treated as the owner of it for all purposes.

12. **Non-presentment of Series _____ Bonds.** If money for the payment of principal, premium, if any, interest or purchase price remains unclaimed for two years after the due date therefor, the Trustee will pay the money to the Authority upon written request. After that, holders entitled to the money must look only to the Authority and not to the Trustee for payment.

13. **Discharge Before Redemption or Maturity.** If the Authority deposits with the Trustee money or securities as described in, and in accordance with the provisions of, the Indenture sufficient to pay at redemption or maturity principal of and interest on the outstanding Series _____ Bonds, and if the Authority also pays all other sums then payable by the Authority under the Indenture, the lien of the Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment.

14. **Amendment, Supplement, Waiver.** Subject to certain exceptions, the Indenture, the Loan Agreement or the Series _____ Bonds may be amended or supplemented, and any past default may be waived, with the consent of the holders of a majority in principal amount of the Series _____ Bonds then outstanding. Any such consent shall be irrevocable and shall bind any subsequent owner of this Series _____ Bond or any Series _____ Bond delivered in substitution for this Series _____ Bond. Without the consent of any Bondholder, the Authority may amend or supplement the Indenture or the Series _____ Bonds as described in the Indenture.

15. **Defaults and Remedies.** The Indenture provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Trustee shall have the power to proceed with any right or remedy available at law or in equity or by statute as set forth in the Indenture. An Event of Default and its consequences may be waived as provided in the Indenture. Bondholders may not enforce the Indenture or the Series _____ Bonds except as provided in the Indenture. Except as specifically provided in the Indenture, the Trustee may refuse to enforce the Indenture or the Series _____ Bonds unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of not less than 50% in principal amount of the Series _____ Bonds then outstanding may direct the Trustee in its exercise of any trust or power.

16. **No Recourse Against Others.** No recourse shall be had for the payment of the principal, purchase price, or redemption price of, or interest on, this Series _____ Bond, or for any claim based hereon or on the Indenture, against any member, officer or employee, past, present or future, of the Authority or of any successor body, as such, either directly or through the Authority or any such successor body under any constitutional provision, statute or rule of law or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise. Each Bondholder by accepting a Series _____ Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Series _____ Bond.

17. **Authentication.** This Series _____ Bond shall not be valid until the Registrar signs the certificate of authentication on the other side of this Series _____ Bond.

18. **Consent to Indenture Provisions.** Reference to the Indenture is hereby made for a more complete description of the funds and accounts created thereunder, the nature and extent of the security, rights, duties and obligations of the Authority and the Trustee, the terms and conditions under and upon the occurrence of which the Indenture may be modified, and the terms and conditions under and upon the occurrence of which the lien of the Indenture may be defeased as to this Series _____ Bond prior to the maturity or redemption date hereof and the rights of the Owners of the Series _____ Bonds, to all of the provisions of which the holder hereof, by acceptance of this Series _____ Bond, assents. All capitalized terms used, but not otherwise defined, herein shall have the meanings given in the Indenture.

IN WITNESS WHEREOF, the Authority has issued this Series _____ Bond and has caused the same to be executed by the manual or facsimile signature of the Chair of the Board of Commissioners, and by the manual or facsimile signature of the Secretary of the Board of Commissioners.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Chair of the Board of Commissioners

ATTEST:

By: _____
Secretary of the Board of
Commissioners

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Series _____ Bond is one of the Series _____ Bonds described in the within mentioned Indenture.

DATE OF AUTHENTICATION _____, 20__

_____, as Trustee

BY: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered holder of Metropolitan Knoxville Airport Authority Subordinate Airport Revenue Bonds, Series _____, does hereby sell, assign and transfer such Series _____ Bond unto _____

(Please print or typewrite name and address, including zip code, of transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE:

: :
: :
: :

and hereby appoints _____, as attorney-in-fact to transfer the within-mentioned Series _____ Bond on the Bond Register (as defined in the Indenture).

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must
be guaranteed by a member
firm of a Medallion Program
acceptable to the Trustee.

Signature of Registered Owner
NOTICE: The signature above must
correspond with the name of the Registered
Owner as it appears on the face of the
within Series _____ Bond in every
particular, without alteration or enlargement
or any change whatsoever.

EXHIBIT A-2

FORM OF BOND WHILE IN INDEX PERIOD OR FIXED RATE PERIOD

UNITED STATES OF AMERICA

STATE OF TENNESSEE

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY

Subordinate Airport Revenue Bond

Series ____

MATURITY DATE

DATED DATE

TYPE OF INTEREST PERIOD

REGISTERED OWNER:

PRINCIPAL AMOUNT:

METROPOLITAN KNOXVILLE AIRPORT AUTHORITY (the “Authority”), for value received, promises to pay from the source and as hereinafter provided, to the Registered Owner identified above on the Maturity Date set forth above, upon surrender hereof, the Principal Amount set forth above, and in like manner to pay interest on said sum as provided herein.

THIS BOND AND THE ISSUE OF WHICH IT IS A PART AND THE PREMIUM, IF ANY, AND INTEREST HEREON ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE, WHICH TRUST ESTATE HAS BEEN PLEDGED AND ASSIGNED TO THE TRUSTEE TO SECURE PAYMENT OF THE BONDS, SUBJECT TO THE PRIOR APPLICATION AND PLEDGE OF THE PLEDGED FUNDS IN FAVOR OF THE SENIOR BONDS PURSUANT TO THE SENIOR BOND RESOLUTION. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY. NONE OF THE STATE OF TENNESSEE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE TRUST ESTATE PLEDGED THEREFOR, SUBJECT TO THE PRIOR APPLICATION AND PLEDGE OF THE PLEDGED FUNDS IN FAVOR OF THE SENIOR BONDS PURSUANT TO THE SENIOR BOND RESOLUTION, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION OF THE STATE OF TENNESSEE, NOR THE TAXING POWER OF THE STATE OF TENNESSEE OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

No covenant or agreement contained in this Series ____ Bond shall be deemed to be a covenant or agreement of any officer, agent, or employee of the Authority in his individual capacity, and neither the members of the Authority nor any officer thereof executing this Series ____ Bond shall be liable personally

on this Series ___ Bond or be subject to any personal liability or accountability by reason of the issuance of this Series ___ Bond.

1. **Purpose; Pledge; Incorporation by Reference.** This Series ___ Bond is one of the duly authorized Bonds (the “Bonds”) of the Authority issued or to be issued in part from time to time in series (each a “Series”) under and pursuant to Chapter 4 of Title 42 of the Tennessee Code Annotated, as amended (the “Act”), a resolution (the “Resolution”) adopted by the Authority on _____, _____, and a Trust Indenture dated as of _____ 1, 2025, as further supplemented by the Series ___ Supplemental Trust Indenture, dated as of _____, 20__ between the Authority and the Trustee (as further supplemented and amended from time to time, the “Indenture”) for the purpose of financing, refinancing, acquiring, erecting, extending, improving, equipping and repairing any structure, property or facility which the Authority from time to time may determine to construct or acquire as part of the Airport System, together with all equipment, structures, facilities and other property necessary or appropriate in connection therewith.

The Authority’s Subordinate Airport Revenue Bonds, Series _____ (the “Series _____ Bonds”), of which this Series _____ Bond is one, are issued in the aggregate principal amount of \$_____ pursuant to the Authorizing Resolution, the Act, and the Indenture for the purpose of (i) [financing _____ (the “_____ Project”); (ii) payment of capitalized interest during construction and for up to six months thereafter; and (iii) payment of costs of issuance in connection with the issuance and sale of the Series _____ Bonds.

The Series _____ Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Indenture, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution. The Authority has caused to be delivered to the Trustee an irrevocable direct-pay letter of credit (together with any Substitute Credit Facility, the “Credit Facility”) issued by _____ (in such capacity, the “Bank”) and dated the date of issuance and delivery of the Series _____ Bonds, which will expire, unless earlier terminated or extended, on _____, 20__. Subject to certain conditions, the Credit Facility may be replaced by a substitute Credit Facility under the terms and conditions set forth in the Indenture. Under the Credit Facility, the Trustee will be entitled to draw up to an amount sufficient to pay (a) the principal of the Bonds and (b) up to ___ days’ accrued interest on the Bonds at a maximum rate per annum of ___%.

Reference is hereby made to the Indenture for a description of the Trust Estate, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Authority, the Trustee and the Registered Owners of the Series _____ Bonds and the terms upon which the Series _____ Bonds are issued and secured. All capitalized terms used, but not defined, are defined in the Indenture and are used herein in the same manner and with the same meaning as in the Indenture.

The transfer of this Bond may be registered by the Registered Owner hereof in person or by his attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Series _____ Bond. Upon such transfer a new registered Series _____ Bond or Series _____ Bonds of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof (whether or not this Series _____ Bond shall be overdue) for all purposes, and neither the Authority nor the Trustee shall be bound by any notice or knowledge to the contrary.

2. **Interest Rate.** Interest on this Series _____ Bond will be paid at the lesser of (a) an [Index][Fixed] Rate as determined in accordance with the Indenture and (b) the Maximum Lawful Rate.

The Authority may change the interest rate determination method from time to time as provided in the Indenture. A change in the method will result in the Series _____ Bonds becoming subject to mandatory tender for purchase on the effective date of such change as provided in the Indenture.

Upon a Determination of Taxability, then from and after the Date of Taxability, the interest rate shall be a rate equal to Taxable Rate, and (ii) from and after the occurrence of an “Event of Default” under the Direct Placement Agreement, such Series of Bonds shall bear interest at the Default Rate; provided, further, that in the event that a Date of Taxability and an Event of Default hereunder have both occurred, the interest rate on the Series of Bonds shall be established at a rate equal to the greatest of (A) the Taxable Rate, (B) the Default Rate and (C) the interest rate that otherwise would be applicable to the Series of Bonds

Interest will be computed on the basis of the actual number of days elapsed over a year of 360 days.

3. **Interest Payment and Record Dates.** Interest will accrue on the unpaid portion of the principal of this Series _____ Bond from the last date to which interest was paid or duly provided for or, if no interest has been paid or duly provided for, from the date of initial authentication and delivery of the Series _____ Bonds, until the entire principal amount of this Series _____ Bond is paid or duly provided for. When interest is payable at the rate in the first column below, interest accrued during the period (an “Accrual Period”) shown in the second column will be paid on the date (an “Interest Payment Date”) in the third column to holders of record on the date (a “Record Date”) in the fourth column:

<u>TYPE OF INTEREST PERIOD</u>	<u>ACCRUAL PERIOD</u>	<u>INTEREST PAYMENT DATE</u>	<u>RECORD DATE</u>
[Index][Fixed] Rate	Monthly based on Calendar Month	First calendar day of each month, commencing _____	Last Business Day of the Accrual Period

4. **Conversion Option.** The Authority shall have the option (the “Conversion Option”) to direct a change in the type of Interest Period to another type of Interest Period as provided in the Indenture.

5. **Method of Payment.** The Trustee will be the registrar and paying agent for the Series _____ Bonds. Holders must surrender Series _____ Bonds to the Trustee to collect principal and premium, if any, at maturity or upon redemption and to collect the purchase price for Series _____ Bonds tendered for purchase. Subject to the preceding sentence, interest on the Series _____ Bonds will be paid to the registered holder hereof as of the Record Date on the Interest Payment Date to such holder’s registered address by wire transfer to an account in the continental United States to the holder. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. If any payment on the Series _____ Bonds is due on a non-Business Day, such payment will be made on the next Business Day, and no additional interest will accrue as a result.

6. **Mandatory Tender for Purchase of Series _____ Bonds on Mandatory Purchase Date.** The Series _____ Bonds shall be subject to mandatory tender by the Registered Owners thereof for purchase on a Mandatory Purchase Date.

7. **Demand Purchase Option.** Any Series _____ Bond shall be purchased from the Registered Owner on a Tender Date as provided in the Indenture.

[If the Authority is unable to pay any amount in full on any Tender Date and no subsequent holder can be determined, the Authority will refund this Bond in the following manner:

a. The final maturity of the refunding debt obligation will not extend beyond the final maturity of this Bond;

b. The debt service structure of the refunding debt obligation will be substantially similar to or more declining than the debt structure of this Bond; and

c. The Authority shall submit a plan of refunding to the Comptroller of the Treasury of the State of Tennessee or the comptroller's designee.]

8. **Optional Redemption by the Authority.** The Series _____ Bonds are subject to redemption by the Authority, at the option of the Authority, as provided in the Indenture.

9. **Mandatory Sinking Fund Redemption.** The Series _____ Bonds are subject to mandatory sinking fund redemption as set forth in the Indenture.

10. **Denominations; Transfer; Exchange.** The Series _____ Bonds are in registered form without coupons in \$100,000 minimum denominations, with \$5,000 increments in excess thereof. A holder may transfer or exchange Series _____ Bonds in accordance with the Indenture. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Except in connection with Series _____ Bonds tendered for purchase, the Trustee will not be required to transfer or exchange any Series _____ Bond which has been called for redemption (except the unredeemed portion of any Series _____ Bond being redeemed in part) or during the period beginning 15 days before the mailing of notice calling the Series _____ Bonds or any portion of the Series _____ Bonds for redemption and ending on the redemption date.

11. **Persons Deemed Owners.** Except as otherwise specifically provided herein and in the Indenture with respect to rights of Participants and Beneficial Owners when a Book-Entry System is in effect, the registered holder of this Series _____ Bond shall be treated as the owner of it for all purposes. Book-Entry System will not be in effect for the Series _____ Bonds.

12. **Non-presentment of Series _____ Bonds.** If money for the payment of principal, premium, if any, interest or purchase price remains unclaimed for two years after the due date therefor, the Trustee will pay the money to the Authority upon written request. After that, holders entitled to the money must look only to the Authority and not to the Trustee for payment.

13. **Discharge Before Redemption or Maturity.** If the Authority deposits with the Trustee money or securities as described in, and in accordance with the provisions of, the Indenture sufficient to pay at redemption or maturity principal of and interest on the outstanding Series _____ Bonds, and if the Authority also pays all other sums then payable by the Authority under the Indenture, the lien of the Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment.

14. **Amendment, Supplement, Waiver.** Subject to certain exceptions, the Indenture, the Loan Agreement or the Series _____ Bonds may be amended or supplemented, and any past default may be waived, with the consent of the holders of a majority in principal amount of the Series _____ Bonds then outstanding. Any such consent shall be irrevocable and shall bind any subsequent owner of this Series _____ Bond or any Series _____ Bond delivered in substitution for this Series _____ Bond. Without the consent of any Bondholder, the Authority may amend or supplement the Indenture or the Series _____ Bonds as described in the Indenture.

15. **Defaults and Remedies.** The Indenture provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Trustee shall have the power to proceed with any right or remedy available at law or in equity or by statute as set forth in the Indenture. An Event of Default and its consequences may be waived as provided in the Indenture. Bondholders may not enforce the Indenture or the Series _____ Bonds except as provided in the Indenture. Except as specifically provided in the Indenture, the Trustee may refuse to enforce the Indenture or the Series _____ Bonds unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of not less than 50% in principal amount of the Series _____ Bonds then outstanding may direct the Trustee in its exercise of any trust or power.

