DAC Bond®

NEW ISSUES - BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (a) interest on the Series 2019 Subordinate Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2019B Subordinate Bond for any period during which the Series 2019B Subordinate Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019B Subordinate Bonds or a "related person," (b) interest on the Series 2019A Subordinate Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, and (c) interest on the Series 2019B Subordinate Bonds is treated as a preference item in calculating the alternative minimum tax under the Code. Bond Counsel is further of the opinion that, under existing statutes, the Series 2019 Subordinate Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee. See "TAX MATTERS" herein.

$919,585,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY

BNA

$254,435,000
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019A (NON-AMT)

$665,150,000
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019B (AMT)

Dated: Date of Delivery **Due: July 1, as shown on the inside front cover**

This Official Statement relates to the issuance by the Metropolitan Nashville Airport Authority (the "Authority") of $254,435,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2019A (Non-AMT) (the "Series 2019A Subordinate Bonds") and $665,150,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2019B (AMT) (the "Series 2019B Subordinate Bonds," and together with the Series 2019A Subordinate Bonds, the "Series 2019 Subordinate Bonds").

The Series 2019 Subordinate Bonds are the first series of Subordinate Bonds issued under and pursuant to Resolution No. 2019-15 adopted by the Board of Commissioners of the Authority (the "Board") on October 16, 2019, as amended and supplemented from time to time (the "Master Subordinate Resolution"), and particularly as supplemented by Resolution No. 2019-16, authorizing the issuance of the Series 2019 Subordinate Bonds, adopted by the Board on October 16, 2019 (the "First Supplemental Resolution," and together with the Master Subordinate Resolution, the "Subordinate Bond Resolution"). Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the meanings set forth in "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Definitions" or "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Definitions" attached hereto, as applicable.

The Subordinate Bonds, including the Series 2019 Subordinate Bonds and any Additional Subordinate Bonds are special limited obligations of the Authority equally and ratably secured by a pledge of and lien on the Net Revenues, subject and subordinate to the pledge of and lien on the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds, including the Outstanding Senior Bonds (as defined herein) and any other Additional Senior Bonds and are senior to the payment obligations of the Authority under the Note Purchase Agreement as to the pledge of and lien on the Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS" and "OUTSTANDING AUTHORITY OBLIGATIONS - Other Indebtedness - Subordinate Bonds" herein and "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION" attached hereto.

The Series 2019 Subordinate Bonds are being issued for the purpose of providing funds to: (a) pay and/or reimburse the Authority for all or a portion of the costs of certain elements of the Authority Capital Projects (as defined herein), (b) pay all or a portion of the amounts outstanding under the Note Purchase Agreement, (c) fund capitalized interest on the Series 2019 Subordinate Bonds, (d) fund a deposit to the Subordinate Bond Reserve Fund to meet the Subordinate Bond Reserve Fund Requirement, and (e) pay certain costs of issuance related to the Series 2019 Subordinate Bonds. See "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF FUNDS," and "AUTHORITY CAPITAL PROJECTS" herein.

The Series 2019 Subordinate Bonds are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial ownership interests in the Series 2019 Subordinate Bonds will be made in book-entry form only and purchasers will not receive physical delivery of bond certificates representing the beneficial ownership interests in the Series 2019 Subordinate Bonds so purchased. Payments of principal of, premium, if any, and interest on, any Series 2019 Subordinate Bond will be made to Cede & Co., as nominee for DTC as registered owner of the Series 2019 Subordinate Bonds, by U.S. Bank National Association, as bond registrar and paying agent for the Series 2019 Subordinate Bonds, to be subsequently disbursed to the Beneficial Owners (as defined herein) of the Series 2019 Subordinate Bonds. See "DESCRIPTION OF THE SERIES 2019 SUBORDINATE BONDS - General" herein and "APPENDIX H - BOOK-ENTRY ONLY SYSTEM" attached hereto.

Interest on the Series 2019 Subordinate Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2020. The Series 2019 Subordinate Bonds will bear interest at the rates and will be payable as to principal in the amounts and on the dates set forth on the inside front cover of this Official Statement. See "DESCRIPTION OF THE SERIES 2019 SUBORDINATE BONDS - General" herein.

Certain of the Series 2019 Subordinate Bonds are subject to redemption prior to maturity as more fully described under the caption "DESCRIPTION OF THE SERIES 2019 SUBORDINATE BONDS - Redemption Provisions" herein.

THE SERIES 2019 SUBORDINATE 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 SUBORDINATE BOND RESOLUTION, OR CONSTITUTE OR BE AN OBLIGATION OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY 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 2019 SUBORDINATE 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 NET REVENUES. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain limited information for quick reference only. It is not, and is not intended to be, a summary of the matters relating to the Series 2019 Subordinate Bonds. Potential investors should read the entire Official Statement (including the inside cover page and all appendices attached hereto) to obtain information essential to the making of an informed investment decision.

The Series 2019 Subordinate Bonds are being offered when, as, and if issued by the Authority and received by the Underwriters subject to prior sale and to withdrawal or modification of the offer without notice, and subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, in its capacity as Bond Counsel to the Authority. Certain legal matters in connection with the Series 2019 Subordinate Bonds will be passed upon for the Authority by Adams and Reese LLP, Nashville, Tennessee. Greenberg Traurig, LLP, Nashville, Tennessee, has served as Disclosure Counsel in connection with the Series 2019 Subordinate Bonds. Certain legal matters in connection with the Series 2019 Subordinate Bonds will be passed upon for the Underwriters by Kutak Rock LLP, Denver, Colorado, as Underwriters' Counsel. PFM Financial Advisors LLC, Memphis, Tennessee, is serving as Financial Advisor to the Authority. The Series 2019 Subordinate Bonds are expected to be delivered through the book-entry system of DTC on or about December 17, 2019.

BofA Securities

FHN Financial Capital Markets
Ramirez & Co., Inc.
Siebert Williams Shank & Co., LLC

J.P. Morgan
Raymond James
UBS

December 5, 2019

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, AND INITIAL CUSIP NUMBERS†

$254,435,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT
REVENUE BONDS,
SERIES 2019A (NON-AMT)

$67,245,000 Serial Bonds

Maturity Dates (July 1)	Principal Amount	Interest Rate	Yield	Price	Initial CUSIP No. †
2025	$2,965,000	5.000%	1.220%	120.185	592190MU3
2026	3,120,000	5.000	1.340	122.840	592190MV1
2027	3,270,000	5.000	1.450	125.264	592190MW9
2028	3,430,000	5.000	1.580	127.217	592190MX7
2029	3,600,000	5.000	1.680	129.148	592190MY5
2030	3,790,000	5.000	1.770	130.929	592190MZ2
2031	3,970,000	5.000	1.880	129.701[C]	592190NA6
2032	4,175,000	5.000	1.920	129.259[C]	592190NB4
2033	4,380,000	5.000	1.970	128.708[C]	592190NC2
2034	5,000,000	5.000	2.010	128.269[C]	592190ND0
2035	5,245,000	5.000	2.050	127.832[C]	592190NE8
2036	5,640,000	5.000	2.120	127.071[C]	592190NF5
2037	5,920,000	5.000	2.170	126.531[C]	592190NG3
2038	6,210,000	5.000	2.200	126.208[C]	592190NH1
2039	6,530,000	5.000	2.230	125.887[C]	592190NJ7

$37,870,000 5.000% Term Bond, Due July 1, 2044, Yield 2.330%, Price 124.821[C], Initial CUSIP No. 592190NK4†

$25,000,000 4.000% Term Bond, Due July 1, 2049, Yield 2.590%, Price 112.930[C], Initial CUSIP No. 592190NM0†

$39,200,000 5.000% Term Bond, Due July 1, 2049, Yield 2.400%, Price 124.082[C], Initial CUSIP No. 592190NL2†

$25,000,000 4.000% Term Bond, Due July 1, 2054, Yield 2.730%, Price 111.562[C], Initial CUSIP No. 592190NP3†

$60,120,000 5.000% Term Bond, Due July 1, 2054, Yield 2.520%, Price 122.827[C], Initial CUSIP No. 592190NN8†

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† Initial CUSIP® numbers have been assigned to the Series 2019 Subordinate Bonds by an organization not affiliated with the Authority and are included for the convenience of the owners of the Series 2019 Subordinate Bonds only at the time of original issuance of the Series 2019 Subordinate Bonds. CUSIP® is a registered trademark of the American Bankers Association. Neither the Authority, the Financial Advisor nor the Underwriters or their agents or counsel is responsible for the selection, use or accuracy of the CUSIP® numbers nor is any representation made as to their correctness with respect to the Series 2019 Subordinate Bonds as included herein or at any time in the future. The CUSIP® number for a specific maturity is subject to being changed after the issuance of the Series 2019 Subordinate 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 2019 Subordinate Bonds.