16. **No Recourse Against Others.** No recourse shall be had for the payment of the principal, purchase price, or redemption price of, or interest on, this Series _____ Bond, or for any claim based hereon or on the Indenture, against any member, officer or employee, past, present or future, of the Authority or of any successor body, as such, either directly or through the Authority or any such successor body under any constitutional provision, statute or rule of law or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise. Each Bondholder by accepting a Series _____ Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Series _____ Bond.

17. **Authentication.** This Series _____ Bond shall not be valid until the Registrar signs the certificate of authentication on the other side of this Series _____ Bond.

18. **Consent to Indenture Provisions.** Reference to the Indenture is hereby made for a more complete description of the funds and accounts created thereunder, the nature and extent of the security, rights, duties and obligations of the Authority and the Trustee, the terms and conditions under and upon the occurrence of which the Indenture may be modified, and the terms and conditions under and upon the occurrence of which the lien of the Indenture may be defeased as to this Series _____ Bond prior to the maturity or redemption date hereof and the rights of the Owners of the Series _____ Bonds, to all of the provisions of which the holder hereof, by acceptance of this Series _____ Bond, assents. All capitalized terms used, but not otherwise defined, herein shall have the meanings given in the Indenture.

IN WITNESS WHEREOF, the Authority has issued this Series _____ Bond and has caused the same to be executed by the manual or facsimile signature of the Chair of the Board of Commissioners, and by the manual or facsimile signature of the Secretary of the Board of Commissioners.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Chair of the Board of Commissioners

ATTEST:

By: _____
Secretary of the Board of
Commissioners

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Series _____ Bond is one of the Series _____ Bonds described in the within mentioned Indenture.

DATE OF AUTHENTICATION _____, 20__

_____, as Trustee

BY: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered holder of Metropolitan Knoxville Airport Authority Subordinate Airport Revenue Bonds, Series _____, does hereby sell, assign and transfer such Series _____ Bond unto _____

(Please print or typewrite name and address, including zip code, of transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE:

: :
: :
: :

and hereby appoints _____, as attorney-in-fact to transfer the within-mentioned Series _____ Bond on the Bond Register (as defined in the Indenture).

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must
be guaranteed by a member
firm of a Medallion Program
acceptable to the Trustee.

Signature of Registered Owner
NOTICE: The signature above must
correspond with the name of the Registered
Owner as it appears on the face of the
within Series _____ Bond in every
particular, without alteration or enlargement
or any change whatsoever.

EXHIBIT B

FORM OF NOTICE FROM TRUSTEE TO OWNER
REGARDING MANDATORY PURCHASE DATE

[Name and address of Owner]

Re: \$_____ Metropolitan Knoxville Airport Authority Subordinate Airport Revenue
 Bonds, Series _____

The undersigned officer of _____, as Trustee with respect to the captioned Bonds (the “Bonds”), pursuant to the provisions of Section 4.01 of that certain Trust Indenture (the “Indenture”), dated as of _____ 1, 2025, by and between Metropolitan Knoxville Airport Authority and the Trustee, does hereby notify you that the Bonds are subject to mandatory tender on _____ (the “Mandatory Purchase Date”). All owners of Bonds shall be deemed to have tendered their Bonds for purchase on the Mandatory Purchase Date and shall no longer be entitled to the benefits of the Indenture; interest will cease to accrue on such Bonds for the benefit of the owners of the Bonds on and after the Mandatory Purchase Date. The Bonds should be delivered to the Trustee at _____, Attention: _____ on _____.

This _____ day of _____, _____.

_____, as Trustee

Title: _____

EXHIBIT C-1

FORM OF INDEX PERIOD CONVERSION NOTICE

U.S. Bank Trust Company, National Association, [Direct Placement Purchaser]
as Trustee
Nashville, Tennessee

[Credit Provider]

[Remarketing Agent]

[Market Agent]

This Index Period Conversion Notice is hereby given this ____ day of _____, by Metropolitan Knoxville Airport Authority (the “Authority”) with respect to the Authority’s Subordinate Airport Revenue Bonds (Series ____) (the “Series ____ Bonds”). Capitalized terms used and not otherwise defined herein shall have the meaning given in the Indenture of Trust, dated as of June 1, 2025, between the Authority and S. Bank Trust Company, National Association (the “Trustee”), as trustee, as supplemented by a _____ Supplement Trust Indenture, dated as of _____, 20__.

Pursuant to Section 2.07 of the Indenture, the Authority hereby elects to establish a new Index Period to commence on the Index Period Start Date shown below. The Authority proposes the following terms for the Series ____ Bonds during such Index Period.

- (1) The Index Period Start Date shall be: [_____].
- (2) The Direct Placement Mandatory Purchase Date shall be: [_____].
- (3) The Index shall be [_____] [*include Index fallback replacement provisions*].
- (4) The Applicable Factor [shall be: _____%] *or* [shall be established by the Market Agent and notice thereof will be given to the Authority and the Trustee on or before the Index Period Start Date].
- (5) The Applicable Margin shall be: [shall be: _____%] *or* [shall be established by the Market Agent and notice thereof will be given to the Authority and the Trustee on or before the Index Period Start Date].
- (6) [The Market Agent in connection with the establishment of the Index Period provided for herein shall be [_____].]

On or before the Index Period Start Date, the Authority will provide the Trustee and the Direct Purchaser with an Index Period Final Terms in the form provided for in the Indenture.

IN WITNESS WHEREOF, the Authority has caused this Index Period Conversion Notice to be executed by its authorized officer, as of the date first above written.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Title: _____

EXHIBIT C-2

FORM OF INDEX PERIOD FINAL TERMS NOTICE

U.S. Bank Trust Company, National Association, [Direct Placement Purchaser]
as Trustee
Nashville, Tennessee

This Index Period Final Terms Notice is hereby given this ____ day of _____, by Metropolitan Knoxville Airport Authority (the "Authority") with respect to the Authority's Subordinate Airport Revenue Bonds (Series ____) (the "Series ____ Bonds"). Capitalized terms used and not otherwise defined herein shall have the meaning given in the Indenture of Trust, dated as of June 1, 2025, between the Authority and U.S. Bank Trust Company, National Association (the "Trustee"), as trustee, as supplemented by a ____ Supplement Trust Indenture, dated as of ____, 20__.

In connection with the establishment of a new Index Period pursuant to Section 2.07 of the Indenture, the Authority hereby gives this Index Period Final Terms Notice, which sets the following terms that shall be applicable for the new Index Period for the Series ____ Bonds:

- (1) The Index Period Start Date shall be: [_____].
- (2) The Direct Placement Purchaser shall be: [_____].
- (3) The Direct Placement Mandatory Purchase Date shall be: [_____].
- (4) The Index shall be: [_____] [*include Index fallback replacement provisions*].
- (5) The Applicable Factor shall be: [_____] %].
- (6) The Applicable Margin shall be: [_____] %].
- (7) The Index Computation Agent shall be: [_____].
- (8) The Index Computation Date shall be: [_____].
- (9) The Index Reset Date shall be: [_____].
- (10) The Default Rate shall be: [_____].
- (11) The Direct Placement Agreement shall be that certain [_____] between the Authority and the Direct Placement Purchaser].

IN WITNESS WHEREOF, the Authority has caused this Index Period Final Terms Notice to be executed by its authorized officer, as of the date first above written.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Title: _____

ACCEPTED AND ACKNOWLEDGED:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as trustee

By: _____
Title: _____

EXHIBIT D-1

FORM OF FIXED RATE PERIOD CONVERSION NOTICE

U.S. Bank Trust Company, National Association, [Direct Placement Purchaser]
as Trustee
Nashville, Tennessee

[Credit Provider]

[Remarketing Agent]

[Market Agent]

This Fixed Rate Period Conversion Notice is hereby given this ____ day of _____, by the Metropolitan Knoxville Airport Authority (the “Authority”) with respect to the Authority’s Subordinate Airport Revenue Bonds (Series ____) (the “Series ____ Bonds”). Capitalized terms used and not otherwise defined herein shall have the meaning given in the Indenture of Trust, dated as of June 1, 2025, between the Authority and S. Bank Trust Company, National Association (the “Trustee”), as trustee, as supplemented by a _____ Supplement Trust Indenture, dated as of _____, 20__.

Pursuant to Section 2.08 of the Indenture, the Authority hereby elects to establish a new Fixed Rate Period to commence on the Fixed Rate Period Start Date shown below. The Authority proposes the following terms for the Series ____ Bonds during such Fixed Rate Period.

- (1) The Fixed Rate Period Start Date shall be: [_____].
- (2) The Direct Placement Mandatory Purchase Date shall be: [_____].
- (3) The Fixed Rate [shall be _____]% or [shall be established by the Market Agent and notice thereof will be given to the Authority and the Trustee on or before the Fixed Rate Start Date].
- (4) [The Market Agent in connection with the establishment of the Fixed Rate Period provided for herein shall be [_____].

IN WITNESS WHEREOF, the Authority has caused this Fixed Rate Period Conversion Notice to be executed by its authorized officer, as of the date first above written.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Title: _____

EXHIBIT D-2

FORM OF FIXED RATE PERIOD FINAL TERMS NOTICE

U.S. Bank Trust Company, National Association, [Direct Placement Purchaser]
as Trustee
Nashville, Tennessee

This Fixed Rate Period Final Terms is hereby given this ____ day of _____, by the Metropolitan Knoxville Airport Authority (the “Authority”) with respect to the Authority’s Subordinate Airport Revenue Bonds (Series ____) (the “Series ____ Bonds”). Capitalized terms used and not otherwise defined herein shall have the meaning given in the Indenture of Trust, dated as of June 1, 2025, between the Authority and S. Bank Trust Company, National Association (the “Trustee”), as trustee, as supplemented by a Supplement Trust Indenture, dated as of _____, 20____.

This Fixed Rate Period Final Terms sets forth the following terms that shall be applicable for the new Fixed Rate Period for the Series Bonds:

- (1) The Fixed Rate Period Start Date shall be: [_____].
- (2) The Direct Placement Purchaser shall be: [_____].
- (3) The Direct Placement Mandatory Purchase Date shall be: [_____].
- (4) The Fixed Rate shall be [_____] %.
- (5) The Default Rate shall be: [_____].
- (6) [The Direct Placement Agreement shall be that certain [_____] between the Authority and the Direct Placement Purchaser].

IN WITNESS WHEREOF, the Authority has caused this Fixed Rate Period Final Terms Notice to be executed by its authorized officer, as of the date first above written

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Title: _____

ACCEPTED AND ACKNOWLEDGED:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as trustee

By: _____
Title: _____

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE EXISTING AIRLINE LEASE AGREEMENT

The Metropolitan Knoxville Airport Authority (the “Authority”) and the several Signatory Airlines, as described in the front part of this Offering Circular, entered into an Airport Lease and Use Agreement (each, an “Existing Airline Lease Agreements” and together the “Existing Airline Lease Agreements”) delineating the operational and financial relationship at the Airport between the Authority and the Signatory Airlines. The Existing Airline Lease Agreements became effective as of July 1, 2018 and expired on June 30, 2023. The Authority has extended the Existing Airline Lease Agreements on a month-to-month basis, while finalizing its plans to move to a common-use gate system. The Authority expects to negotiate the terms of a new Proposed Airline Lease Agreement with the Signatory Airlines in 2025.

The Existing Airline Lease Agreements between the Authority and all Signatory Airlines are substantially the same, differing primarily with respect to the amount and type of rental space for each Signatory Airline. Frontier Airlines and Avelo Airlines also entered into an addendum with the Authority to be treated as Per-Turn Signatory Airlines (the “Per-Turn Addendum”).

Set forth below is a summary of certain provisions of the Existing Airline Lease Agreements, including the Per-Turn Addendum. This summary does not purport to be complete or definitive and is qualified in its entirety by the applicable provisions of the Existing Airline Lease Agreements, copies of which are available from the Authority. The headings or titles in this APPENDIX E are solely for convenience of reference.

DEFINITIONS

“Affiliate” shall mean any air transportation company that is (i) a parent or subsidiary of, or under common control with, a Signatory Airline, or (ii) shares an International Air Transport Association (IATA) flight designator code with a Signatory Airline at the Airport (Code-Sharing Partner), or (iii) otherwise operates under the same or substantially similar trade name as a Signatory Airline at the Airport, uses the same or substantially similar livery as a Signatory Airline and, prior to commencing service at the Airport, enters into an affiliate airline operating agreement with the Authority; provided, that no major airline, as such term is defined by the FAA, shall be classified as an Affiliate of another major airline unless either clause (i) or clause (ii) above defines the relationship between such airlines at the Airport.

“Aircraft Arrival(s)” shall mean the arrival at the Airport of any Aircraft Operator’s aircraft. As long as a Signatory Airline provides scheduled service to the Airport, Aircraft Arrivals shall not include any flight that arrives at or returns to the Airport because of maintenance, mechanical, meteorological, or other precautionary reason. Should a Signatory Airline ferry in an aircraft empty (i) for scheduled maintenance at the Airport or (ii) to replace a disabled aircraft on a scheduled flight from the Airport, such arrival shall not be considered an Aircraft Arrival under the Existing Airline Lease Agreements. All flights conducted for aircrew training shall be considered an Aircraft Arrival and charged in accordance with the Existing Airline Lease Agreements.

“Aircraft Operator” shall mean any entity operating aircraft into and out of the Airport under Part 121 or Part 135 of the Federal Aviation Regulations (FARs), or the practical equivalent of said Parts.

“Aircraft Parking Positions” shall mean the locations on the Terminal Apron where aircraft park in order to enplane and deplane passengers.

“Airfield” shall mean those portions of the Airport which provide for the landing, takeoff, taxiing, movement, or staging of aircraft including runways, taxiways, taxilanes, setback areas, navigational aids, hazard designation and warning devices, airfield security roads, fencing, lighting, runway protection zones, aviation easements and interests in property utilized in connection therewith.

“Airport” shall mean the McGhee Tyson Airport.

“Airport Cost Center(s)” shall mean the cost/revenue centers to be used in accounting for Airport revenues and expenses and for calculating and adjusting certain rates, fees and charges described herein. Cost centers directly relevant to the calculation of airline rates, fees and charges that are defined herein include the Airfield, Terminal Building, Terminal Apron, and Passenger Boarding Bridges.

“Airport Maintenance and Operating Expenses” or “M&O Expenses” shall mean the Authority’s actual expenses of maintaining, operating, repairing, ordinary replacement, ordinary reconstruction and administering the Airport. For the purposes of the Existing Airline Lease Agreements, M&O Expenses shall also include small equipment purchases and capital outlays which cost \$10,000.00 or less per item.

“Airport Revenues” shall mean all money received by the Authority for operating the Airport including without limitation, landing fees, rents, concession fees, fuel flowage fees, and other amounts received by or on behalf of the Authority in its capacity as the operator of commercial and private aviation facilities on the Airport. For the purposes of the Existing Airline Lease Agreements, Airport Revenues shall not include (a) interest earned on unexpended Airport Revenue Bond proceeds, the Authority’s Renewal and Extension Fund and any other Airport discretionary fund(s); (b) the proceeds of federal and state grants received by the Authority; (c) the proceeds of any Passenger Facility Charge (except to the extent that such proceeds may be pledged to pay debt service on Debt Obligations); (d) revenues received expressly to pay the debt service on any Special Facility Revenue Bonds; or (e) amounts received from insurance in settlement of any casualty losses.