C Priced to the par call date of July 1, 2030.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, AND INITIAL CUSIP NUMBERS†

$665,150,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT
REVENUE BONDS,
SERIES 2019B (AMT)

$178,755,000 Serial Bonds

Maturity Dates (July 1)	Principal Amount	Interest Rate	Yield	Price	Initial CUSIP No. †
2025	$ 7,920,000	5.000%	1.490%	118.593	592190NQ1
2026	8,315,000	5.000	1.650	120.683	592190NR9
2027	8,735,000	5.000	1.770	122.701	592190NS7
2028	9,170,000	5.000	1.900	124.327	592190NT5
2029	9,625,000	5.000	2.000	125.934	592190NU2
2030	10,110,000	5.000	2.090	127.396	592190NV0
2031	10,610,000	5.000	2.150	126.747[C]	592190NW8
2032	11,145,000	5.000	2.190	126.316[C]	592190NX6
2033	11,700,000	5.000	2.240	125.780[C]	592190NY4
2034	13,240,000	5.000	2.290	125.246[C]	592190NZ1
2035	13,905,000	5.000	2.340	124.715[C]	592190PA4
2036	14,920,000	5.000	2.380	124.293[C]	592190PB2
2037	15,655,000	5.000	2.420	123.872[C]	592190PC0
2038	16,445,000	5.000	2.450	123.557[C]	592190PD8
2039	17,260,000	5.000	2.480	123.243[C]	592190PE6

$100,175,000 5.000% Term Bond, Due July 1, 2044, Yield 2.590%,
Price 122.101[C], Initial CUSIP No. 592190PF3†

$50,000,000 4.000% Term Bond, Due July 1, 2049, Yield 2.820%,
Price 110.692[C], Initial CUSIP No. 592190PH9†

$116,170,000 5.000% Term Bond, Due July 1, 2049, Yield 2.640%,
Price 121.587[C], Initial CUSIP No. 592190PG1†

$62,500,000 4.000% Term Bond, Due July 1, 2054, Yield 2.920%,
Price 109.735[C], Initial CUSIP No. 592190PK2†

$157,550,000 5.000% Term Bond, Due July 1, 2054, Yield 2.750%,
Price 120.463[C], Initial CUSIP No. 592190PJ5†

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† Initial CUSIP® numbers have been assigned to the Series 2019 Subordinate Bonds by an organization not affiliated with the Authority and are included for the convenience of the owners of the Series 2019 Subordinate Bonds only at the time of original issuance of the Series 2019 Subordinate Bonds. CUSIP® is a registered trademark of the American Bankers Association. Neither the Authority, the Financial Advisor nor the Underwriters or their agents or counsel is responsible for the selection, use or accuracy of the CUSIP® numbers nor is any representation made as to their correctness with respect to the Series 2019 Subordinate Bonds as included herein or at any time in the future. The CUSIP® number for a specific maturity is subject to being changed after the issuance of the Series 2019 Subordinate 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 2019 Subordinate Bonds.

[C] Priced to the par call date of July 1, 2030.

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

BOARD OF COMMISSIONERS

A. Dexter Samuels, Ph.D., *Chair*

Trey B. Harwell, *Vice Chair*
Mayor John Cooper
Bill Freeman
Robert J. Joslin
Nancy Sullivan, P.E.

Amanda Farnsworth, *Secretary*
John Doerge
James W. Granbery
Christina Smith

EXECUTIVE STAFF

Douglas E. Kreulen, A.A.E., *President and Chief Executive Officer*
Robert L. Ramsey, P.E., A.A.E., IAP, *Senior Vice President and Chief Operating Officer*
Margaret M. Basrai, CPA, CGMA, C.M., *Vice President and Chief Financial Officer*
Gale LaRoche, Ph.D., J.D., SHRM-SCP, *Vice President and Chief Administrative Officer*
Margaret Martin, *Vice President and Chief Development Officer*
Mark (Tom) Jurkovich, *Vice President, Communications and Public Affairs*

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Airport Consultant

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Cincinnati, Ohio

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Nashville, Tennessee

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Greenberg Traurig, LLP
Nashville, Tennessee

Financial Advisor

PFM Financial Advisors LLC
Memphis, Tennessee

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THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE AUTHORITY OR THE UNDERWRITERS AND ANY ONE OR MORE OWNERS OF THE SERIES 2019 SUBORDINATE BONDS, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SERIES 2019 SUBORDINATE 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 OFFICIAL STATEMENT, IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 SUBORDINATE 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 OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND THIS OFFICIAL STATEMENT SPEAKS ONLY AS OF ITS DATE. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT 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 OFFICIAL STATEMENT, INCLUDING IN THE APPENDICES ATTACHED HERETO, HAS BEEN OBTAINED FROM REPRESENTATIVES OF THE AUTHORITY, THE AIRPORT CONSULTANT, THE UNDERWRITERS AND FROM PUBLIC DOCUMENTS, RECORDS AND OTHER SOURCES CONSIDERED TO BE RELIABLE.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 SUBORDINATE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN MARKET PRICES OF THE SERIES 2019 SUBORDINATE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2019 SUBORDINATE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE SUBORDINATE BOND RESOLUTION 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 2019 SUBORDINATE BONDS IN ACCORDANCE

WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2019 SUBORDINATE 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 2019 SUBORDINATE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. 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 2019 Subordinate 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 Official Statement, including the appendices attached hereto, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices attached hereto, should be read in its entirety. The captions and headings in this Official Statement 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 Official Statement.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

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 Official Statement for any purpose including for purposes of Rule 15c2-12.

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OFFICIAL STATEMENT

relating to

$919,585,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY

$254,435,000	**$665,150,000**
SUBORDINATE AIRPORT	**SUBORDINATE AIRPORT**
REVENUE BONDS,	**REVENUE BONDS,**
SERIES 2019A (NON-AMT)	**SERIES 2019B (AMT)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the appendices attached hereto, is to provide certain information concerning the issuance and sale by the Metropolitan Nashville Airport Authority (the "Authority") of $254,435,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2019A (Non-AMT) (the "Series 2019A Subordinate Bonds") and $665,150,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2019B (AMT) (the "Series 2019B Subordinate Bonds" and together with the Series 2019A Subordinate Bonds, the "Series 2019 Subordinate Bonds"). Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the meanings set forth in "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Definitions" or "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Definitions" attached hereto, as applicable.

This Introduction is not a summary of this Official Statement 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 Official Statement, including the inside cover page and the appendices attached hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein if necessary. The offering of the Series 2019 Subordinate Bonds to potential investors is made only by means of the entire Official Statement, including the appendices attached hereto. No person is authorized to detach this Introduction from this Official Statement or to otherwise use it without the entire Official Statement including the appendices attached hereto.

Authorization for the Series 2019 Subordinate Bonds

The Series 2019 Subordinate 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. 2019-15 adopted by the Board of

Commissioners of the Authority (the "Board") on October 16, 2019, as amended and supplemented from time to time (the "Master Subordinate Resolution"), and particularly as supplemented by Resolution No. 2019-16, authorizing the issuance of the Series 2019 Subordinate Bonds, adopted by the Board on October 16, 2019 (the "First Supplemental Resolution" and together with the Master Subordinate Resolution, the "Subordinate Bond Resolution").

The Authority, the Airport System and the Air Service Area

The Authority is a metropolitan airport authority created on February 9, 1970, pursuant to the Act, as a public and governmental body acting as an agency and instrumentality of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government"). The principal purpose of the Authority is the management and operation of the Airport System, which includes the Nashville International Airport (the "Airport") and the John C. Tune Airport (the "Reliever Airport"). The Authority is empowered under the Act to construct, improve and operate airports and to establish and charge fees, rentals, rates and other charges.

The Airport is the primary commercial air service facility serving the Nashville metropolitan area and the surrounding region and is relatively isolated from airport competition in the region. It is also the largest airport in the State of Tennessee (the "State") and the only medium hub airport 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." For the purposes of the Report of the Airport Consultant (as defined herein), the Airport's Air Service Area is defined as the Nashville-Davidson-Murfreesboro-Franklin, Tennessee Metropolitan Statistical Area ("MSA") and includes the 14 counties in Middle Tennessee of Cannon, Cheatham, Davidson (Airport's location), Dickson, Hickman, Macon, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson Counties. See "THE METROPOLITAN NASHVILLE AIRPORT AUTHORITY," "THE AIRPORT SYSTEM," and "NASHVILLE INTERNATIONAL AIRPORT" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT" attached hereto.

Purpose of the Series 2019 Subordinate Bonds

The Series 2019 Subordinate Bonds are being issued for the purpose of providing funds to: (a) pay and/or reimburse the Authority for all or a portion of the costs of certain elements of the Authority Capital Projects (as defined herein), (b) pay all or a portion of the amounts outstanding under the Note Purchase Agreement (as defined herein), (c) fund capitalized interest on the Series 2019 Subordinate Bonds, (d) fund a deposit to the Subordinate Bond Reserve Fund to meet the Subordinate Bond Reserve Fund Requirement, and (e) pay certain costs of issuance related to the Series 2019 Subordinate Bonds. See "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF FUNDS," and "AUTHORITY CAPITAL PROJECTS" herein.

Authority Capital Projects

In 2013, the Authority completed the 2013 Master Plan (as defined herein) which, reflected at the time, all airfield, terminal, landside/ground access and support facility projects necessary to meet the anticipated demand for air travel over a planning horizon ending in 2031. The Authority developed a comprehensive plan from the 2013 Master Plan referred to as the "BNA Vision,"

which is composed of four phases: BNA Vision 1.0; BNA Vision 2.0; BNA Vision 3.0; and BNA Vision 4.0. The BNA Vision, which is demand driven, was designed to enable the Airport to accommodate the region's population growth and meet the needs of the Airport's record-breaking passenger increases.

Between 2008 and 2018, the population of the Air Service Area grew by approximately 18.9%, from approximately 1.6 million to 1.9 million, and annual enplaned passengers at the Airport increased by 53.0% from approximately 4.9 million to 7.5 million. In response to such growth and the expected continued growth in the region and in passengers, the Authority developed a "Capital Development Program," which consists of: (a) capital projects from the BNA Vision; and (b) the Authority CIP Projects (as defined herein). The Capital Development Program includes capital projects expected to be undertaken both during and beyond the forecast period of Fiscal Year 2020 through Fiscal Year 2028 (the "Forecast Period"). Currently, the capital projects from the Capital Development Program which will be undertaken during the Forecast Period consist of all of the capital projects from BNA Vision 1.0, certain capital projects from BNA Vision 2.0, and the Authority CIP Projects (collectively, the "Authority Capital Projects"). The Authority Capital Projects are estimated to cost approximately $2.9 billion, of which approximately $810.0 million is anticipated to be funded with the proceeds of the Series 2019 Subordinate Bonds.

For additional information regarding the 2013 Master Plan, the BNA Vision, the Capital Development Program, and the Authority Capital Projects, see "PLAN OF FINANCE" and "AUTHORITY CAPITAL PROJECTS" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Capital Development Program," " - Capital Development Program - BNA Vision," " - Authority Capital Projects," and " - Authority Capital Projects Plan of Finance" attached hereto.

Description of the Series 2019 Subordinate Bonds

The Series 2019 Subordinate Bonds are being issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial ownership interests in the Series 2019 Subordinate Bonds will be made in book-entry form only and purchasers will not receive physical delivery of bond certificates representing the beneficial ownership interests in the Series 2019 Subordinate Bonds so purchased. Payments of principal of, premium, if any, and interest on, any Series 2019 Subordinate Bond will be made to Cede & Co., as nominee for DTC as registered owner of the Series 2019 Subordinate Bonds, by U.S. Bank National Association, as bond registrar and paying agent for the Series 2019 Subordinate Bonds, to be subsequently disbursed to the Beneficial Owners (as defined herein) of the Series 2019 Subordinate Bonds. See "DESCRIPTION OF THE SERIES 2019 SUBORDINATE BONDS - General" herein and "APPENDIX H - BOOK-ENTRY ONLY SYSTEM" attached hereto.

Interest on the Series 2019 Subordinate Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2020. The Series 2019 Subordinate Bonds will bear interest at the rates and will be payable as to principal in the amounts and on the dates set forth on the inside front cover of this Official Statement.

Certain of the Series 2019 Subordinate Bonds are subject to redemption prior to maturity as more fully described under the caption "DESCRIPTION OF THE SERIES 2019 SUBORDINATE BONDS - Redemption Provisions" herein.

Security and Sources of Payment for the Series 2019 Subordinate Bonds

The Series 2019 Subordinate Bonds are the first series of Subordinate Bonds issued under and pursuant to the Subordinate Bond Resolution. The Subordinate Bonds, including the Series 2019 Subordinate Bonds and any Additional Subordinate Bonds, are special limited obligations of the Authority equally and ratably secured by a pledge of and lien on the Net Revenues, subject and subordinate to the pledge of and lien on the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds, including the Outstanding Senior Bonds (as defined herein) and any other Additional Senior Bonds and are senior to the payment obligations of the Authority under the Note Purchase Agreement as to the pledge of and lien on the Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS" and "OUTSTANDING AUTHORITY OBLIGATIONS - Other Indebtedness - Subordinate Bonds" herein and "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION" attached hereto for more information about the conditions pursuant to which the Authority may issue, in the future, Additional Subordinate Bonds under the Subordinate Bond Resolution.

THE SERIES 2019 SUBORDINATE 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 SUBORDINATE BOND RESOLUTION, OR CONSTITUTE OR BE AN OBLIGATION OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY 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 2019 SUBORDINATE 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 NET REVENUES. THE AUTHORITY HAS NO TAXING POWER.

Outstanding Senior Bonds

The Authority has previously issued various series of Senior Bonds pursuant to the Senior Bond Resolution, $206,245,000 aggregate principal amount of which were outstanding as of November 1, 2019 (the "Outstanding Senior Bonds"). Subject to certain conditions as set forth in the Senior Bond Resolution, Additional Senior Bonds and Senior Refunding Bonds may be issued under the Senior Bond Resolution on a parity with the Outstanding Senior Bonds.

See "OUTSTANDING AUTHORITY OBLIGATIONS - Senior Bonds" herein and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION" attached hereto for more information about the Outstanding Senior Bonds and

the conditions pursuant to which the Authority may issue, in the future, Additional Senior Bonds under the Senior Bond Resolution.

Other Subordinate Obligations

The Authority and Bank of America, N.A. ("Bank of America") entered into a Note Purchase Agreement dated January 7, 2019 (as amended, supplemented, restated or otherwise modified from time to time, the "Note Purchase Agreement") which provided up to $300,000,000 of interim financing capacity to fund, among other things, certain elements of the Authority Capital Projects and which pursuant to an amendment to the Note Purchase Agreement which became effective on November 26, 2019, was increased to $400,000,000. As of November 1, 2019, $241.5 million was outstanding under the Note Purchase Agreement and all or a portion of such outstanding amount is anticipated to be repaid using a portion of the proceeds of the Series 2019 Subordinate Bonds.

See "OUTSTANDING AUTHORITY OBLIGATIONS - Other Indebtedness - Note Purchase Agreement" herein and "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION" attached hereto.