“Air Transportation” shall mean the conduct of the business of commercial air transportation of persons, property, cargo and mail.

“Amortization” shall mean the level annual charge required to recover the net cost of a Capital Improvement over the Useful Life of the Capital Improvement at the Authority’s Cost of Capital. For the purpose of computing amortization charges, the net cost of a Capital Improvement shall equal the total cost less any federal and state grants and any PFC Resources applied on a pay-as-you-go basis, if any, for the end of the latest month preceding the calculation of airline rentals, fees and charges, but no later than June 30, of the Fiscal Year the Capital Improvement is placed in service. Depreciation of land (considered to be a non-depreciating asset under generally accepted accounting principles) shall not be included as a component of cost in the calculation of airline rentals, fees and charges under the Existing Airline Lease Agreements; provided, however, that amortization charges associated with the Authority funds expended to acquire land shall be included in the calculation of airline rates and charges as provided in the Existing Airline Lease Agreements.

“Capital Improvement” shall mean any capital improvement or capital asset, or series of related improvements or assets, acquired or constructed by the Authority at the Airport which has a net cost of \$50,000.00 or more and Useful Life of more than one year.

“Certificated Maximum Gross Landing Weight” or “CMGLW” shall mean the current maximum allowable gross landing weight, expressed in 1,000 pound units or fraction thereof, of each aircraft operated by a Signatory Airline and certificated by the Federal Aviation Administration.

“Common Use Premises” shall mean (a) the center area of the Concourse between passenger hold rooms to be leased jointly by a Signatory Airline and all other airline tenants of the Concourse and (b) the baggage claim area and the functionally related equipment in the Terminal Building to be used in common by a Signatory Airline and other Aircraft Operators.

“Common Use Formula” shall mean the formula used to allocate certain specified charges for the Common Use Premises among Aircraft Operators such that 100% of such charge is allocated among all of the Aircraft Operators using the Common Use Premises in the proportion that each Aircraft Operator’s Enplaned Passengers during the second preceding month bears to the total Enplaned Passengers of all such Aircraft Operators during such month.

“Concourse” shall mean the two-level airside terminal building used to enplane and deplane passengers.

“Concourse Gate Position” shall mean a Passenger Hold Room, the associated Aircraft Parking Position and Passenger Boarding Bridge (if any) and any associated furnishings, fixtures and equipment assigned to a Signatory Airline or another Aircraft Operator for the purpose of enplaning and/or deplaning passengers.

“Cost of Capital” shall mean for Capital Improvements financed with Airport funds from the Authority’s Renewal & Extension Account, the current Merrill Lynch Revenue Bond Index of 22-year+, “A” rated bonds published in the Wall Street Journal (or successor publication thereto), for the end of the latest month preceding the calculation of the airline rentals, fees and charges under Article VII hereof, but no later than June 30, of the Fiscal Year the capital project is placed in service.

“Debt Service” shall mean annual principal and interest payments and deposits required to be made pursuant to any outstanding Debt Obligations, reduced by any PFC Resources pledged and applied to the payment of debt service on such Debt Obligations. Depreciation of land (considered to be a non-depreciating asset under generally accepted accounting principles) shall not be included as a component of cost in the calculation of airline rentals, fees and charges under Article VII hereof; provided, however, that Debt Service on Debt Obligations issued to acquire land shall, subject to the provisions of Article VIII, be included in the calculation of airline rates and charges.

“Debt Obligations” shall mean any current or future debt obligations of the Authority used to finance the construction of Airport improvements and related facilities, including currently outstanding airport revenue bonds and any debt obligations that may be issued subsequently to refund or replace such debt obligations.

“Enplaned Passengers” shall mean all passengers boarded on aircraft operated by a Signatory Airline or other Aircraft Operators at the Airport. Without limiting the generality of the foregoing, Enplaned Passengers shall also include persons for whom a Signatory Airline has provided the particular Air Transportation on a complimentary or substantially complimentary basis and those passengers redeeming “frequent flyer” awards and travel vouchers.

“Exclusive Use Premises” shall mean those premises that a Signatory Airline has the right to use exclusively pursuant to its Existing Airline Lease Agreement.

“FAA” or “Federal Aviation Administration” shall mean the Federal Aviation Administration created under the Federal Aviation Act of 1958 and/or such successor agencies as may from time to time have similar jurisdiction over the Signatory Airlines and/or the Airport.

“Fiscal Year” shall mean the 12-month period beginning on the 1st day of July of any year and ending the following June 30.

“Landing Fee(s)” shall mean the payment required of a Signatory Airline each month for the use of the Airfield.

“Landing Fee Rate” shall mean the rate per 1,000 pounds of CMGLW or fraction thereof used to calculate Landing Fees.

“Majority-in-Interest” shall mean (1) with respect to the Terminal Complex, those Signatory Airlines accounting for at least 66 2/3% of the total Terminal rental fees, Terminal Apron charges and Passenger Boarding Bridge charges paid by all Signatory Airlines at the Airport during the immediately preceding Fiscal Year, and (2) with respect to the Airfield, those Signatory Airlines accounting for at least 66 2/3% of the total Landing Fees paid by all Signatory Airlines (including the signatory cargo/express airlines) at the Airport during the immediately preceding Fiscal Year.

“Non-Signatory Airline” shall mean an Aircraft Operator at the Airport that is not a Signatory Airline.

“Passenger Boarding Bridges” shall mean the loading bridge devices, owned by the Authority, that provide passenger access from the Passenger Hold Rooms in the Terminal Complex to aircraft parked at Aircraft Parking Positions, by which passengers enplane and deplane the parked aircraft.

“Passenger Hold Room” shall mean an area in the Concourse used by a Signatory Airline for the assembly and processing of passengers.

“Passenger Facility Charge” or “PFC” shall mean any charge imposed from time to time by the Authority on passengers enplaning aircraft at the Airport pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (Pub. L. 101-508), presently codified as 49 U.S.C. § 40117, as amended, and any implementing regulations promulgated thereunder from time to time.

“Per-Turn Signatory Airline” shall mean a Signatory Airline that has elected to operate as a Per-Turn Signatory Airline as provided in the Existing Airline Lease Agreements. For more information, see “PER-TURN SIGNATORY AIRLINES AND NON-SIGNATORY AIRLINES” herein.

“PFC Resources” shall mean the proceeds of any PFC, and any interest or investment earnings thereon.

“Preferential Assignment” shall mean the right of a Signatory Airline to use Concourse Gate Positions on a preferential but non-exclusive use basis.

“Preferential Use Formula” shall mean the formula used to allocate certain specified charges for the use of Preferential Use Premises among Aircraft Operators leasing Preferential Use Premises, such that for each Passenger Hold Room over which such Signatory Airline has a Preferential Assignment, such Signatory Airline shall pay an amount equal to the annual rental rate per square foot established for Preferential Use Hold Room space multiplied by the total square feet of Preferential Use Premises, divided by the total number of Concourse Gate Positions (currently twelve (12)).

“Preferential Use Premises” shall mean the Passenger Hold Rooms for each Concourse Gate Position in the Terminal Complex over which a Signatory Airline has been given a Preferential Assignment together with the adjoining Passenger Boarding Bridges and parking aprons for such Concourse Gate

Positions subject to the Authority's right to assign other Aircraft Operators on such Concourse Gate Positions to the extent permitted by the Existing Airline Lease Agreements.

"Premises" shall mean a Signatory Airline's Exclusive Use, Preferential Use, and Common Use Premises.

"President" of the Authority or President shall mean the person designated by the Authority from time to time as its chief executive officer, to act for the Authority with respect to the rights and obligations of the Authority under the Existing Airline Lease Agreements, or such person's duly authorized designated representative.

"Remote Aircraft Parking Areas" shall mean those pavement areas in the vicinity of the Terminal Apron designated for overnight and off-gate aircraft parking.

"Signatory Airlines" shall mean all Aircraft Operators serving the Airport which: (i) have entered into an Existing Airline Lease Agreement or an Air Cargo Carrier Operating Agreement; and (ii) operate scheduled flights at the Airport.

"Special Facility Revenue Bonds" shall mean any bonds hereafter sold by the Authority to finance the construction and acquisition of facilities at the Airport to be leased to an identified tenant, where the rentals from said tenant are expressly the only source of revenues the bond holders may look to for payment of the debt service on the bonds.

"Terminal Apron" shall mean the pavement area adjacent to the Concourse that comprises the Aircraft Parking Positions

"Terminal Building" shall mean the main landside terminal building exclusive of the Concourse and the connecting walkway.

"Terminal Complex" shall mean the Terminal Building, the Concourse, and the public walkway connecting the Terminal Building and Concourse.

"Total Landed Weight" shall mean the sum of CMGLW of all Aircraft Arrivals over a stated period of time.

"Usable Space" shall mean the gross square footage of the Terminal Complex less the square footage of mechanical, electrical, utility and custodial space in the Terminal Complex.

"Useful Life" shall mean the estimated period of time that the cost of a Capital Improvement is to be recovered through the Amortization process. In general, a Useful Life will be assigned to each Capital Improvement by the President based on generally accepted airport accounting practices. For purposes of calculating rates and fees under the Existing Airline Lease Agreements, Capital Improvements financed by the Authority will be assigned the following Useful Life: (A) new aircraft pavement, building and facilities – twenty-five (25) years, (B) major renovation or reconstruction of existing aircraft pavement, buildings and facilities – twenty (20) years, (C) new major equipment (such as Passenger Boarding Bridges, baggage equipment, security systems or climate control equipment) – fifteen (15) years, (D) major repairs and major rolling stock (AARF vehicles) – ten (10) years, and (E) other fixtures, facilities, vehicles, equipment, computers and peripherals – five (5) years.

TERM AND USE OF AIRPORT

The term of the Existing Airline Lease Agreements expired on June 30, 2023. The Authority has extended the Existing Airline Lease Agreements on a month-to-month basis, while finalizing its plans to move to a common-use gate system. The Authority expects to negotiate the terms of a new agreement with the Signatory Airlines in 2026.

A Signatory Airline may engage in various specified activities related to its Air Transportation business, as more specifically described in the Existing Airline Lease Agreements.

Subject to the terms of the Existing Airline Lease Agreements, the Authority grants to each Signatory Airline certain rights of occupancy and use in certain areas located within the Airport, including the Airfield, and the public areas of the Terminal Complex, the Exclusive Use Premises, the Preferential Use Premises and the Common Use Premises, all as set forth and subject to the provisions of the Existing Airline Lease Agreements. The Existing Airline Lease Agreements also provide for the designation of Affiliates by Signatory Airlines and sets forth the process related to such designation, use of the Airport and termination with respect to Affiliate status at the Airport.

The Existing Airline Lease Agreements specify the terms and conditions for the use of Concourse Gate Positions, all of which within the Terminal are either Preferential Use or Common Use in accordance with the terms of the Existing Airline Lease Agreements.

CALCULATION AND PAYMENT OF RATES AND CHARGES

Generally

The fees and rents to be charged by the Authority and paid by each Signatory Airline for its use of the Airport through the expiration or earlier termination of the Existing Airline Lease Agreements are calculated using the rate-setting methods set forth below.

Calculation of the Terminal Rental Rate

Each Fiscal Year the Authority calculates the terminal rental rate by dividing the total costs of the Terminal Complex by the total Usable Space in the Terminal Complex. The total costs of the Terminal Complex is determined by adding together (i) Airport Maintenance and Operating Expenses allocable to the Terminal Complex, (ii) Debt Service allocable to the Terminal Complex, and (iii) Amortization charges allocable to the Terminal Complex.

Each Signatory Airline pays the Authority, for its Exclusive Use Premises, Preferential Use Premises, and Common Use Premises in the Terminal Building and Concourse, monthly rent based on the terminal rental rate. Each Signatory Airlines Airline pays the Authority only that portion of Common Use Premises rent and Preferential Use Premises rent allocable to such Signatory Airline and its Affiliates as determined by application of the Common Use Formula and the Preferential Use Formula, respectively. Each Signatory Airlines pays the Authority terminal rental fees for Exclusive Use Premises and Preferential Use Premises on the first day of each month in advance without invoice from the Authority. Each Signatory Airlines pays the Authority terminal rental fees for Common Use Premises based on actual enplanement data for the second preceding month and are due and payable within thirty (30) days of the date of invoice.

Calculation of the Landing Fee

Each Fiscal Year the Authority calculates the Landing Fee Rate by dividing the estimated Net Airfield Requirement by the cumulative CMGLW projected by the Authority to be landed at the Airport by all Aircraft Operators, including the Signatory Airline for such Fiscal Year. The Airfield Requirement is determined by adding together the (i) Airport Maintenance and Operating Expense in or allocable to the Airfield Cost Center, (ii) Debt Service allocable to the Airfield, and (iii) Amortization charges allocable to the Airfield. The Net Airfield Requirement is calculated by subtracting from the Airfield Requirement any and all other Airport Revenues, other than Landing Fees, collected by the Authority from users of the Airfield as compensation for Airfield use and allocable to the Airfield cost center, including but not limited to general aviation landing fees, fuel flowage fees, and military joint use payments. Notwithstanding the foregoing, the Signatory Airlines are charged a minimum Landing Fee of thirty-five dollars (\$35.00) for any Aircraft Arrival at the Airport or any Aircraft flight conducted for aircrew training at the Airport.

Each Signatory Airline pays the Authority for its use of the Airfield monthly Landing Fees based on Landing Fee Rate. The Authority will use its best efforts to charge and collect Landing Fees from all commercial air transportation users of the Airfield on a reasonable and non-discriminatory basis. The fees payable by noncommercial air transportation users for the use of the Airfield may be based on some method other than aircraft landed weight (such as fuel flowage fees for general aviation airfield users). Monthly Landing Fees are paid to the Authority on or before the fifteenth (15th) day following the last day of the applicable month without invoice from the Authority.

Calculation of the Terminal Apron Rental and Remote Aircraft Parking Area Charges

Each Fiscal Year the Authority calculates the Terminal Apron rental charge by dividing the total cost of the Terminal Apron by the total number of Aircraft Parking Positions. The total cost of the Terminal Apron is determined by adding together the (i) Airport Maintenance and Operating Expenses allocable to the Terminal Apron, (ii) Debt Service allocable to the Terminal Apron, and (iii) Amortization charges allocable to the Terminal Apron. Each Signatory Airline pays the Authority for its Aircraft Parking Positions monthly Terminal Apron charges based on the Terminal Apron rental charge. The monthly Terminal Apron rental charge is paid to the Authority on the first day of each month in advance without invoice from the Authority.

The Authority also permits short-term use of the Remote Aircraft Parking Areas and charges a fee for the time period that such use occurs. The Remote Aircraft Parking Area rates are set forth in the Existing Airline Lease Agreements. Any Remote Aircraft Parking Area fees are paid to the Authority within thirty (30) days of the date of the invoice therefor.