Signatory Airline Use and Lease Agreement

The Authority has entered into substantially similar forms of Signatory Airline Use and Lease Agreements (the "Signatory Airline Agreements") with the Signatory Airlines (as defined below) effective through June 30, 2022. The Signatory Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees and charges to be collected for the use of the Airport Facilities. Airlines that have executed the Signatory Airline Agreements and their operating affiliates (collectively, the "Signatory Airlines") accounted for approximately 97% of enplaned passengers at the Airport in Fiscal Year 2019. See "NASHVILLE INTERNATIONAL AIRPORT" and "SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS" herein and "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS" attached hereto.

Continuing Disclosure

In order to assist the Underwriters (as defined herein) in complying with paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), as in effect on the date hereof (the "Rule"), simultaneously with the issuance of the Series 2019 Subordinate Bonds, the Authority, as an "obligated person" under the Rule, will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with Digital Assurance Certification, L.L.C. (the "Dissemination Agent"), as initial disclosure dissemination agent, under which the Authority will undertake to provide continuing disclosure with respect to the Series 2019 Subordinate Bonds and the Airport for the benefit of the holders of the Series 2019 Subordinate Bonds. See "CONTINUING DISCLOSURE" herein and "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

Report of the Airport Consultant

Landrum & Brown, Incorporated, in association with AVK Consulting, Inc. and Partners for Economic Solutions (together, the "Airport Consultant") has prepared its report dated November 14, 2019 (the "Report of the Airport Consultant") in connection with the issuance of the Series 2019 Subordinate Bonds, which report is attached hereto as "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT." The Report of the Airport Consultant provides, among other things, a summary of the funding plan for the Authority Capital Projects, analyses of historical airline service and passenger traffic, analyses of historical Airport revenues and expenses, and financial forecasts demonstrating the sufficiency of Net Revenues to meet the funding requirements and obligations established by the Senior Bond Resolution and the Subordinate Bond Resolution during the Forecast Period. For additional information on historical and forecast revenues of the Airport and the various underlying assumptions incorporated into the Report of the Airport Consultant, see "REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT" attached hereto.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the appendices attached hereto contain brief descriptions of, among other matters, the Authority, the Airport, the Series 2019 Subordinate Bonds, the security and sources of payment for the Series 2019 Subordinate Bonds, the Subordinate Bond Resolution, the Senior Bond Resolution, the Signatory Airline Agreements, the Continuing Disclosure Agreement, and the Report of the Airport Consultant. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Subordinate Bond Resolution, the Senior Bond Resolution, the Signatory Airline Agreements, the Continuing Disclosure Agreement, the Report of the Airport Consultant, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2019 Subordinate Bonds are qualified in their entirety to the forms thereof included in the Subordinate Bond Resolution. Copies of the Subordinate Bond Resolution, the Senior Bond Resolution, the Signatory Airline Agreements, and other relevant documents and information are available, upon written request and payment of a charge for copying, mailing and handling, from: Chief Financial Officer, Department of Finance, One Terminal Drive, Suite 501, Nashville, Tennessee.

PLAN OF FINANCE

General

The Series 2019 Subordinate Bonds are being issued for the purpose of providing funds to: (a) pay and/or reimburse the Authority for all or a portion of the costs of certain elements of the Authority Capital Projects as more fully described below, (b) pay all or a portion of the amounts outstanding under the Note Purchase Agreement, (c) fund capitalized interest on the Series 2019 Subordinate Bonds, (d) fund a deposit to the Subordinate Bond Reserve Fund to meet the Subordinate Bond Reserve Fund Requirement, and (e) pay certain costs of issuance related to the

Series 2019 Subordinate Bonds, all as further described under "ESTIMATED SOURCES AND USES OF FUNDS" and "AUTHORITY CAPITAL PROJECTS - Anticipated Funding Sources for Authority Capital Projects" herein.

Authority Capital Projects

Currently, the Authority Capital Projects, include, but are not limited to, the following capital projects which are expected to be implemented during the Forecast Period:

(a) Certain elements of BNA Vision 1.0, including construction of a new six-story 2,200 space parking garage (substantially completed in December 2018); construction of two additional parking garages and a 64,000 square foot airport administrative office building; reconstruction and expansion of Concourse D to accommodate six additional aircraft gates, including the construction of a new central utility plant; expansion of the ticketing lobby and the baggage claim area; filling and paving of 500,000 square feet of terminal apron and taxilane area; construction of a new international arrivals facility; and expansion of terminal access roadways and the relocation of Donelson Pike. The estimated cost of such elements of BNA Vision 1.0 is approximately $1.4 billion, of which approximately $714.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.

(b) Certain elements of BNA Vision 2.0, including Runway 2L-20R extension property acquisition and design; a satellite concourse (Concourse E); a deicing treatment facility; the curbside expansion of the Terminal; the A Concourse expansion site preparation; and the A Concourse expansion construction. The estimated cost of such elements of BNA Vision 2.0 is approximately $1.0 billion, of which approximately $15.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.

(c) Certain elements of the Authority CIP Projects (as defined herein), including the expansion of the building shell to accommodate an expanded Delta Sky Club from approximately 3,000 square feet to approximately 15,000 square feet and reconstruction and pavement replacement of existing Runway 2R-20L. The estimated cost of such elements of the Authority CIP Projects is approximately $493.8 million, of which approximately $81.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.

For additional information regarding the Authority Capital Projects, including estimated project costs and anticipated funding sources, which include proceeds of the Series 2019 Subordinate Bonds, see "AUTHORITY CAPITAL PROJECTS - Anticipated Funding Sources for Authority Capital Projects" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Authority Capital Projects" attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2019 Subordinate Bonds are expected to be applied as follows:

Sources of Funds	**Series 2019A Subordinate Bonds**	**Series 2019B Subordinate Bonds**	**Total**
Par Amount	$254,435,000.00	$665,150,000.00	$ 919,585,000.00
Bond Premium	56,925,474.60	134,372,678.25	191,298,152.85
Total Sources of Funds	**$311,360,474.60**	**$799,522,678.25**	**$1,110,883,152.85**
Uses of Funds			
Deposit to Subordinate Construction Fund	$195,802,584.91	$495,169,748.38	$ 690,972,333.29
Payment of amounts outstanding under the Note Purchase Agreement	85,850,283.79	180,606,917.47	266,457,201.26
Deposit to Subordinate Bond Reserve Fund	19,500,550.00	50,435,100.00	69,935,650.00
Capitalized Interest	9,109,688.89	70,468,342.77	79,578,031.66
Costs of Issuance[1]	1,097,367.01	2,842,569.63	3,939,936.64
Total Uses of Funds	**$311,360,474.60**	**$799,522,678.25**	**$1,110,883,152.85**

[1] Includes, among other things, underwriters' discount, legal, financial advisory and other consultant fees, initial fees of the registrar and paying agent, if applicable, rating agency fees, printing costs, and other miscellaneous fees and costs with respect to the Series 2019 Subordinate Bonds.

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DESCRIPTION OF THE SERIES 2019 SUBORDINATE BONDS

General

The Series 2019 Subordinate Bonds will be dated the date of their issuance and delivery and will bear interest from the dated date thereof at the rates set forth on the inside cover of this Official Statement, payable semiannually on January 1 and July 1, commencing on July 1, 2020.

Redemption Provisions

Optional Redemption. Except as otherwise set forth below, the Series 2019A Subordinate Bonds maturing on or before July 1, 2030 are not subject to redemption prior to maturity. The Series 2019A Subordinate Bonds maturing on or after July 1, 2031 are subject to optional redemption prior to maturity, at the option of the Authority, on and after July 1, 2030, in whole or in part at any time in the manner as determined by the Authority, at a redemption price equal to the principal amount thereof, together with accrued interest to the redemption date and without premium.

Except as otherwise set forth below, the Series 2019B Subordinate Bonds maturing on or before July 1, 2030 are not subject to optional redemption prior to maturity. The Series 2019B Subordinate Bonds maturing on or after July 1, 2031 are subject to optional redemption prior to maturity, at the option of the Authority, on and after July 1, 2030, in whole or in part at any time in the manner as determined by the Authority, at a redemption price equal to the principal amount thereof, together with accrued interest to the redemption date and without premium.

Mandatory Redemption. The Series 2019A Subordinate Bonds maturing on July 1, 2044 are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019A Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019A Subordinate Bonds - 5.000% - Maturing July 1, 2044

July 1 of the Year	Principal Amount
2040	$6,855,000
2041	7,195,000
2042	7,555,000
2043	7,935,000
2044*	8,330,000

* Final Maturity.

The Series 2019A Subordinate Bonds maturing on July 1, 2049 and bearing interest at a rate of 4.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts

sufficient to redeem the principal amounts of such Series 2019A Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019A Subordinate Bonds - 4.000% - Maturing July 1, 2049

July 1 of the Year	Principal Amount
2045	$3,205,000
2046	5,060,000
2047	5,315,000
2048	5,575,000
2049*	5,845,000

* Final Maturity.

The Series 2019A Subordinate Bonds maturing on July 1, 2049 and bearing interest at a rate of 5.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019A Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019A Subordinate Bonds - 5.000% - Maturing July 1, 2049

July 1 of the Year	Principal Amount
2045	$5,545,000
2046	7,880,000
2047	8,220,000
2048	8,590,000
2049*	8,965,000

* Final Maturity.

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The Series 2019A Subordinate Bonds maturing on July 1, 2054 and bearing interest at a rate of 4.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019A Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019A Subordinate Bonds - 4.000% - Maturing July 1, 2054

July 1 of the Year	Principal Amount
2050	$4,520,000
2051	4,750,000
2052	4,990,000
2053	5,235,000
2054*	5,505,000

* Final Maturity.

The Series 2019A Subordinate Bonds maturing on July 1, 2054 and bearing interest at a rate of 5.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019A Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019A Subordinate Bonds - 5.000% - Maturing July 1, 2054

July 1 of the Year	Principal Amount
2050	$10,980,000
2051	11,475,000
2052	12,000,000
2053	12,550,000
2054*	13,115,000

* Final Maturity.

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The Series 2019B Subordinate Bonds maturing on July 1, 2044 are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019B Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019B Subordinate Bonds - 5.000% - Maturing July 1, 2044

July 1 of the Year	Principal Amount
2040	$18,130,000
2041	19,040,000
2042	19,990,000
2043	20,985,000
2044*	22,030,000

* Final Maturity.

The Series 2019B Subordinate Bonds maturing on July 1, 2049 and bearing interest at a rate of 4.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019B Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019B Subordinate Bonds - 4.000% - Maturing July 1, 2049

July 1 of the Year	Principal Amount
2045	$ 6,560,000
2046	10,080,000
2047	10,585,000
2048	11,105,000
2049*	11,670,000

* Final Maturity.

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The Series 2019B Subordinate Bonds maturing on July 1, 2049 and bearing interest at a rate of 5.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019B Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019B Subordinate Bonds - 5.000% - Maturing July 1, 2049

July 1 of the Year	Principal Amount
2045	$16,570,000
2046	23,260,000
2047	24,315,000
2048	25,435,000
2049*	26,590,000

* Final Maturity.

The Series 2019B Subordinate Bonds maturing on July 1, 2054 and bearing interest at a rate of 4.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019B Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019B Subordinate Bonds - 4.000% - Maturing July 1, 2054

July 1 of the Year	Principal Amount
2050	$11,315,000
2051	11,870,000
2052	12,475,000
2053	13,095,000
2054*	13,745,000

* Final Maturity.

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The Series 2019B Subordinate Bonds maturing on July 1, 2054 and bearing interest at a rate of 5.000% are subject to mandatory sinking fund redemption in part prior to maturity. The Authority shall cause to be deposited in the Subordinate Principal and Interest Fund amounts sufficient to redeem the principal amounts of such Series 2019B Subordinate Bonds on the sinking fund payment dates as set forth below:

Series 2019B Subordinate Bonds - 5.000% - Maturing July 1, 2054

July 1 of the Year	Principal Amount
2050	$28,730,000
2051	30,070,000
2052	31,440,000
2053	32,900,000
2054*	34,410,000

* Final Maturity.

In lieu of the redemption of the Series 2019 Subordinate Bonds pursuant to, and as a credit against the sinking fund payments required to be made by, the Subordinate Bond Resolution in connection with the Series 2019 Subordinate Bonds, the Authority may apply Series 2019 Subordinate Bonds theretofore acquired by the Authority or redeemed or purchased otherwise than through operation of the sinking fund and in each case not theretofore applied as a credit against any sinking fund payment. The Authority may, without further authorization or direction, apply the moneys credited to the Subordinate Principal and Interest Fund for the retirement of the Series 2019 Subordinate Bonds in term form to the purchase of Series 2019 Subordinate Bonds, at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the principal amount thereof, plus accrued interest, in which event the principal amount of such Series 2019 Subordinate Bonds required to be redeemed on the next ensuing sinking fund installment date shall be reduced by the principal amount of the Series 2019 Subordinate Bonds so purchased; provided, however, that no Series 2019 Subordinate Bonds shall be purchased during the interval between the date on which notice of redemption of said Series 2019 Subordinate Bonds from sinking fund installments is given and the date of redemption set forth in such notice, unless the Series 2019 Subordinate Bonds so purchased are Series 2019 Subordinate Bonds called for redemption in such notice or are purchased from moneys other than those credited to the Subordinate Principal and Interest Fund with respect to sinking fund installments for such Series 2019 Subordinate Bonds. Any purchase of Series 2019 Subordinate Bonds pursuant to this paragraph may be made with or without tenders of Series 2019 Subordinate Bonds and at either public or private sale. All Series 2019 Subordinate Bonds purchased or redeemed pursuant to this paragraph shall be cancelled and not reissued.

Extraordinary Optional Redemption of the Series 2019 Subordinate Bonds. The Series 2019 Subordinate Bonds are subject to redemption at the option of the Authority, in whole at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, in the event of the destruction or damage to all or substantially all of the Airport, or the condemnation of the Airport, from money deposited in the Subordinate Bond Redemption Fund pursuant to the Subordinate Bond Resolution.

Selection of Series 2019 Subordinate Bonds to be Redeemed

Principal of the Series 2019 Subordinate Bonds may be redeemed in part only in Authorized Denominations. If a Series 2019 Subordinate Bond subject to redemption is in a denomination larger than the initial Authorized Denomination, a portion of such Series 2019 Subordinate Bond may be redeemed, but only in integral multiples as permitted by the definition of Authorized Denomination.

Notwithstanding the foregoing, so long as DTC or its nominee is the registered owner of the Series 2019 Subordinate Bonds, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity of Series 2019 Subordinate Bonds to be redeemed. See "APPENDIX H - BOOK-ENTRY ONLY SYSTEM" attached hereto.

Notice of Redemption

Notice of redemption of the Series 2019 Subordinate Bonds shall be mailed not less than 30 days or more than 60 days prior to the redemption date of any Series 2019 Subordinate Bond, by first class mail, postage prepaid, to the holder of such Series 2019 Subordinate Bonds at the address as it appears on the books of registry.

If at the time of the giving of any notice of optional or extraordinary redemption there shall not be on deposit with the Paying Agent moneys sufficient to redeem all the Series 2019 Subordinate Bonds called for redemption, the notice of redemption shall state that the redemption of such Series 2019 Subordinate Bonds is conditional and subject to deposit of moneys with the Paying Agent sufficient to redeem all such Series 2019 Subordinate Bonds not later than the opening of business on the redemption date, and that such notice shall be of no effect with respect to any of such Series 2019 Subordinate Bonds for which moneys are not on deposit. If the amount on deposit with the Paying Agent, or otherwise available, is insufficient to pay the redemption price and accrued interest on the Series 2019 Subordinate Bonds called for redemption on such date, the Paying Agent shall redeem and pay on such date an amount of such Series 2019 Subordinate Bonds for which such moneys or other available funds are sufficient, selecting the maturities of Series 2019 Subordinate Bonds to be redeemed and Series 2019 Subordinate Bonds within a maturity to be redeemed by lot.