Calculation of the Passenger Boarding Bridge Charge

Each Fiscal Year the Authority calculates the Passenger Boarding Bridge charge calculated by dividing the total annual cost of the Passenger Boarding Bridges by the total number of Passenger Boarding Bridges anticipated to be in service at the Airport during the applicable Fiscal Year. The total annual costs of the Passenger Boarding Bridges cost center is determined by adding (i) Airport Maintenance and Operating Expenses allocated to the Passenger Boarding Bridges, (ii) Debt Service allocable to the Passenger Boarding Bridges, and (iii) Amortization charges allocable to the Passenger Boarding Bridges. Each Signatory Airline that has the Preferential Assignment of a Concourse Gate Position with a Passenger Boarding Bridge pays the Authority monthly Passenger Boarding Bridge Charges calculated as described in this paragraph. The monthly Passenger Boarding Bridge charge is paid to the Authority on the first day of each month in advance without invoice from the Authority.

Other Charges

The Authority may separately meter and assess charges for consumption of utilities (water, electricity and gas) associated with a Signatory Airline's equipment, machinery and facilities in and about its Premises. For those areas not separately metered, charges for utility services provided by Authority will be included as part of O&M Expenses and allocated to the appropriate cost center based on reasonable allocation procedures.

The Authority also charges a uniform schedule of rates to all Airport tenants for the use of the STS telecommunications system, including the Signatory Airlines. The STS telecommunications system rates are subject to review and adjustment each July 1.

The Authority requires Signatory Airlines to reimburse the Authority for all costs incurred by Authority in providing other services that would otherwise be a Signatory Airline's responsibility and that may be requested by such Signatory Airline to be performed by the Authority in writing from time to time, plus a 15% administrative charge.

The Authority may also charge the Signatory Airlines for employee parking of motor vehicles in the employee parking areas of the Airport, catering fees on in-flight food and beverage companies which cater a Signatory Airline's flights departing from the Airport and other miscellaneous items, activities or services as determined from time to time by the President of the Authority.

Mid-Year Adjustments

Each Fiscal Year the Authority uses its annual proposed budget to calculate the Terminal Complex rental rates, Landing Fees, and other rates and charges payable by Signatory Airlines required under the Existing Airline Lease Agreements. If the Authority determines at any point during a Fiscal Year that the total costs of the Terminal Building, Terminal Apron, or Airfield, or the aggregate Total Landed Weight of all airlines, is projected to vary ten percent (10%) or more from the estimates used in setting the Terminal Complex Rental rate, the Terminal Apron charge, or the Landing Fee Rate, the Authority may adjust such rates for the balance of such Fiscal Year to ensure full recovery of the applicable costs. The Authority will provide the Signatory Airlines with thirty (30) days' advance written notice before putting such adjustments into effect.

Year-End Adjustments

On or about December 1 following the close of each Fiscal Year, the Authority provides the Signatory Airlines with an accounting of the costs and expenses actually incurred, revenues and other credits actually realized (reconciled to the audited financial statements of the Airport), and actual Enplaned Passengers and landed weights during such Fiscal Year with respect to each of the components of the calculation of the Terminal Complex rental rate, the Terminal Apron charge, the Landing Fee Rate, and the Passenger Boarding Bridge charge and will recalculate the rates, fees, and charges required for the Fiscal Year based on those actual costs and revenues. In the event that a Signatory Airline's rentals, fees, and charges billed and paid during the Fiscal Year were more than the amount of the Signatory Airline's rentals, fees, and charges required (as recalculated based on actual costs and revenues), such excess amount will be issued as a credit to the Signatory Airline in the immediately ensuing month of the then-current Fiscal Year. In the event that a Signatory Airline's rentals, fees, and charges billed and paid during the Fiscal Year were less than the amount of the Signatory Airline's rentals, fees, and charges required (as recalculated based on actual costs and revenues), such deficiency will be billed to the Signatory Airline and payable by the Signatory Airline in the immediately ensuing month of the then-current Fiscal Year.

CAPITAL IMPROVEMENTS

Capital Improvement Program

The Existing Airline Lease Agreements include the Capital Improvement Program for Fiscal Years 2019 through 2023 (the “5-Year CIP”). The Authority is permitted to proceed with all projects in the 5-Year CIP without further purview from the Signatory Airlines. The Authority provides annual progress reports to the Signatory Airlines regarding the progress of implementation of the 5-Year CIP.

In the event of an increase greater than 15% in project costs or a decrease greater than 15% in grant funding of a 5-Year CIP project associated with airline-supported cost centers, such project will require Majority-in-Interest review (as described below). In the event a change to a project in the 5-Year CIP is disapproved by a Majority-in-Interest of the Signatory Airlines, the Authority may elect to either (1) reduce the scope and cost of the project so that it falls within the cost and funding parameters of the 5-Year CIP and proceed with the modified project, (2) proceed to undertake the project but not include in the airline rate base, costs associated with the project that fall outside the cost and funding parameters of the 5-Year CIP, or (3) not proceed with the project.

Additional Capital Projects

If the Authority desires or needs to accomplish additional capital projects not in the 5-Year CIP (“Additional Capital Projects”) in airline-supported cost centers at the Airport, such Additional Capital Projects require Majority-in-Interest review (as described below). Unless such Additional Capital Projects to be undertaken in airline-supported cost centers are disapproved by the Signatory Airlines, the Debt Service and Amortization charges attributable to such Additional Capital Projects will be chargeable by the Authority to the appropriate cost center for the purposes of calculating and adjusting airline rentals, fees and charges under the Existing Airline Lease Agreements.

Notwithstanding the above, the Authority may, without Majority-in-Interest review, undertake Additional Capital Projects in airline-supported cost centers and include Debt Service and Amortization charges attributable to each such Additional Capital Project in the appropriate Airline rate base if such proposed Additional Capital Project (i) has a net Authority cost (after allowing for federal and state grants and PFC Resources, if any) of \$150,000.00 or less, up to an annual aggregate of \$750,000.00 for all such projects, or (ii) is necessary or prudent to:

- (1) Ensure compliance with a mandatory rule, regulation, law, ordinance, or order of any federal, state or other governmental agency with jurisdiction over the operation of the Airport;
- (2) Maintain and operate the Airport’s functional capability at a level required pursuant to the terms of the Existing Airline Lease Agreements;
- (3) Satisfy judgments against the Authority pertaining to the Airport rendered by a court of competent jurisdiction;
- (4) Repair casualty damage to the Airport property and facilities to be made net of insurance proceeds, if any; or
- (5) Acquire land or rights in land or take such other reasonable measures as may be required or warranted to (i) preserve and protect the Airport or (ii) mitigate noise effects as part of an approved Part 150 study.

Projects in non-airline-supported cost centers (parking/ground transportation, air cargo, other property) will not be subject to Majority-in-Interest disapproval under any circumstances.

Majority-in-Interest Review

In the event that a Majority-in-Interest review of a project or a change to a project is required by the Existing Airline Lease Agreements, the Authority will provide notice to the Signatory Airlines. The Authority will convene a meeting with the Signatory Airlines to review and discuss such project or change thereto within thirty (30) days from the date of a request from a Signatory Airline. Each Signatory Airline will deliver notice of approval or disapproval of the project or change thereto within thirty (30) days after the requested meeting. The project or change thereto will be deemed approved by the Signatory Airlines if a meeting with them is held by the Authority, and a Majority-in-Interest of the Signatory Airlines does not affirmatively provide notice of disapproval within the above-prescribed thirty (30) day period after such meeting. The project or change thereto will also be deemed approved, if no meeting is requested by the Signatory Airlines within the time provided for such request, unless the designated representative of the Signatory Airlines notifies the Authority in writing within thirty (30) days of the date of the original notice from the Authority that the project or change thereto has been disapproved by a Majority-in-Interest of the Signatory Airlines.

INDEMNIFICATION AND INSURANCE

Indemnification

The Existing Airline Lease Agreements sets forth the obligation of the Signatory Airlines to indemnify the Authority upon certain specified conditions and events, which obligations survive the expiration or termination of the Existing Airline Lease Agreements.

Insurance

The Signatory Airlines are required to maintain insurance to specified minimum limits insuring against all liability, subject to policy terms, conditions and exclusions, for injuries to persons (including wrongful death) and damages to property and any other liability arising from or caused by the use and occupancy of the Airport or otherwise arising from or caused by the respective Signatory Airline's activities and operations on said Airport premises, including with respect to comprehensive airline public liability insurance, automobile liability, fire and extended coverage insurance, and workers' compensation insurance, as further specified in the Existing Airline Lease Agreements.

ASSIGNMENT AND SUBLETTING

The Signatory Airlines may not assign or transfer the Existing Airline Lease Agreements or any part therein, which consent will not be arbitrarily or unreasonably delayed or withheld; provided, however, that, if a Signatory Airline is not in default of the terms of its Existing Airline Lease Agreement, such Signatory Airline may assign and transfer its Existing Airline Lease Agreement in its entirety without such consent to an Affiliate or any successor-in-interest of such Signatory Airline, with or into which such Signatory Airline may merge or consolidate, or which may acquire the assets of such Signatory Airline, provided such Signatory Airline provides the Authority with prior written notice of such assignment or transfer.

The Signatory Airlines may not sublet the whole or any portion of the Premises without obtaining the Authority's prior written approval, which approval will not be arbitrarily or unreasonably delayed or withheld.

If a Signatory Airline assigns its Existing Airline Lease Agreement or grant rights of sub-use to the Premises, the assignee or sub-user will be bound by all of the terms of such Existing Airline Lease Agreement. Unless the Authority otherwise agrees in writing, an assignment or grant of sub-use rights will not release the Signatory Airline from any of its obligations, duties, or responsibilities under its Existing Airline Lease Agreement.

DEFAULT AND CANCELLATION

Signatory Airline Defaults

The occurrence of any one or more of the following events will constitute an “Event of Default” under the Existing Airline Lease Agreements:

- (1) Default in the payment of any fees or other charges due to the Authority and the continuation of such default for a period of ten (10) days after receipt of written notice as required by the Existing Airline Lease Agreements;
- (2) Default in the performance, or breach, of any other covenant or warranty of the Signatory Airline in its Existing Airline Lease Agreement (other than the payment of any fees or other charges due to the Authority) and the continuation of such default or breach for a period of thirty (30) days after receipt of written notice as required by the Existing Airline Lease Agreements; provided, however, that if the Signatory Airline commences to cure such default within thirty (30) days after receipt of written notice and continuously thereafter exercises good faith and due diligence to cure said default, the Signatory Airline will be given a reasonable additional time in which to cure such default; or
- (3) If the Signatory Airline files a voluntary petition in bankruptcy, or makes an assignment of all or substantially all of the Signatory Airline’s assets for the benefit of the Signatory Airline’s creditors, or if the Signatory Airline is adjudicated as bankrupt in any involuntary proceeding in bankruptcy against the Signatory Airline, or if a receiver or a trustee of the Signatory Airline’s assets is appointed; provided, however, that in the latter event, if any such appointment is involuntary, then it will not be considered as an Event of Default by the Signatory Airline unless the Signatory Airline fails to procure a dismissal thereof within ninety (90) days after the appointment of such receiver or trustee.

Remedies

If any Event of Default occurs and is continuing under an Existing Airline Lease Agreement, the Authority may cancel such Existing Airline Lease Agreement by giving the Signatory Airline at least fifteen (15) days’ prior written notice. Such cancellation will be without forfeiture, waiver, or release of the Authority’s right to take whatever legal proceedings may appear necessary or desirable to collect any fees or other charges then due or to enforce any obligation, covenant or agreement of the Signatory Airline under such Existing Airline Lease Agreement or applicable law.

Cancellation by Signatory Airlines

Any Signatory Airline may cancel its Existing Airline Lease Agreement and terminate all its obligations thereunder at any time that the Signatory Airline is not in default in the payment of any fees or charges to the Authority thereunder or in the discharge of any of its other obligations thereunder by giving the Authority at least fifteen (15) days’ prior written notice, if the Signatory Airline will be prevented from

operating its Air Transportation service to and from the Airport by reason of its inability to use a substantial part or all of the Airfield or of the Premises as follows:

- (1) For a period of longer than thirty (30) consecutive days as a result of any condition of the Airport not due to the fault of the Signatory Airline; or
- (2) for a period of longer than ninety (90) consecutive days as a result of a permanent injunction issued by any court of competent jurisdiction not due to fault of the Signatory Airline.

If the Authority breaches any of the covenants or agreements set forth in its Existing Airline Lease Agreement, and the Authority fails to cure such default within thirty (30) days after receipt of written notice, the Signatory Airline may cancel such Existing Airline Lease Agreement; provided, however, that if the Authority commences to cure such default within thirty (30) days after receipt of written notice and exercises good faith and due diligence to cure said default, the Authority will be given a reasonable additional time in which to cure such default.

No breach by the Authority of any covenant or agreement contained in the Existing Airline Lease Agreements will give rise to a cause of action or claim against the Authority for damages in such cases where the Signatory Airline has an adequate remedy, as determined by a court of competent jurisdiction, to protect the interests of the Signatory Airline for such breach through an equitable remedy, such as the right of specific performance, mandamus, injunction or such other similar relief with respect to any breach or threatened breach hereof by the Authority.

MAINTENANCE, DAMAGE OR DESTRUCTION OF AIRPORT

Generally

Subject to the terms of the Existing Airline Lease Agreements, the Authority will have the right at all times to change, alter or expand the Airport. The Existing Airline Lease Agreements provide for the maintenance and repair obligations as between the Authority and the several Signatory Airlines with respect to the Premises.

Partial Damage

If any property, part or all of which is included within the Premises will be partially damaged by fire or other casualty, but not rendered untenable, the Authority will repair the same as promptly as is reasonably possible under the circumstances at the Authority's expense.

If the damage will be so extensive as to render part or all of such Premises unusable but capable of being repaired in sixty (60) days after the date the casualty occurred, the Authority will repair the same with due diligence at the Authority's expense, and the fees and charges payable under the Existing Airline Lease Agreements will be paid in full to the time of such damage and will thereafter cease as to the unusable Premises, until such will be repaired and restored to useable and tenantable conditions.

Complete Destruction

In case such property, or any part thereof, is completely destroyed by fire or other casualty, or so damaged as to be incapable of repair within sixty (60) days after the date the casualty occurred, then the Authority may either (i) repair such Premises with due diligence at the Authority's expense and the fees and charges payable hereunder for the destroyed Premises will be paid in full to the time of such damage

or destruction and will thereafter cease until such time as the Premises will be repaired; or (ii) give notice to the Signatory Airline of its intention to cancel the Existing Airline Lease Agreement or the portion thereof relating to such property within ninety (90) days after the time of such damage or destruction, in which case the Existing Airline Lease Agreement in its entirety, or the portion thereof relating to such property, will cease and terminate.

In case such property, or any part thereof, is completely destroyed by fire or other casualty, or so damaged as to be incapable of repair within sixty (60) days after the date the casualty occurred and the Authority decides not to repair or reconstruct such Premises, the Airline may give notice to the Authority of its intention to cancel the Existing Airline Lease Agreement or the portion thereof relating to such property within sixty (60) days after the time of such damage or destruction, in which case the Existing Airline Lease Agreement in its entirety, or the portion thereof relating to such property, will cease and terminate.

ENVIRONMENTAL PROVISIONS

The Existing Airline Lease Agreements require the Signatory Airlines to conduct operations at the Airport in compliance with all applicable Environmental Laws and provides for inspections; notices; cure, investigation and remediation obligations and remedies; indemnification obligations; and stormwater permitting.

MISCELLANEOUS PROVISIONS

Governing Law

The Existing Airline Lease Agreements are governed by the laws of Tennessee; and any disputes arising out of or related to this contract will be resolved in accordance with said laws. Any action or legal proceeding arising out of or related to the Existing Airline Lease Agreements contract will be brought in the state courts of Knox County, Tennessee, or in the federal court in the district where the Airport is located.

Non-Liability

No board member, commission, director, officer, agent, or employee of the Authority or the Signatory Airlines will be charged personally or be held liable by or to the other party under any term or provision of the Existing Airline Lease Agreements, or any amendment thereto, or because of any breach thereof, or because of its execution.

Agreement Not to Grant More Favorable Terms

The Authority agrees not to enter into any lease, license, contract or other agreement with any other Aircraft Operator containing more favorable terms than the Existing Airline Lease Agreements (including its methodology of establishing fees and charges) or to grant to such Aircraft Operator rights or privileges with respect to the Airport that are not accorded to the Signatory Airline under the Existing Airline Lease Agreements, unless the same rights, terms and privileges are concurrently made available to the Signatory Airlines.

Entire Agreement

The Existing Airline Lease Agreements, together with any Exhibits and Appendices attached thereto, constitutes the entire agreement between the parties thereto with respect to the subject matter

thereof and, except as otherwise expressly provided therein, any prior agreements, representations or statements made with respect to such subject matter, whether verbal or written, are merged therein. The Existing Airline Lease Agreements may be amended only in writing, executed by duly authorized representatives of the party to be bound.

PER-TURN SIGNATORY AIRLINES AND NON-SIGNATORY AIRLINES

A Signatory Airline may elect to operate as a Per-Turn Signatory Airline as provided in the Per-Turn Addendum and as described in this paragraph. If a Signatory Airline makes such an election, such Signatory Airline will enter into the Per-Turn Addendum, and the Per-Turn Addendum provides that such Per-Turn Signatory Airline will:

- (1) Have no rights as to Exclusive Use Premises or Preferential Use Premises;
- (2) Be assigned to use ticketing space in the Terminal Complex and such Concourse Gate Positions as the Authority may determine from time to time, subject to availability, with any such use as to Concourse Gate Positions being undertaken as another Aircraft Operator;
- (3) Pay fees for the use of ticketing space and Concourse Gate Positions at a rate that is 120% of the rates paid by Signatory Airlines that have not elected to be subject to the Per-Turn Addendum;
- (4) Pay all other fees hereunder at the same rate as Signatory Airlines that have not elected to be subject to the Per-Turn Addendum; and
- (5) Airline will have voting rights under Majority-in-Interest reviews only as to costs relating to the Airport Cost Center for the Airfield and will otherwise be excluded for purposes of calculating voting rights and percentages under Majority-in-Interest reviews.

A Signatory Airline that is not a Per-Turn Signatory Airline as of the date such Signatory Airline executes its Existing Airline Lease Agreement may not thereafter operate as a Per-Turn Signatory Airline during the term of such Existing Airline Lease Agreements.

Any Non-Signatory Airline will pay such charges for the use of the Airport as the Authority will impose from time to time based upon its fee schedule for such Aircraft Operators.

APPENDIX F

PROPOSED FORM OF BOND COUNSEL'S OPINION

[Closing Date]

Metropolitan Knoxville Airport Authority
Knoxville, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Metropolitan Knoxville Airport Authority (the “Issuer”) of \$38,600,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2025 (Non-AMT) (the “Bonds”), each dated the date hereof. The Bonds are issued under and pursuant to Resolution No. 25-01 adopted by the Board of Commissioners of the Authority (the “Board”) on January 22, 2025 (the “Authorizing Resolution”), and a Trust Indenture dated as of June 1, 2025 (as the same may be amended from time to time, the “Bond Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as Trustee (“the Trustee”), and related Supplemental Trust Indenture dated as of June 1, 2025, between the Authority and the Trustee (as the same may be amended from time to time, the “Indenture Supplement,” and collectively with the Bond Indenture herein referred to as the “Indenture”). The Bonds are special obligations of the Authority, payable solely from and secured by a lien upon and pledge of the Pledged Funds (as defined in the hereinafter defined Senior Bond Resolution) and the Bonds are issued on a subordinate basis to the Issuer’s Airport Revenue Bonds, Series 2024A (Non-AMT) (the “Series 2024A Bonds”), and its Airport Revenue Bonds, Series 2024B (Federally Taxable) (the “Series 2024B Bonds” and together with the Series 2024A Bonds, the “Series 2024 Bonds”), issued pursuant to Resolution No. 24-03 adopted by the Board on September 18, 2024 (as amended and supplemented from time to time, the “Master Senior Bond Resolution”), and as particularly supplemented by Resolution No. 24-05 adopted by the Board on September 18, 2024 (the “2024 Supplemental Resolution”, and together with the Master Senior Bond Resolution, the “Senior Bond Resolution”) and on a subordinate basis to the Authority’s Airport Revenue Refunding Note, Series 2019 (the “Series 2019 Note”) which has a parity lien under the Master Senior Bond Resolution with the Series 2024 Bonds. The Series 2024 Bonds, the Series 2019 Note, and any additional bonds issued under and pursuant to the terms of the Senior Bond Resolution are collectively referred to herein as the “Senior Bonds.” The Series 2025 Bonds will also be payable from an irrevocable direct-pay letter of credit (the “Credit Facility”) issued by Truist Bank (the “Credit Provider”).

We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Resolutions.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Issuer is duly created and validly existing as a public nonprofit corporation organized and existing as a metropolitan airport authority under the laws of the State of Tennessee, with the corporate power to issue the Bonds.

2. The Resolutions have been duly and lawfully adopted, are in full force and effect, and are effective to authorize the issuance and sale of the Bonds.

3. The Bonds have been duly and validly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer payable solely from the Pledged Funds as defined in the Senior Bond Resolution, subject to the prior application and pledge of the Pledged Funds in favor of the Senior Bonds pursuant to the Senior Bond Resolution.

4. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

5. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 5, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Offering Circular relating to the Bonds. Further, we express no opinion regarding the tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “**Disclosure Agreement**”) dated June 4, 2025, is executed and delivered by the METROPOLITAN KNOXVILLE AIRPORT AUTHORITY (the “**Authority**”) and CUMBERLAND SECURITIES COMPANY, INC., and any successor dissemination agent serving hereunder (the “**Dissemination Agent**”).

RECITALS:

A. On the date hereof, the Authority issued and delivered its: \$38,600,000 Subordinate Airport Revenue Bonds, Series 2025 (Non-AMT) (the “**Series 2025 Bonds**”), pursuant to Resolution No. 25-01 adopted by the Board of Commissioners of the Authority (the “**Board**”) on January 22, 2025 (the “**Authorizing Resolution**”), and a Trust Indenture dated as of June 1, 2025 (as the same may be amended from time to time, the “**Bond Indenture**”), between the Authority and U.S. Bank Trust Company, National Association, as Trustee (the “**Trustee**”), and related First Supplemental Trust Indenture dated as of June 1, 2025, between the Authority and the Trustee (as the same may be amended from time to time, the “**Indenture Supplement**,” and collectively with the Bond Indenture herein referred to as the “**Indenture**”).

B. As a condition precedent to the purchase of the Series 2025 Bonds by the Participating Underwriter (as hereinafter defined) in accordance with the terms of the Bond Purchase Agreement, dated June 4, 2025, by and between Truist Securities, Inc., on behalf of itself and as representative of the Participating Underwriter, and the Authority, and in compliance with the Participating Underwriter’s obligations under the Rule (as hereinafter defined), the Authority has agreed to undertake for the benefit of the holders of the Series 2025 Bonds, to provide certain annual financial information and notice of the occurrence of certain events as set forth herein.

NOW THEREFORE, in consideration of the purchase of the Series 2025 Bonds by the Underwriter and the mutual promises and agreements made herein, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the Authority and the Dissemination Agent do hereby certify and agree as follows:

Section 1. Incorporation of Recitals. The above recitals are true and correct and are incorporated into and made a part hereof

Section 2. Definitions.

(a) For the purposes of this Disclosure Agreement, all capitalized terms used, but not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Offering Circular, as applicable.

(b) In addition to the terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Disclosure Agreement:

“**Actual Knowledge**” as used herein, and for the purposes hereof, a party shall be deemed to have “actual knowledge” of the occurrence of any event only if and to the extent the individual or individuals employed by such party and directly responsible for the administration of this Disclosure Agreement on behalf of such party have actual knowledge of or receive written notice of the occurrence of such event.

“Annual Filing” means any annual report provided by the Authority, pursuant to and as described in Sections 4 and 6 hereof.

“Annual Filing Date” means the date by which the Annual Filing is to be filed with the MSRB, which is not later than March 31 of each year commencing with March 31, 2026. If March 31 falls on a day that is not a Business Day, the Annual Filing will be due on the first Business Day thereafter.

“Annual Financial Information” means annual financial information as specified in Section 6(a) hereof.

“Audited Financial Statements” means the financial statements of the Authority for the prior Fiscal Year, certified by an independent auditor and prepared in accordance with generally accepted auditing standards and Government Auditing Principles issued by the Comptroller General of the United States.

“Beneficial Owner” means any beneficial owner of the Series 2025 Bonds. Beneficial ownership is to be determined consistent with the definition thereof contained in Rule 13d-3 of the SEC, or, in the event such provisions do not adequately address the situation at hand (in the opinion of nationally recognized bond counsel), beneficial ownership is to be determined based upon ownership for federal income tax purposes.

“Business Day” means a day other than: (a) Saturday or a Sunday, (b) a day on which banks are authorized or required by law to close, or (c) a day on which the Authority is authorized or required to be closed.

“Disclosure Representative” means the Chief Financial Officer of the Authority or her or his designee, or such other person as the Authority shall designate in writing to the Dissemination Agent from time to time as the person responsible for providing Information to the Dissemination Agent.

“EMMA” means the Electronic Municipal Market Access system, a service of the MSRB, or any successor thereto.

“Filing” means, as applicable, any Annual Filing, a Notice Event Filing, a Voluntary Filing or any other notice or report made public under this Disclosure Agreement.

“Fiscal Year” means the fiscal year of the Authority, which currently is the twelve-month period beginning July 1 and ending on June 30 of the following year or any such other twelve-month period designated by the Authority, from time to time, to be its fiscal year.

“Information” means the Annual Financial Information, the Audited Financial Statements, the Notice Event Filings and the Voluntary Filings.

“MSRB” means the Municipal Securities Rulemaking Board or any successor thereto.

“Notice Event” means an event listed in Section 5(a) hereof.

“Notice Event Filing” shall have the meaning specified in Section 5(c) hereof.

“Obligated Person” means the Authority and any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Series 2025 Bonds (other than providers of municipal bond insurance,

letters of credit, or other liquidity facilities). The Authority confirms that as of the date hereof it is an Obligated Person with respect to the Series 2025 Bonds.

“Offering Circular” means the Offering Circular dated May 27, 2025 with respect to the Series 2025 Bonds.

“Participating Underwriter” means, collectively, the original purchasers of the Series 2025 Bonds required to comply with the Rule in connection with the offering of the Series 2025 Bonds.

“Repository” means each entity authorized and approved by the SEC from time to time to act as a repository for purposes of complying with the Rule. The repositories currently approved by the SEC as of the date hereof may be found by visiting the SEC’s website at <http://www.sec.gov/info/municipal/nrmsir.htm>. As of the date hereof, the only Repository recognized by the SEC for such purpose is the MSRB, which currently accepts continuing disclosure filings through the EMMA website at <http://emma.msrb.org>.

“Rule” means Rule 15c2-12 of the SEC promulgated pursuant to the Securities Exchange Act of 1934, as amended, in effect as of the date hereof.

“SEC” means the United States Securities and Exchange Commission or any successor thereto.

“Third-Party Beneficiary” has the meaning specified in Section 3(b) hereof.

“Unaudited Financial Statements” means the financial statements (if any) of the Authority for the prior Fiscal Year which have not been certified by an independent auditor.

“Voluntary Filing” means the information provided to the Dissemination Agent by the Authority pursuant to Section 8 hereof.

Section 3. Scope of this Disclosure Agreement.

(a) The Authority has agreed to enter into this Disclosure Agreement and undertake the disclosure obligations hereunder, at the request of the Participating Underwriter and as a condition precedent to the Participating Underwriter’s original purchase of the Series 2025 Bonds, in order to assist the Participating Underwriter with compliance with the Rule. The disclosure obligations of the Authority under this Disclosure Agreement relate solely to the Series 2025 Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the Authority, nor to any other securities issued by or on behalf of the Authority.

(b) Neither this Disclosure Agreement, nor the performance by the Authority or the Dissemination Agent of their respective obligations hereunder, shall create any third-party beneficiary rights, shall be directly enforceable by any third-party, or shall constitute a basis for a claim by any person except as expressly provided herein and except as required by law, including, without limitation, the Rule; provided, however, the Participating Underwriter and each Beneficial Owner are hereby made third-party beneficiaries hereof (collectively, and each respectively, a **“Third-Party Beneficiary”**) and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 9 hereof.

(c) This Disclosure Agreement shall terminate upon: (i) the defeasance, redemption or payment in full of all Series 2025 Bonds, in accordance with the Indenture, or (ii) the delivery of an opinion of counsel expert in federal securities laws retained by the Authority to the effect that continuing disclosure is no longer required under the Rule with respect to the Series 2025 Bonds.

Section 4. Annual Filings.

(a) The Authority shall provide, annually, an electronic copy of the Annual Filing to the Dissemination Agent on or before the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Filing, the Dissemination Agent shall provide the Annual Filing to the Repository, in an electronic format as prescribed by the MSRB. The Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 6 hereof.

(b) If on the second (2nd) Business Day prior to the Annual Filing Date, the Dissemination Agent has not received a copy of the Annual Filing, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by email) to remind the Authority of its undertaking to provide the Annual Filing pursuant to Section 4(a) hereof. Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Filing no later than 6:00 p.m. (Eastern Time) on the Annual Filing Date (or if such Annual Filing Date is not a Business Day, then the first Business Day thereafter), or (ii) instruct the Dissemination Agent in writing as to the status of the Annual Filing within the time required under this Disclosure Agreement, and state the date by which the Annual Filing for such year is expected to be provided. If the Dissemination Agent has not received either (i) the Annual Filing by 6:00 p.m. (Eastern Time) on the Annual Filing Date, or (ii) notice from the Authority that it intends to deliver the Annual Filing to the Dissemination Agent by 11:59 p.m. (Eastern Time) on the Annual Filing Date, the Authority hereby irrevocably directs the Dissemination Agent, and the Dissemination Agent agrees, to immediately send an Notice Event Filing to the Repository the following Business Day in substantially the form attached hereto as Exhibit A without reference to the anticipated filing date for the Annual Filing.