Purchase in Lieu of Optional Redemption

Notwithstanding anything in the First Supplemental Resolution to the contrary, at any time the Series 2019 Subordinate Bonds are subject to optional redemption, all or a portion of the Series 2019 Subordinate Bonds to be redeemed as specified in the notice of redemption, may be purchased by the Paying Agent at the direction of the Authority on the date which would be the redemption date if such Series 2019 Subordinate Bonds were redeemed rather than purchased in lieu thereof at a purchase price equal to the redemption price which would have been applicable to such Series 2019 Subordinate Bonds on the redemption date for the account of and at the direction of the Authority who shall give the Paying Agent notice at least ten days prior to the scheduled redemption date accompanied by an opinion of bond counsel to the effect that such purchase will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2019 Subordinate Bonds. In the event the Paying Agent is so directed

to purchase Series 2019 Subordinate Bonds in lieu of optional redemption, no notice to the registered owners of Series 2019 Subordinate Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Paying Agent shall be authorized to apply to such purchase the funds which would have been used to pay the redemption price for such Series 2019 Subordinate Bonds if such Series 2019 Subordinate Bonds had been redeemed rather than purchased. Each Series 2019 Subordinate Bond so purchased shall not be canceled or discharged and shall be registered in the name of the Authority. Series 2019 Subordinate Bonds to be purchased under the First Supplemental Resolution which are not delivered to the Paying Agent on the purchase date shall be deemed to have been so purchased and not optionally redeemed on the purchase date and shall cease to accrue interest as to the former registered owner on the purchase date.

Registration Provisions; Transfer and Exchange

The transfer of any Series 2019 Subordinate Bond may be registered only upon the books of registry for such Series 2019 Subordinate Bonds required to be kept pursuant to the Subordinate Bond Resolution upon surrender thereof to the Registrar for such Series 2019 Subordinate Bonds, together with an assignment duly executed by the holder or his/her duly authorized attorney in such form as shall be satisfactory to the Registrar for such Series 2019 Subordinate Bonds. Upon any such registration of transfer the Authority shall execute and the Registrar for such Series 2019 Subordinate Bonds shall authenticate and deliver in exchange for such Series 2019 Subordinate Bond a new Series 2019 Subordinate Bond or Series 2019 Subordinate Bonds registered in the name of the transferee or transferees of any denomination or denominations authorized by the Subordinate Bond Resolution. Series 2019 Subordinate Bonds may be transferred for Series 2019 Subordinate Bonds of other authorized denominations of the same Series, interest rate, maturity and aggregate principal amount.

Upon surrender thereof at the principal office of the Registrar for such Series 2019 Subordinate Bonds, together with an assignment duly executed by the holder or his/her authorized attorney in such form as shall be satisfactory to the Registrar for such Series 2019 Subordinate Bonds, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of Series 2019 Subordinate Bonds of the same Series and maturity, of any denomination or denominations authorized by the Subordinate Bond Resolution, and bearing interest at the same rate, and in the same form as the Series 2019 Subordinate Bonds surrendered for exchange.

All Series 2019 Subordinate Bonds surrendered in any such exchange or registration of transfer shall forthwith be (a) cancelled by the Registrar and forwarded to the Authority together with the number or numbers of the Series 2019 Subordinate Bond or Series 2019 Subordinate Bonds issued in substitution for such cancelled Series 2019 Subordinate Bond or Series 2019 Subordinate Bonds or (b) destroyed by the Registrar, such destruction to be evidenced in a certificate delivered to the Authority. The Authority or the Registrar, or both, pursuant to requests therefor shall not make a charge for such exchange or registration of transfer of any Series 2019 Subordinate Bond; provided, however, that any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder requesting such transfer or registration, as a condition precedent to the exercise of such privilege. Any Series 2019 Subordinate Bond exchanged or transferred to a new registered holder pursuant to this Section shall be delivered to

the holder at the principal office of the Registrar or sent by mail to the holder at such owner's request, risk and expense.

No transfer or exchange of Series 2019 Subordinate Bonds shall be required to be made after the Record Date, nor during the 45 days next preceding the date fixed for redemption of such Series 2019 Subordinate Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS

Brief descriptions of the security and source of payment for the Series 2019 Subordinate Bonds, the Subordinate Bond Reserve Fund, the flow of funds under the Senior Bond Resolution and the Subordinate Bond Resolution, the Authority's rate covenant set forth in the Subordinate Bond Resolution and certain other provisions of the Subordinate Bond Resolution and the Senior Bond Resolution are provided herein. The descriptions provided herein are qualified in their entirety by the applicable provisions of the Subordinate Bond Resolution and the Senior Bond Resolution. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION" attached hereto.

General

The Series 2019 Subordinate Bonds are the first series of Subordinate Bonds issued under and pursuant to the Subordinate Bond Resolution and, along with any Additional Subordinate Bonds hereafter issued are special limited obligations of the Authority equally and ratably secured by a pledge of and lien on the Net Revenues, subject and subordinate to the pledge of and lien on the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds, including the Outstanding Senior Bonds and any other Additional Senior Bonds and are senior to the payment obligations of the Authority under the Note Purchase Agreement as to the pledge of and lien on the Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS" and "OUTSTANDING AUTHORITY OBLIGATIONS" herein and "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION" attached hereto.

Pledge of Net Revenues

The Series 2019 Subordinate Bonds are special limited obligations of the Authority payable solely from the Net Revenues on a parity with any Additional Subordinate Bonds issued on a parity with the Series 2019 Subordinate Bonds under the Subordinate Bond Resolution. Net Revenues, as defined in the Subordinate Bond Resolution, consist of Airport Revenues less Operating Expenses for the applicable period.

"Airport Revenues" is defined in the Subordinate Bond Resolution to mean all income and revenue from all sources, without limitation except as herein expressly provided, collected or received by the Authority in the operation of the Airport System, including all rates, charges, rentals, fees and any other compensation collected, or received by the Authority in connection with

the operation of the Airport System, any money transferred from the Nashville Airports Experience (NAE) Fund, all investment income earned by the Authority except as otherwise expressly provided in the Subordinate Bond Resolution and any amounts not constituting Airport Revenues which are deposited in the Revenue Fund to be applied in accordance with the provisions of the Subordinate Bond Resolution; *but shall exclude* (a) any income or revenue from any Special Facility (other than rental properly attributable to administrative and other expenses of the Airport System) at any time during which there shall be outstanding any Special Facility Revenue Bonds with respect to such Special Facility, (b) any grant or any similar payment from any government or public agency, (c) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the rulings and regulations promulgated thereunder, (d) the proceeds of any Support Facility, (e) the proceeds of any passenger facility, customer facility or analogous charge or fee that may be levied (whether levied on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority, (f) earnings on amounts on deposit in the Construction Fund, (g) Released Revenues, and (h) revenues from any Separate Improvement, including, but not limited to, payments under any contract or agreement with respect to such Separate Improvement; provided, however, that, for purposes of calculating the coverage requirements set forth in the rate covenant under the Subordinate Bond Resolution, transfers from the Nashville Airports Experience (NAE) Fund (i) shall consist only of deposits made to the Nashville Airports Experience (NAE) Fund in a prior Fiscal Year and (ii) shall not exceed 10% of Debt Service on all Senior Bonds and Subordinate Bonds Outstanding.

"Operating Expenses" is defined in the Subordinate Bond Resolution to mean, with respect to any period of time, all necessary and reasonable expenses incurred (whether paid or accrued) in the maintenance, operation, administration and insuring of the Airport System, including, without limitation, (a) salaries, wages and costs of fringe benefits including employee pension or retirement plans, health insurance, and other fringe benefits, (b) payments made to The Metropolitan Government for contract services actually performed, and (c) costs of materials, supplies and contractual services; but shall not include any of the Authority's expenses, if any, related to the operation, maintenance, administration, insuring, construction or modification of any Special Facility or the cost of any service provided by a governmental agency for which no charge is paid by the Authority; and total Operating Expenses shall be reduced by any reimbursement received by the Authority from any source on account of Operating Expenses. The term "Operating Expenses" *shall not include*: (a) any allowance for depreciation or any amounts for capital replacements or reserves therefor, (b) costs of extensions, enlargements, betterments and improvements to the Airport System or reserves therefor, (c) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business (items (a), (b), (c) will be computed using generally accepted accounting principles), (d) payment (including redemption) of Subordinate Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor, and (e) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code, and the rulings and regulations promulgated thereunder.