(c) If the Audited Financial Statements are not available by the Annual Filing Date, the Authority shall provide the Unaudited Financial Statements and when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Dissemination Agent for filing with the Repository.

(d) The Dissemination Agent shall:

(i) upon receipt and no later than the Annual Filing Date, promptly file each Annual Filing received under Section 4(a) hereof with the Repository in an electronic format as prescribed by the MSRB; and

(ii) provide the Authority evidence of the filing of the Annual Filing when made.

(e) The Authority may adjust the Annual Filing Date upon change of its Fiscal Year by providing written notice of such change and the new Annual Filing Date to the Dissemination Agent and the Repository, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(f) Each Annual Filing shall contain the information set forth in Section 6 hereof.

Section 5. Reporting of Notice Events.

(a) In accordance with the Rule, the Authority or the Dissemination Agent shall file a Notice Event Filing with the Repository, in the appropriate format required by the MSRB and in a timely manner not in excess of ten (10) Business Days after it has Actual Knowledge of the occurrence of any of the following Notice Events with respect to the Series 2025 Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2025 Bonds, or other material events affecting the tax status of the Series 2025 Bonds;
- (vii) Modifications to rights of holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Series 2025 Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person. Such an event is considered to occur when there is an appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person;
- (iv) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (v) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (vi) Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect security holders, if material; or

(vii) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.

(b) In accordance with the Rule, the Authority or the Dissemination Agent shall file a Notice Event Filing with the Repository, in the appropriate format required by the MSRB and in a timely manner, after the occurrence of a failure of the Authority to provide the Annual Filing on or before the Annual Filing Date.

(c) The Authority shall promptly notify the Dissemination Agent in writing upon having Actual Knowledge of the occurrence of a Notice Event; provided, however, to the extent any such Notice Event has been previously and properly disclosed by or on behalf of the Authority, the Authority shall not be required to provide additional notice of such Notice Event in accordance with this subsection. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 5(e) hereof. Such notice shall be accompanied with the text of the disclosure that the Authority desires to make (each a “**Notice Event Filing**”), the written authorization of the Authority for the Dissemination Agent to disseminate such information, and the date on which the Authority desires the Dissemination Agent to disseminate the information.

The Dissemination Agent is under no obligation to notify the Authority or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will instruct the Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made, or (ii) a Notice Event has occurred and provide the Dissemination Agent with the Notice Event Filing and the date the Dissemination Agent should file the Notice Event Filing.

(d) The Dissemination Agent shall upon receipt, and no later than the required filing date, promptly file each Notice Event Filing received under Sections 5(a) and 5(b) hereof, with the Repository in an electronic format as prescribed by the MSRB.

Section 6. Content of Annual Filings.

(a) Each Annual Filing shall contain (i) the Audited Financial Statements for the prior Fiscal Year, and (ii) the following Annual Financial Information, consisting of, to the extent not included in the Audited Financial Statements and to the extent all such information continues to be available and/or prepared by the Authority and/or its consultants, updates of the following information set forth in the Offering Circular:

(i) the table entitled “Passenger and All-Cargo Airlines Serving the Airport” under the heading “MCGHEE TYSON AIRPORT – Airlines Serving the Airport;”

(ii) the table entitled “Enplaned Passengers” under the heading “MCGHEE TYSON AIRPORT – Enplaned Passenger Traffic;”

(iii) the table entitled “Enplaned Passenger Market Share” under the heading “MCGHEE TYSON AIRPORT – Enplaned Market Share;”

(iv) the table entitled “Passenger, Cargo, and Miscellaneous Landed Weight Market Share” under the heading “MCGHEE TYSON AIRPORT – Landed Weight;”

(v) the table entitled “Schedule of Revenues, Expenses and Change in Net Position” under the heading “AUTHORITY FINANCIAL INFORMATION – Schedule of Revenues, Expenses and Changes in Net Position;” and

(vi) the table entitled “Debt Service Coverage” under the heading “AUTHORITY FINANCIAL INFORMATION – Debt Service Coverage.”

(b) If the Audited Financial Statements are not available by the time the Annual Filing is required to be filed pursuant to Section 4(a) hereof, the Annual Filing shall contain Unaudited Financial Statements of the Authority prepared in accordance with generally accepted accounting principles, as in effect from time to time, and the Audited Financial Statements shall be filed in the same manner as the Annual Filing when they become available. The Audited Financial Statements will be provided pursuant to Section 4(c) hereof.

Any or all of the items listed above may be included by specific reference to documents previously filed with the Repository or the SEC, including, but not limited to, official statements of debt issues with respect to which the Authority is an Obligated Person and the Authority’s Annual Comprehensive Financial Report. If the document incorporated by reference is a final official statement, it must be available from the Repository. The Authority will clearly identify each such document so incorporated by reference.

Section 7. Responsibility for Content of Reports and Notices.

(a) The Authority shall be solely responsible for the content of each Filing (or any portion thereof) provided to the Dissemination Agent pursuant to this Disclosure Agreement.

(b) Each Filing distributed by the Dissemination Agent pursuant to Section 4 or 5 hereof shall be in a form suitable for distributing publicly and shall contain the CUSIP numbers of the Series 2025 Bonds and such other identifying information prescribed by the MSRB from time to time. Each Notice Event Filing shall be in substantially the form set forth in Exhibit A attached hereto. If an item of information contained in any Filing pursuant to this Disclosure Agreement would be misleading without additional information, the Authority shall include such additional information as a part of such Filing as may be necessary in order that the Filing will not be misleading in light of the circumstances under which it is made.

(c) Any report, notice or other filing to be made public pursuant to this Disclosure Agreement may consist of a single document or separate documents composing a package and may incorporate by reference other clearly identified documents or specified portions thereof previously filed with the Repository or the SEC; provided that any final official statement incorporated by reference must be available from the Repository.

(d) Notwithstanding any provision herein to the contrary, nothing in this Disclosure Agreement shall be construed to require the Authority or the Dissemination Agent to interpret or provide an opinion concerning information made public pursuant to this Disclosure Agreement.

(e) Notwithstanding any provision herein to the contrary, the Authority shall not make public, or direct the Dissemination Agent to make public, information which is not permitted to be publicly disclosed under any applicable data confidentiality or privacy law or other legal requirement.

Section 8. Voluntary Filings.

(a) The Authority may instruct the Dissemination Agent to file information with the Repository, from time to time (a “***Voluntary Filing***”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information through the Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Notice Event Filing, in addition to that required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Notice Event Filing in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Filing, Annual Financial Statement, Voluntary Filing or Notice Event Filing.

(c) Notwithstanding the foregoing provisions of this Section, the Authority is under no obligation to provide any Voluntary Filing.

(d) The Dissemination Agent shall upon receipt promptly file each Voluntary Filing received with the Repository in an electronic format as prescribed by the MSRB.

Section 9. Defaults; Remedies.

(a) A party shall be in default of its obligations hereunder if it fails or refuses to carry out or perform its obligations hereunder for a period of five (5) Business Days following notice of default given in writing to such party by any other party hereto or by any Third-Party Beneficiary hereof, unless such default is cured within such five (5) Business Day notice period. An extension of such five (5) Business Day cure period may be granted for good cause (in the reasonable judgment of the party granting the extension) by written notice from the party who gave the default notice.

(b) If a default occurs and continues beyond the cure period specified above, any non-defaulting party or any Third-Party Beneficiary may seek specific performance of the defaulting party's obligations hereunder as the sole and exclusive remedy available upon any such default, excepting, however, that the party seeking such specific performance may recover from the defaulting party any reasonable attorneys' fees and expenses incurred in the course of enforcing this Disclosure Agreement as a consequence of such default. Each of the parties hereby acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder, and therefore agrees that the exclusive remedy of specific performance shall be available in proceedings to enforce this Disclosure Agreement.

(c) Notwithstanding any provision of this Disclosure Agreement or the Indenture to the contrary, no default under this Disclosure Agreement shall constitute a default or event of default under the Indenture.

Section 10. Amendment or Modification.

(a) This Disclosure Agreement shall not be amended or modified except as provided in this Section. No modification, amendment, alteration or termination of all or any part of this Disclosure Agreement shall be construed to be, or operate as, altering or amending in any way the provisions of the Indenture.

(b) Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if: (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligor on the Series 2025 Bonds, or type of business conducted by such obligor; (ii) such amendment or waiver does not materially impair the interests of the Beneficial Owners of the Series 2025 Bonds, as determined either by an unqualified opinion of counsel expert in federal securities laws retained by the Authority or by the approving vote a majority of the Beneficial Owners of the Series 2025 Bonds outstanding at the time of such amendment or waiver; and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws retained by the Authority, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

(c) If any provision of Section 6 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

(d) If the provisions of this Disclosure Agreement specifying the accounting principles to be followed in preparing the Authority's financial statements are amended or waived, the Annual Filing for the 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. The comparison shall include a qualitative 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, in order to provide information to the Beneficial Owners of the Series 2025 Bonds to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. The Authority will file a notice of the change in the accounting principles with the Repository on or before the effective date of any such amendment or waiver.

(e) Notwithstanding the foregoing, the Dissemination Agent shall not be obligated to agree to any amendment expanding its duties or obligations hereunder without its consent thereto.

(f) The Authority shall prepare or cause to be prepared a notice of any such amendment or modification and shall direct the Dissemination Agent to make such notice public in accordance with Section 8 hereof.

Section 11. Agency Relationship.

(a) The Dissemination Agent agrees to perform such duties, but only such duties, as are specifically set forth in this Disclosure Agreement, and no implied duties or obligations of any kind shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Dissemination Agent may conclusively rely, as to the truth, accuracy and completeness of the statements set forth therein, upon all notices, reports, certificates or other materials furnished to the Dissemination Agent pursuant to this Disclosure Agreement, and in the case of notices and reports required to be furnished to the Dissemination Agent pursuant to this Disclosure Agreement, the Dissemination Agent shall have no duty whatsoever to examine the same to determine whether they conform to the requirements of this Disclosure Agreement.

(b) The Dissemination Agent shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Dissemination Agent unless it shall be proven that the

Dissemination Agent engaged in negligent conduct or willful misconduct in ascertaining the pertinent facts related thereto.

(c) The Dissemination Agent shall perform its rights and duties under this Disclosure Agreement using the same standard of care as a prudent person would exercise under the circumstances, and the Dissemination Agent shall not be liable for any action taken or failure to act in good faith under this Disclosure Agreement unless it shall be proven that the Dissemination Agent was negligent or engaged in willful misconduct.

(d) The Dissemination Agent may perform any of its duties hereunder by or through attorneys or agents selected by it with reasonable care, and shall be entitled to the advice of counsel concerning all matters arising hereunder, and may in all cases pay such reasonable compensation as it may deem proper to all such attorneys and agents. The Dissemination Agent shall be responsible for the acts or negligence of any such attorneys, agents or counsel.

(e) The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Authority, the holders of the Series 2025 Bonds or any other party.

(f) None of the provisions of this Disclosure Agreement or any notice or other document delivered in connection herewith shall require the Dissemination Agent to advance, expend or risk its own funds or otherwise incur financial liability in the performance of any of the Dissemination Agent's duties or rights under this Disclosure Agreement.

(g) Except as expressly provided herein, the Dissemination Agent shall not be required to monitor the compliance of the Authority with the provisions of this Disclosure Agreement or to exercise any remedy, institute a suit or take any action of any kind without indemnification satisfactory to the Dissemination Agent.

(h) The Dissemination Agent may resign at any time by giving at least ninety (90) days prior written notice thereof to the Authority. The Dissemination Agent may be removed for good cause at any time by written notice to the Dissemination Agent from the Authority, provided that such removal shall not become effective until a successor dissemination agent has been appointed by the Authority under this Disclosure Agreement.

(i) In the event the Dissemination Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Dissemination Agent for any reason, the Authority shall promptly appoint a successor. Notwithstanding any provision to the contrary in this Disclosure Agreement or elsewhere, the Authority may appoint itself to serve as Dissemination Agent hereunder.

(j) Any company or other legal entity into which the Dissemination Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Dissemination Agent may be a party or any company to whom the Dissemination Agent may sell or transfer all or substantially all of its agency business shall be the successor dissemination agent hereunder without the execution or filing of any paper or the performance of any further act and shall be authorized to perform all rights and duties imposed upon the Dissemination Agent by this Disclosure Agreement, anything herein to the contrary notwithstanding.

Section 12. Miscellaneous.

(a) Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Disclosure Agreement by the officers of such party whose

signatures appear on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Disclosure Agreement under applicable law and any resolutions, ordinances, or other actions of such party now in effect, (iii) that the execution and delivery of this Disclosure Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party or its property or assets is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Disclosure Agreement, or its due authorization, execution and delivery of this Disclosure Agreement, or otherwise contesting or questioning the issuance of the Series 2025 Bonds.

(b) This Disclosure Agreement shall be governed by and interpreted in accordance with the laws of the State of Tennessee and applicable federal law.

(c) This Disclosure Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

Section 13. Identifying Information. All documents provided to the Repository pursuant to this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 14. Severability. In case any part of this Disclosure Agreement is held to be illegal or invalid, such illegality or invalidity shall not affect the remainder or any other section of this Disclosure Agreement. This Disclosure Agreement shall be construed or enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application of this Disclosure Agreement affect any legal and valid application.

IN WITNESS WHEREOF, the Authority and the Dissemination Agent have each caused this Disclosure Agreement to be executed, on the date first written above, by their respective duly authorized officers.

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Patrick Wilson,
President and Chief Executive Officer

CUMBERLAND SECURITIES COMPANY, INC.,
as Dissemination Agent

By: _____
Name: Scott P. Gibson
Title: Senior Vice President

EXHIBIT A

NOTICE TO REPOSITORY OF THE OCCURRENCE OF
[INSERT THE NOTICE EVENT]

Relating to

Metropolitan Knoxville Airport Authority
Subordinate Airport Revenue Bonds,
Series 2025 (Non-AMT)

Originally Issued on June 4, 2025

[**CUSIP NUMBERS**]

Notice is hereby given by the Metropolitan Knoxville Airport Authority (the "Authority"), as Obligated Person with respect to the above-referenced bonds issued by the Authority, under the Securities and Exchange Commission's Rule 15c2-12, that [**INSERT THE NOTICE EVENT**] has occurred. [**DESCRIBE NOTICE EVENT AND MATERIAL CIRCUMSTANCES RELATED THERETO**].

This Notice is based on the best information available to the Authority at the time of dissemination hereof and is not guaranteed by the Authority as to the accuracy or completeness of such information. The Authority will disseminate additional information concerning [**NOTICE EVENT**], as and when such information becomes available to the Authority, to the extent that the dissemination of such information would be consistent with the requirements of Rule 15c2-12 and the Authority's obligation under that certain Continuing Disclosure Agreement dated June 4, 2025. [**Any questions regarding this notice should be directed in writing only to the Authority. However, the Authority will not provide additional information or answer questions concerning [**NOTICE EVENT**] except in future written notices, if any, disseminated by the Authority in the same manner and to the same recipients as this Notice**].

DISCLAIMER: All information contained in this Notice has been obtained by the Authority from sources believed to be reliable as of the date hereof. Due to the possibility of human or mechanical error as well as other factors, however, such information is not guaranteed as to the accuracy, timeliness or completeness. Under no circumstances shall the Authority have any liability to any person or entity for (a) any loss, damage, cost, liability or expense in whole or in part caused by, resulting from or relating to this Notice, including, without limitation, any error negligent or otherwise) or other circumstances involved in procuring, collecting, compiling, interpreting, analyzing, editing, transcribing, transmitting, communicating or delivering any information contained in this Notice, or (b) any direct, indirect, special, consequential or incidental damages whatsoever related thereto.

Dated: _____, 20__

METROPOLITAN KNOXVILLE AIRPORT
AUTHORITY

By: _____
Name: _____
Title: _____

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “– General” below has been provided by DTC. The Authority makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2025 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE AUTHORITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2025 BONDS UNDER THE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2025 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2025 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2025 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2025 Bonds. The Series 2025 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 2025 Bond certificate will be issued for each maturity of the Series 2025 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**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 a Standard & Poor’s rating of

AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond ("**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 are, however, 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 2025 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2025 Bonds, except in the event that use of the book-entry system for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025 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 Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 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 holdings 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. Beneficial Owners of Series 2025 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2025 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2025 Bond documents. For example, Beneficial Owners of Series 2025 Bonds may wish to ascertain that the nominee holding the Series 2025 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2025 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2025 Bonds of a maturity 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 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2025 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 Paying Agent on the 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 Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 Paying Agent, 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 depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2025 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2025 Bonds will be printed and delivered to DTC.

The information in this APPENDIX H concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriter take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2025 BONDS AND WILL NOT BE RECOGNIZED BY THE PAYING AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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APPENDIX I
INFORMATION RELATED TO THE CREDIT PROVIDER



The information contained in this Appendix has been obtained from Truist Bank (the “*Bank*”) and is not to be construed as a representation by the Authority or the Remarketing Agent.

The Bank is a wholly owned subsidiary of Truist Financial Corporation (the “*Corporation*”), a North Carolina financial holding company. The Bank is chartered under the laws of the State of North Carolina to engage in a general banking business.

The Bank provides a full range of commercial banking, consumer banking and trust and investment services primarily through its branch network located in North Carolina, Virginia, Florida, Georgia, Maryland, South Carolina, Alabama, West Virginia, Kentucky, Tennessee, Texas, Indiana, Pennsylvania, New Jersey, Ohio, and Washington D.C. As of March 31, 2025, the Bank had total assets of \$536 billion, and total deposits of approximately \$404 billion. On December 7, 2019, SunTrust Bank merged into Branch Banking and Trust Company which then changed its name to Truist Bank.

The Bank submits quarterly to the Federal Deposit Insurance Corporation, its primary federal regulator, certain information regarding its financial condition entitled “Consolidated Reports of Conditions and Income for a Bank with Domestic and Foreign Offices” (“*Call Reports*”). All Call Reports may be obtained online at <https://cdr.ffiec.gov> or by calling the FDIC at (877) 275-3342.

Additionally, the Corporation is subject to certain reporting requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the “*SEC*”). The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC’s website is <http://www.sec.gov>. The Corporation’s SEC filings are also available through its website at <https://ir.truist.com/sec-filings>. Information on the Corporation’s website is not part of or incorporated by reference into this Appendix or the Offering Circular. The Bank will provide copies of the Corporation’s most recent Form 10-K, in each case as filed with the SEC, free of charge to any recipient of this document, upon written request of such person delivered in writing to: Truist Financial Corporation, 214 Tryon Street, Charlotte, North Carolina 28202, Attention: Investor Relations (telephone: (704) 499-3575).

The information concerning the Corporation and the Bank contained herein is furnished solely to provide limited introductory information, is not intended to be comprehensive, and is qualified in its entirety by the detailed information appearing in the documents and filings (including all financial statements) referenced above.

THE LETTER OF CREDIT IS AN OBLIGATION OF THE BANK AND NOT AN OBLIGATION OF THE CORPORATION.

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APPENDIX J

FORM OF LETTER OF CREDIT

TRUIST BANK

**7701 Airport Center Drive, Suite 2600
Greensboro, North Carolina 27409
Attention: Direct Pay Letter of Credit Dept.**

**TELEPHONE:
FACSIMILE:**

**IRREVOCABLE LETTER OF CREDIT
LETTER OF CREDIT NO. _____**

June 4, 2025

\$39,247,211

Letter of Credit No. _____

Beneficiary:

U.S. Bank Trust Company, National Association (the
“Bond Trustee”)
333 Commerce Street, Suite 900
Nashville, TN 37201 Attention: Corporate Trust

Ladies and Gentlemen:

Truist Bank (the “Bank”) hereby establishes in your favor, as Bond Trustee, under a Reimbursement Agreement dated as of June 1, 2025 between the Bank and you (as the same may be amended from time to time, the “Reimbursement Agreement”) and further under Resolution No. 25-01 adopted by the Board of Commissioners of the Metropolitan Knoxville Airport Authority (the “2025 Supplemental Resolution”) and the Trust Indenture dated as of June 1, 2025 (as amended from time to time, the “Bond Indenture”) between you and U.S. Bank Trust Company, National Association, as trustee (the “Bond Trustee”) and related First Supplemental Trust Indenture dated as of June 1, 2025 between the Borrower and Bond Trustee (as the same may be amended from time to time, “the Indenture Supplement” and collectively with the Bond Indenture herein referred to as the “Indenture”), for the benefit of the holders of the Bonds (as hereinafter defined), our Irrevocable Transferable Letter of Credit No. _____ for the account of the Metropolitan Knoxville Airport Authority, a public corporation of the State of Tennessee (the “Borrower”), whereby we hereby irrevocably authorize you to draw on us from time to time, from and after the date hereof to and including the earliest to occur of our close of business on: (i) June 3, 2030 (as extended from time to time, the “Stated Expiration Date”); (ii) the earlier of (A) the date which is one (1) Business Day following the date on which all of the Bonds are converted to bear interest at a rate other than the Daily Rate or Weekly Rate, as such date is specified in a certificate in the form of Exhibit A hereto (the “Conversion Date”) or (B) the date on which the Bank honors a drawing under this Letter of Credit on or after the Conversion Date; (iii) the date which is one (1) Business Day following receipt by the Bank of a certificate in the form set forth as Exhibit B hereto; (iv) the date on which a Stated Maturity Drawing is honored by us; or (v) the date which is twenty (20) days following receipt by you of a written notice from us in the form of Exhibit K attached hereto specifying either (X) the occurrence of an Event of Default as defined in the Reimbursement Agreement or (Y) that the Bank has not been reimbursed for an Interest Drawing under this Letter of Credit such that the amount of such Interest Drawing will not be

reinstated and directing you to cause a mandatory purchase of the Bonds as provided for in the 2005 Supplemental Resolution and Indenture (the earliest of such dates to occur referred to herein as the "Termination Date"), a maximum aggregate amount not exceeding \$39,247,211 (the "Original Stated Amount") to pay the unpaid principal amount of, or a portion of the purchase price corresponding to the principal of, and accrued interest on, the Borrower's Subordinate Airport Revenue Bonds, Series 2025 (the "Bonds"), in accordance with the terms hereof (said \$39,247,211 having been calculated to be equal to \$38,600,000, the aggregate outstanding principal amount of the Bonds, plus \$647,211 which is at least fifty-one (51) days' accrued interest on said principal amount of the Bonds at the rate of twelve percent (12%) per annum (the "Cap Interest Rate") calculated on a 365-day basis). This Letter of Credit is available to you against presentation of the following documents (the "Payment Documents") presented to the Bank as described below:

A certificate (with all blanks appropriately completed) (i) in the form attached as Exhibit C hereto to pay accrued interest on the Bonds as provided for under Section 6.06 of the Indenture (an "Interest Drawing"), (ii) in the form attached as Exhibit D hereto to pay the principal amount of and accrued interest on the Bonds in respect of any redemption (including a mandatory sinking fund redemption) of the Bonds as provided for in Section 3.05 and Section 6.06 of the Indenture (a "Redemption Drawing"), (iii) in the form attached as Exhibit E hereto, to pay the purchase price of Bonds tendered for purchase as provided for in Section 4.01 or 4.02 (solely with respect to Bonds bearing interest at the Daily Rate or the Weekly Rate) of the Indenture which have not been successfully remarketed or for which the purchase price has not been received by the Bond Trustee by 12:00 p.m., New York City time on the purchase date (a "Liquidity Drawing"); (iv) in the form attached as Exhibit L hereto, to pay the purchase price in respect of Bonds the payment of which is due as a result of a mandatory purchase of the Bond pursuant to Section 4.01 of the Indenture (a "Mandatory Purchase Drawing") or (v) in the form attached as Exhibit F hereto to pay the principal amount of Bonds maturing on June 1, 2055 ("Stated Maturity Drawing"), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder. No drawings shall be made under this Letter of Credit for Pledged Bonds or for Bonds bearing interest at a rate other than the Daily Rate or Weekly Rate, for Bonds owned by or on behalf of the Borrower.

All drawings shall be made by presentation of the related Payment Document at the Bank's office at Truist Bank, 7701 Airport Center Dr, Suite 2600 Greensboro, NC 27409 as aforesaid, or by telecopier at _____ Attention: Direct Pay Letter of Credit Department, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at _____ on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so) or at any other office or offices or number or numbers which may be designated by the Bank by written notice delivered to the Bond Trustee.

We agree to honor and pay the amount of any Mandatory Purchase, Interest, Redemption, Liquidity, or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If such drawing, other than a Liquidity Drawing, is presented prior to 3:00 p.m., New York City

time, on a Business Day, payment shall be made in immediately available funds, by 11:30 a.m., New York City time, on the following Business Day. If any such drawing, other than a Liquidity Drawing, is presented at or after 3:00 p.m., New York City time, on a Business Day, payment shall be made in immediately available funds, by 11:30 a.m., New York City time, on the second following Business Day. If a Liquidity Drawing is presented to the Bank at or prior to 12:15 p.m., New York City time on a Business Day, payment shall be made in immediately available funds, by 3:00 p.m., New York City time, on the same Business Day. If a Liquidity Drawing is presented after 12:15 p.m., Noon, New York City time on a Business Day, payment shall be made in immediately available funds, by 3:00 p.m., New York City time, on the following Business Day. Payments under this Letter of Credit shall be made by wire transfer of immediately available funds to the Bond Trustee at U.S. Bank N.A, ABA No. _____, Account No. _____; Acct Name: _____, Attention: _____. Such account may be changed only by presentation to us of a letter in form satisfactory to us specifying a different account with the Bond Trustee and executed by the Bond Trustee and authenticated to our satisfaction. "Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which the Bond Trustee or the Bank is required or permitted by law to close, and (c) a day on which the New York Stock Exchange is closed.

The Available Amount (as hereinafter defined) will be reduced automatically by the amount of any drawing hereunder; *provided, however*, that the amount of any Interest Drawing hereunder, shall be automatically reinstated, on the fifth (5th) calendar day following the date any Interest Drawing is honored if you shall not have received notice from us in the form of Exhibit K attached hereto prior to such time that we have not been reimbursed for such Interest Drawing or that any Event of Default has occurred under the Reimbursement Agreement and, as a result thereof, the amount of such Interest Drawing shall not be reinstated and we shall direct the Bond Trustee to cause a mandatory purchase of the Bonds. After payment by the Bank of a Liquidity Drawing, the obligation of the Bank to honor drawings under this Letter of Credit will be automatically reduced by an amount equal to the amount of said drawing. In addition, prior to the Conversion Date, the Bank's obligations to honor drawings hereunder will be automatically reinstated concurrently upon receipt by the Bank, of a certificate in the form of Exhibit H, and receipt by the Bank of the amount equal to the Original Purchase Price of such Bonds. "Original Purchase Price" shall mean the principal amount of any Bond purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bond paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase.

Upon receipt by the Bank of a certificate of the Bond Trustee in the form of Exhibit G hereto, the Available Amount will automatically and permanently be reduced by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate.

The "Available Amount" shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Mandatory Purchase, Interest, Redemption, Liquidity or Stated Maturity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate in the form of Exhibit G, (iii) plus the amount of all reinstatements as above provided.

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the Borrower by delivering to you an amendment to this Letter of Credit in the form of Exhibit J hereto designating the date to which the Stated Expiration Date is being extended. All references in this Letter of Credit to the Stated Expiration Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

Upon the Termination Date, this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation.

This Letter of Credit is transferable in whole only to your successor as Bond Trustee. Any such transfer (including any successive transfer) shall be subject to the Bank's receipt of a signed transfer request signed by the transferor in the form of Exhibit I hereto together with the original Letter of Credit. Transfers to designated foreign nationals and/or specifically designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations. Upon our endorsements of such transfer, the transferee instead of the transferor shall, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; provided that, in such case, any certificates of the Bond Trustee to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer of the transferee.

Communications with respect to this Letter of Credit shall be addressed to us at Truist Bank, 7701 Airport Center Dr, Suite 2600 Greensboro, NC 27409 Attention: Direct Pay Letter of Credit Dept, or by telecopier (at telecopier number _____, specifically referring to the number of this Letter of Credit. For telephone assistance, please contact Direct Pay Letter of Credit Department at _____ and have this Letter of Credit number available. Any communication to the Bank which is made by telecopier as permitted hereby shall be immediately confirmed in writing delivered to the Bank at the address of the Bank set forth above, provided that failure to provide such written confirmation shall not affect the validity of such notice by telecopier.

To the extent not inconsistent with the express terms hereof, this Letter of Credit is governed by and construed in accordance with the International Standby Practices 1998, International Chamber of Commerce, Publication No. 590 ("ISP98"). As to matters not governed by ISP98, this Letter of Credit is governed by and construed in accordance with the laws of the State of North Carolina, including without limitation Article 5 of the Uniform Commercial Code as in effect on the date hereof in the State of North Carolina.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.

[SIGNATURE PAGE FOLLOWS]

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever.

TRUIST BANK

By: _____

Name:

Title:

EXHIBIT A
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

NOTICE OF CONVERSION DATE

[Date]

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the "Letter of Credit"), which has been established by the Bank for the account of the Borrower, in favor of the Bond Trustee.

The undersigned hereby certifies and confirms that the Conversion Date of all of the Bonds to bear interest in a mode other than the Daily Rate or Weekly Rate (as defined in the 2025 Supplemental Resolution and Indenture) has occurred on **[insert date]**, and, accordingly, said Letter of Credit shall terminate on _____, which is one (1) Business Day after such Conversion Date in accordance with its terms.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit.

_____,
as Bond Trustee

By _____
[Title of Authorized Officer]

EXHIBIT B
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

NOTICE OF TERMINATION

[Date]

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the "Letter of Credit"), which has been established by the Bank for the account of the Borrower, in favor of the Bond Trustee.