Pledge of Other Revenues to Subordinate Bonds and Other Obligations

Under the Subordinate Bond Resolution, the Authority may pledge certain funds that are excluded from the definition of Airport Revenues, including any grant or any similar payment from any government or public agency, the proceeds of any customer facility or analogous charge

or fee, Released Revenues, and revenues from any Separate Improvement to finance Separate Improvements. Additionally, PFC Revenues are likewise excluded from the definition of Airport Revenues, and therefore, are not pledged to the payment of Debt Service unless PFC Revenues are otherwise designated as Airport Revenues and pledged to pay Debt Service on a Series of PFC Bonds pursuant a Supplemental Resolution. Accordingly, the Authority may pledge PFC Revenues, to secure one or more Series of Senior Bonds under the Senior Bond Resolution or one or more Series of Subordinate Bonds under the Subordinate Bond Resolution. The Authority has not issued any such PFC Bonds. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Additional Subordinate Bonds and Other Indebtedness - Passenger Facility Charges" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Additional Senior Bonds and Other Indebtedness - Passenger Facility Charges" attached hereto.

PFC Revenues may also be used, at the Authority's discretion, to pay Debt Service associated with Senior Bonds and/or Subordinate Bonds issued to fund PFC approved projects. Accordingly, the Authority has been paying and intends to continue to pay a portion of the Debt Service on the Series 2015A Senior Bonds from available PFC Revenues and also intends to pay a portion of the Debt Service on the Series 2019 Subordinate Bonds related to the portion of the proceeds of the Series 2019 Subordinate Bonds used to fund PFC eligible projects from available PFC Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS - Flow of Funds" and "INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES - Passenger Facility Charges" herein.

Flow of Funds

The Authority must deposit all Airport Revenues into the Revenue Fund to be disbursed in the following order of priority:

(a) Make monthly deposits to the credit of the Operating Fund to pay Operating Expenses.

(b) Make deposits to the credit of the Commitment Fee Fund to pay commitment fees on Support Facilities entered into with respect to Senior Bonds.

(c) Make monthly deposits to the credit of the Airport Improvement Principal and Interest Fund to pay Debt Service on Senior Bonds.

(d) Make deposits to the credit of the Airport Improvement Bond Reserve Fund to maintain the Airport Improvement Bond Reserve Fund Requirement with respect to each Series of Senior Bonds.

(e) Make deposits to the Support Facility Fund to pay all other amounts owing on Support Facilities entered into with respect to Senior Bonds.

(f) Make deposits to the credit of the Subordinate Commitment Fee Fund to pay commitment fees on Support Facilities entered into with respect to Subordinate Bonds.

(g) Make monthly deposits to the credit of the Subordinate Principal and Interest Fund to pay Debt Service on the Subordinate Bonds.

(h) Make monthly deposits to the credit of the Subordinate Bond Reserve Fund to maintain the Subordinate Bond Reserve Fund Requirement with respect to the Common Reserve Bonds or with respect to a Series of Subordinate Bonds.

(i) Make deposits to the Subordinate Support Facility Fund to pay all other amounts owing on Support Facilities entered into with respect to Subordinate Bonds.

(j) Provide for the payment of Other Subordinate Obligations and any amounts required to be deposited in any reserve funds established therefor.

(k) Complete the initial funding of and maintain the amount required to be on deposit in the Operations and Maintenance Reserve Fund.

(l) Complete the initial funding of and maintain the amount required to be on deposit in the Renewal and Replacement Fund.

(m) Money thereafter remaining in the Revenue Fund will be deposited in the Nashville Airports Experience (NAE) Fund.

The deposits required to be made pursuant to paragraphs (c) or (g) above shall not include principal or interest on Senior Bonds or Subordinate Bonds paid or to be paid from amounts that are not Airport Revenues; provided, however, that in order to exclude deposits required to be made pursuant to paragraphs (c) or (g) above with respect to principal or interest on Senior Bonds or Subordinate Bonds paid or to be paid from PFC Revenues, the Authority must designate such PFC Revenues as "PFCs Available for Debt Service" by filing a certificate signed by a Designated Financial Officer that includes (a) a representation on behalf of the Authority that such PFC Revenues, when received by the Authority, may be validly designated as and included in "PFCs Available for Debt Service" and are or will be legally available to pay the principal of, premium, if any, and interest on all or a portion of the Senior Bonds or Subordinate Bonds, (b) the amount of PFC Revenues that are being designated as and included in "PFCs Available for Debt Service," (c) identify the special account(s) such "PFCs Available for Debt Service" are to be deposited to, and (d) the time period during which such PFC Revenues will be designated as and included in "PFCs Available for Debt Service." After the filing of such certificate, the Authority shall cause the "PFCs Available for Debt Service" designated therein to be deposited to the special account(s) identified in such certificate and used to pay principal of and interest on the applicable Series of Senior Bonds or Subordinate Bonds. Notwithstanding any other provision hereof, if such "PFCs Available for Debt Service" are subject to any prior pledge or lien or irrevocable commitment, the application thereof to the payment of principal of and interest on the Senior Bonds or Subordinate Bonds shall be subordinate to the terms of such pledge or lien or irrevocable commitment and the certificate of the Designated Financial Officer designating the "PFCs Available for Debt Service" shall indicate the amount of the obligation payable in such Fiscal Year from the "PFCs Available for Debt Service" pursuant to such pledge or lien or irrevocable commitment.

The diagram set forth below presents a summary of certain funds and accounts and the priority for the flow of Airport Revenues and certain other amounts to such funds and accounts as

governed by the provisions of the Senior Bond Resolution and the Subordinate Bond Resolution. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Application of Airport Revenues" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Application of Airport Revenues" attached hereto. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS - Pledge of Net Revenues" for a description of the types of income and revenues of the Authority included in, and excluded from, the definition of Airport Revenues.

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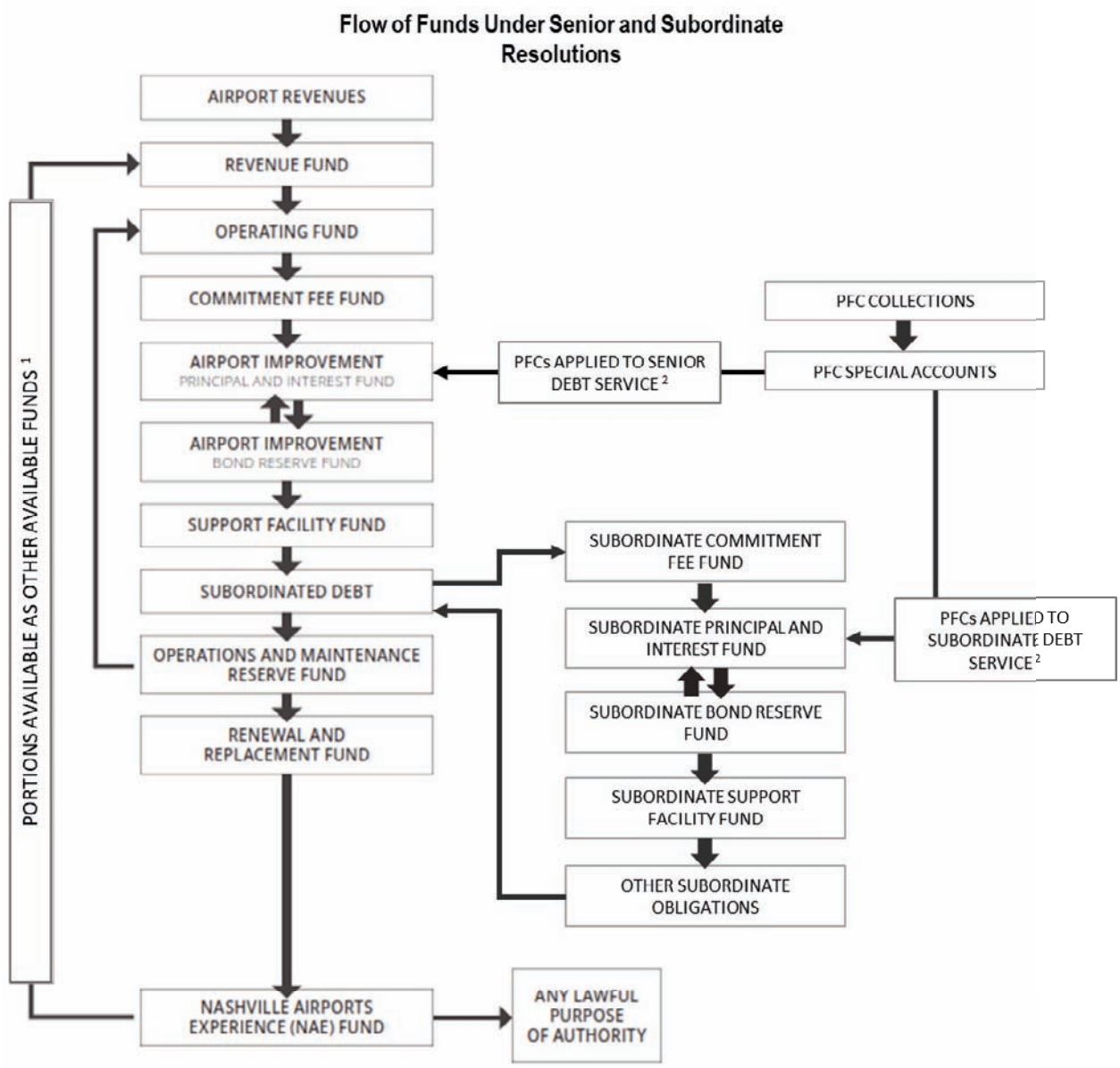