The undersigned hereby certifies and confirms that (i) no Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the 2025 Supplemental Resolution and Indenture (as defined in the Letter of Credit), (ii) all drawings required to be made under the 2025 Supplemental Resolution and Indenture and available under the Letter of Credit have been made and honored, or (iii) a Substitute Credit Facility has been issued to replace the Letter of Credit pursuant to the 2025 Supplemental Resolution and Indenture and the Reimbursement Agreement dated June 1, 2025, among the Borrower and the Bank, and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

_____,
as Bond Trustee

By _____
[Title of Authorized Officer]

EXHIBIT C
TO
TRUIST BANK _____
LETTER OF CREDIT NO. _____
RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

INTEREST DRAWING CERTIFICATE

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

The undersigned individual, a duly authorized officer of _____ (the “Beneficiary”), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the “Letter of Credit”), issued by the Bank in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain 2025 Supplemental Resolution and Indenture (as defined in the Letter of Credit):

1. The Beneficiary is the Bond Trustee (as defined in the Letter of Credit) under the 2025 Supplemental Resolution and Indenture.

2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to the 2025 Supplemental Resolution and Indenture with respect to the payment of interest due on all Bonds outstanding on the Interest Payment Date (as defined in the 2025 Supplemental Resolution and Indenture) occurring on **insert applicable date**, other than Pledged Bonds (as defined in the Reimbursement Agreement), Bonds which bear interest at a rate other than the Daily Rate or Weekly Rate (each as defined in the 2025 Supplemental Resolution and Indenture), or Bonds owned by or on behalf of the Borrower.

3. The amount of the drawing is equal to the amount required to be drawn by the Bond Trustee pursuant to Section 6.06 of the Indenture.

4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the 2025 Supplemental Resolution and Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made in accordance with the terms of the Letter of Credit.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

_____ ,
as Bond Trustee

By _____
[Title of Authorized Officer]

EXHIBIT D
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

REDEMPTION DRAWING

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

The undersigned individual, a duly authorized officer of _____ (the “Beneficiary”), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the “Letter of Credit”), issued by Truist Bank in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain 2025 Supplemental Resolution and Indenture (as defined in the Letter of Credit):

1. The Beneficiary is the Bond Trustee (as defined in the Letter of Credit) under the 2025 Supplemental Resolution and Indenture.

2. The Beneficiary is entitled to make this drawing in the amount of \$_____ under the Letter of Credit in connection with the redemption of any Bonds pursuant to the 2025 Supplemental Resolution and Indenture.

3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be redeemed by the Borrower (as defined in the Letter of Credit) pursuant to Section 3.05 and Section 6.06 of the Indenture] on **[insert applicable date]** (the “Redemption Date”) other than Pledged Bonds (as defined in the Reimbursement Agreement), Bonds which bear interest at a rate other than the Daily Rate or Weekly Rate (as defined in the 2025 Supplemental Resolution and Indenture), or Bonds owned by or on behalf of the Borrower, plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the 2025 Supplemental Resolution and Indenture) to the Redemption Date, provided that in the event the Redemption Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

Of the amount stated in paragraph 2 above:

\$_____ is demanded in respect of the principal amount of the Bonds referred to in subparagraph (a) above; and

\$_____ is demanded in respect of accrued interest on such Bonds.

4. Payment by the Bank pursuant to this drawing shall be made in accordance with the terms of the Letter of Credit.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the 2025 Supplemental Resolution and Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount by **\$[insert amount of reduction]** and the Available Amount shall thereupon equal **\$[insert new Available Amount]**. The Available Amount has been reduced by an amount equal to the principal of Bonds paid with this drawing and an amount equal to 51 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

7. Of the amount of the reduction stated in paragraph 6 above:

\$_____ is attributable to the principal amount of Bonds redeemed; and

\$_____ is attributable to interest on such Bonds (i.e., 51 days' interest thereon at the Cap Interest Rate).

8. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding to the extent such Bonds are not Pledged Bonds (as defined in the Reimbursement Agreement), Bonds that bear interest at a rate other than the Daily Rate or Weekly Rate (each as defined in the 2025 Supplemental Resolution and Indenture), or Bonds owned by or on behalf of the Borrower, plus 51 days' interest thereon at the Cap Interest Rate.

*10. In the case of an optional redemption, the Bond Trustee, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Bank that the Bank has consented to such redemption.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

as Bond Trustee

By _____
[Title of Authorized Officer]

* To be included in certificate only if the redemption is an optional redemption.

EXHIBIT E
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

LIQUIDITY DRAWING CERTIFICATE

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: samedaydraw@truist.com

The undersigned individual, a duly authorized officer of _____ (the “Beneficiary”) hereby CERTIFIES as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the “Letter of Credit”), issued by the Bank in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain 2025 Supplemental Resolution (as defined in the Letter of Credit) and Indenture:

1. The Beneficiary is the Bond Trustee under the 2025 Supplemental Resolution and Indenture.

2. The Beneficiary is entitled to make this drawing under the Letter of Credit in the amount of \$ _____ with respect to the payment of the purchase price of Bonds tendered for purchase in accordance with Section 4.01 or 4.02 of the Indenture and to be purchased on **insert applicable date** (the “Purchase Date”), which Bonds have not been remarketed as provided in the 2025 Supplemental Resolution and Indenture or the purchase price of which has not been received by the Beneficiary by 11:00 a.m., New York City time, on said Purchase Date.

3. (a) The amount of the drawing is equal to (i) the principal amount of Bonds to be purchased pursuant to the 2025 Supplemental Resolution and Indenture on the Purchase Date other than Pledged Bonds (as defined in the Reimbursement Agreement), Bonds which bear interest at a rate other than the Daily Rate or Weekly Rate (each as defined in the 2025 Supplemental Resolution and Indenture), or Bonds owned by or on behalf of the Borrower, plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the 2025 Supplemental Resolution and Indenture) (or if none, the Effective Date of the Bonds) to the Purchase Date, provided that in the event the Purchase Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

Of the amount stated in paragraph (2) above:

\$ _____ is demanded in respect of the principal portion of the purchase price of the Bonds referred to in subparagraph (2) above; and

\$ _____ is demanded in respect of payment of the interest portion of the purchase price of such Bonds.

4. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the 2025 Supplemental Resolution and Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. The Beneficiary will register or cause to be registered in the name of the Bank, upon payment of the amount drawn hereunder, Bonds in the principal amount of the Bonds being purchased with the amounts drawn hereunder and will deliver such Bonds in accordance with the 2025 Supplemental Resolution and Indenture.

6. Payment by the Bank pursuant to this drawing shall be made in accordance with the terms of the Letter of Credit.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

_____,
as Bond Trustee

By _____
[Title of Authorized Officer]

EXHIBIT F
TO
TRUIST BANK
LETTER OF CREDIT No. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

STATED MATURITY DRAWING CERTIFICATE

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

The undersigned individual, a duly authorized officer of _____ (the "Beneficiary"), hereby certifies on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the "Letter of Credit"), issued by the Bank in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain 2025 Supplemental Resolution (as defined in the Letter of Credit) and Indenture:

1. The Beneficiary is the Bond Trustee under the 2025 Supplemental Resolution and Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to the 2025 Supplemental Resolution and Indenture.
3. (a) The amount of this drawing is equal to the principal amount of Bonds maturing on _____, 20____, as specified in the 2025 Supplemental Resolution and Indenture, other than Pledged Bonds (as defined in the Reimbursement Agreement), Bonds which bear interest at a rate other than the Daily Rate or Weekly Rate (each as defined in the 2025 Supplemental Resolution and Indenture), or Bonds owned by or on behalf of the Borrower.

Of the amount stated in paragraph (2) above:

\$ _____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph (2) above; and

\$ _____ is demanded in respect of payment of the interest portion of such Bonds.

4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the 2025 Supplemental Resolution and Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made in accordance with the terms of the Letter of Credit.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

_____,
as Bond Trustee

By _____
[Title of Authorized Officer]

EXHIBIT G
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

REDUCTION CERTIFICATE

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

The undersigned hereby CERTIFIES with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the "Letter of Credit"), issued by the Bank in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain 2025 Supplemental Resolution (as defined in the Letter of Credit) and Indenture:

1. The Beneficiary is the Bond Trustee under the 2025 Supplemental Resolution and Indenture.
2. Upon receipt by the Bank of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by \$_____ and the Available Amount shall thereupon equal \$_____. \$_____ of the new Available Amount is attributable to interest.
3. The interest amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.
4. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (other than Bonds which bear interest at a rate other than the Daily Rate or Weekly Rate (each as defined in the 2025 Supplemental Resolution and Indenture), Pledged Bonds (as defined in the Reimbursement Agreement), and Bonds owned by or on behalf of the Borrower), plus fifty-one (51) days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20__.

as Bond Trustee

By _____
[Title of Authorized Officer]

EXHIBIT H
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

REINSTATEMENT CERTIFICATE

[Date]

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

The undersigned, a duly authorized officer of [Name of Bond Trustee] (the “Bond Trustee”), hereby notifies Truist Bank, with reference to Letter of Credit No. _____, dated June 4, 2025 (the “Letter of Credit”; terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by the Bank in favor of the Bond Trustee as follows:

1. _____ is the Remarketing Agent under the 2025 Supplemental Resolution and Indenture.

2. The Bond Trustee has been advised by the Borrower or the Remarketing Agent that the amount of \$_____ paid to the Bank today by the Borrower or the Remarketing Agent on behalf of the Borrower is a payment made to reimburse the Bank, pursuant to the Reimbursement Agreement dated June 1, 2025 (the “Reimbursement Agreement”), between the Borrower and the Bank for amounts drawn under the Letter of Credit pursuant to a Liquidity Drawing.

3. Of the amount referred to in paragraph 2, \$_____ represents the aggregate principal amount of Bonds resold or to be resold on behalf of the Borrower.

4. Of the amount referred to in paragraph 2, \$_____ represents accrued and unpaid interest on such Bonds.

IN WITNESS WHEREOF, the Bond Trustee has executed and delivered this Certificate as of this _____ day of _____, 20__.

_____,
as Bond Trustee

By _____
[Title of Authorized Officer]

**EXHIBIT I
TO
TRUIST BANK
LETTER OF CREDIT NO. _____**

**RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025**

TRANSFER CERTIFICATE

Date: _____

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 27409
Attention: Direct Pay Letter of Credit Dept
Email to: lettersofcredit@truist.com

PLEASE TYPE OR NEATLY PRINT INFORMATION BELOW

For value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address) include Apt., Suite, Floor #

City, State, Zip Code

Attention Party and Phone No.

the referenced Letter of Credit and all rights of the undersigned beneficiary to draw under the referenced Letter of Credit in its entirety or up to the remaining available balance if prior drawings have been made under the Letter of Credit and any amounts thereof have not been reinstated.

By transfer of the referenced Letter of Credit, all rights of the undersigned Beneficiary in such Letter of Credit are transferred to the transferee who shall have the sole rights as beneficiary thereof, including sole rights to any amendments whether now existing or hereafter made. All amendments are to be advised directly to the transferee without necessity of any consent of or notice to the undersigned beneficiary. As such, no further consent of or notice to the undersigned beneficiary shall be required of Truist Bank in connection with such Letter of Credit amendments.

We are enclosing the original Letter of Credit and any amendments to date so that you may deliver same to the transferee together with your customary letter of transfer.

We agree to indemnify and hold you harmless from and against any and all claims, losses or damages of any nature whatsoever (including but not limited to attorney and paralegal fees and disbursements, including, without limitation, any such fees and disbursements arising in any bankruptcy case or proceeding), arising directly or indirectly from the transfer requested herein or from any other matters related to this Agreement, except as may be attributable to Bank's gross negligence or willful misconduct.

BENEFICIARY NAME

SIGNATURE AUTHENTICATION

By: _____
Name: _____
Title: _____

Notary Public

Date: _____

EXHIBIT J
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

NOTICE OF EXTENSION AMENDMENT

_____, 20__

U.S. Bank Trust Company, National Association
333 Commerce Street, Suite 900
Nashville, TN 37201 Attention: Corporate Trust

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that the Stated Expiration Date (as defined in the Letter of Credit) has been extended to _____, 20__.

All other terms and conditions remain unchanged.

This letter shall be attached to the Letter of Credit and made a part thereof.

TRUIST BANK

By _____
Name:
Title:

EXHIBIT K
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

NOTICE OF DIRECTION TO THE BOND TRUSTEE TO CALL FOR MANDATORY PURCHASE OF THE BONDS

[Date]

U.S. Bank Trust Company, National Association
333 Commerce Street, Suite 900
Nashville, TN 37201 Attention: Corporate Trust]

Ladies and Gentlemen:

The undersigned, a duly authorized officer of Truist Bank (the “Bank”), hereby advises you, with reference to Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the “Letter of Credit”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in your favor, that:

[Insert one of the following paragraphs as appropriate]

[An “Event of Default” has occurred under Section 7.01 of the Reimbursement Agreement dated as June 1, 2025, among the Borrower and the Bank, and the Bank has elected to direct the Bond Trustee to call the Bonds for mandatory tender for purchase on the Mandatory Purchase Date pursuant to the 2025 Supplemental Resolution and Indenture, whereby the Letter of Credit will terminate twenty (20) days following the receipt by the Bond Trustee of this Notice of Direction to the Trustee to Call for Mandatory Purchase of the Bonds.]

[The Bank has not been reimbursed for an Interest Drawing under the Letter of Credit and , as a result thereof, the amount of such Interest Drawing will not be reinstated and the Bank has elected to direct the Bond Trustee to call the Bonds for mandatory tender for purchase on the Mandatory Purchase Date pursuant to the 2025 Supplemental Resolution and Indenture, whereby the Letter of Credit will terminate twenty (20) days following the receipt by the Bond Trustee of this Notice of Mandatory Purchase of the Bonds.]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Mandatory Purchase of the Bonds as of the ____ day of _____, 20__.

TRUIST BANK

By _____

Name:

Title:

EXHIBIT L
TO
TRUIST BANK
LETTER OF CREDIT NO. _____

RELATING TO THE
METROPOLITAN KNOXVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2025

[MANDATORY PURCHASE DRAWING CERTIFICATE]

Truist Bank
7701 Airport Center Drive
Suite 2600
Greensboro, NC 274069
Attention: Domestic Letter of Credit Dept
Email to: lettersofcredit@truist.com

The undersigned individual, a duly authorized officer of _____ (the “Beneficiary”) hereby CERTIFIES as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____, dated June 4, 2025 (the “Letter of Credit”), issued by the Bank in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain 2025 Supplemental Resolution (as defined in the Letter of Credit) and Indenture:

1. The Beneficiary is the Bond Trustee under the 2025 Supplemental Resolution and Indenture.
2. An Event of Default has occurred under Section 7.01 of the Reimbursement Agreement dated as June 1, 2025, among the Borrower and the Bank and the Bond Trustee has called the Bonds for mandatory tender for purchase on the Mandatory Purchase Date. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 4.03 of the Indenture in order to pay the Purchase Price of the Bonds payable on the Mandatory Purchase Date due to the mandatory purchase thereof in accordance with Section 4.01 of the Indenture.
3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds outstanding on the Mandatory Purchase Date plus (ii) accrued and unpaid interest on such Bonds to the Mandatory Purchase Date.

Of the amount stated in paragraph 3 above:

\$ _____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph (a) above; and

\$ _____ is demanded in respect of accrued interest on such Bonds.

4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the 2025 Supplemental Resolution and Indenture and, when added to the amount of any drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made in accordance with the terms of the Letter of Credit.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 20____.

_____, as Bond
Trustee

[Title of Authorized Representative] By _____



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