(1) NAE Fund transfers limited to 25% of Senior Debt Service or 10% of Senior Debt Service and Subordinate Debt Service.

(2) PFCs are applied to debt service at the discretion of the Authority and are not included in Airport Revenues or pledged to the payment of debt service on the Senior Bonds or the Subordinate Bonds.

Source: Senior Bond Resolution and Subordinate Bond Resolution.

Subordinate Bond Reserve Fund

The Subordinate Bond Resolution establishes a Subordinate Bond Reserve Fund which may include such reserve accounts as are established by the Authority with respect to one or more Series of Subordinate Bonds. Pursuant to the First Supplemental Resolution, the Series 2019 Subordinate Bonds have been designated as Common Reserve Bonds under the Subordinate Bond

Resolution and, as such, are secured by the Subordinate Bond Reserve Fund on parity with any additional Common Reserve Bonds. An amount equal to the Subordinate Bond Reserve Fund Requirement is required to be maintained in the Subordinate Bond Reserve Fund. The Subordinate Bond Reserve Fund may also secure Additional Subordinate Bonds designated Common Reserve Bonds pursuant to the Supplemental Resolution authorizing the issuance of such Subordinate Bonds. If Additional Subordinate Bonds constituting Common Reserve Bonds are hereafter issued, the amount on deposit in the Subordinate Bond Reserve Fund immediately after the issuance of such additional Common Reserve Bonds shall be increased to equal the amount of the Subordinate Bond Reserve Fund Requirement, taking into account the issuance of such additional Common Reserve Bonds. Amounts on deposit in the respective accounts of the Subordinate Bond Reserve Fund, will be disbursed solely for the purpose of paying principal of and interest on the respective Series of Subordinate Bonds for the funding of payment if there is insufficient money in the corresponding accounts in the Subordinate Principal and Interest Fund. Single accounts will be established in the Subordinate Bond Reserve Fund and the Subordinate Principal and Interest Fund with respect to all Common Reserve Bonds, including the Series 2019 Subordinate Bonds. Amounts on deposit in the account in the Subordinate Bond Reserve Fund for the Common Reserve Bonds will be disbursed solely for the purpose of paying principal of and interest on the Common Reserve Bonds for the funding of payment if there is insufficient money in the accounts established for the Common Reserve Bonds in the Subordinate Principal and Interest Fund.

Unless otherwise provided in a Supplemental Resolution, the Subordinate Bond Reserve Fund Requirement for the Common Reserve Bonds, including the Series 2019 Subordinate Bonds shall be the lesser of (a) the greatest amount of principal and interest payable on the Common Reserve Bonds, including the Series 2019 Subordinate Bonds in the then current or any future Fiscal Year, (b) 125% of the average annual principal and interest payable on the Common Reserve Bonds, including the Series 2019 Subordinate Bonds, or (c) 10% of the proceeds of the Common Reserve Bonds, including the Series 2019 Subordinate Bonds. Upon the issuance of the Series 2019 Subordinate Bonds, such amount is calculated to be equal to $69,935,650.

See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Funds and Accounts - *Subordinate Bond Reserve Fund*" attached hereto.

Rate Covenant

The Authority has covenanted in the Subordinate Bond Resolution to impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (a) to pay the principal of and interest and premium on the Senior Bonds and Subordinate Bonds, including the Series 2019 Subordinate Bonds, as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise), (b) to pay as and when the same become due all Operating Expenses, (c) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (d) to carry out all provisions and covenants of the Subordinate Bond Resolution.

Without limiting the provisions of the next preceding sentence, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected sufficient to produce Net Revenues, which, together with other available funds, will at least equal 110% of Debt Service on all Senior Bonds and Subordinate Bonds Outstanding.

The failure to comply with the foregoing covenant shall not constitute an Event of Default under the Subordinate Bond Resolution if the Authority shall, within 120 days of such failure to comply, (a) cause an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements as specified in with the foregoing covenant, (b) consider the recommendations of the Airport Consultant, and (c) take such action as the Authority, in its discretion, may deem necessary to comply with the foregoing covenant.

See also "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Senior Rate Covenant" for a description of the Senior Rate Covenant.

Obligations Incurred Pursuant to the Senior Bond Resolution

Nothing in the Subordinate Bond Resolution prevents the Authority from issuing Additional Senior Bonds, entering into Hedge Agreements and Support Agreements or obtaining Support Facilities with respect to Senior Bonds in accordance with the Senior Bond Resolution.

Additional Indebtedness

The Authority is authorized to issue Additional Senior Bonds and Additional Subordinate Bonds under the Senior Bond Resolution and the Subordinate Bond Resolution, respectively for the purpose of paying Costs of Construction of additions, expansions and improvements to the Airport System and certain other Airport Purposes, upon compliance with the Senior Additional Bonds Test and the Subordinate Additional Bonds Test, respectively. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Additional Subordinate Bonds and Other Indebtedness - *Additional Subordinate Bonds*" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Additional Senior Bonds and Other Indebtedness - *Additional Senior Bonds*" attached hereto, as applicable. In addition, the Senior Bond Resolution and the Subordinate Bond Resolution permits the issuance of Senior Refunding Bonds and Subordinate Refunding Bonds without meeting the Senior Additional Bonds Test or the Subordinate Additional Bonds Test upon the conditions described therein. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Additional Subordinate Bonds and Other Indebtedness - *Subordinate Refunding Bonds*" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Additional Senior Bonds and Other Indebtedness - *Senior Refunding Bonds*" attached hereto, as applicable.

Remedies; No Acceleration

The Subordinate Bond Resolution constitutes a contract between the Authority and the owners from time to time of the Series 2019 Subordinate Bonds, and the pledge, covenants, and agreements of the Authority set forth in the Subordinate Bond Resolution are for the equal benefit,

protection, and security of the owners of the Series 2019 Subordinate Bonds with respect to the Net Revenues.

In the event of a default under the Subordinate Bond Resolution, the remedy of acceleration will not be available to Bondholders and the realization of value from the pledge of the Net Revenues to secure the payment of the Series 2019 Subordinate Bonds would depend upon the exercise of various remedies specified by the Subordinate Bond Resolution and Tennessee law. 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 2019 Subordinate 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 "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Defaults and Remedies" attached hereto.

Certain factors may impact the holders of the Subordinate Bonds upon an event of default under the Senior Bond Resolution, the Subordinate Bond Resolution or the Note Purchase Agreement. The Senior Bonds are currently subject to acceleration upon the occurrence of an event of default under the Senior Bond Resolution. Amounts outstanding under the Note Purchase Agreement are also subject to acceleration upon the occurrence of an event of default thereunder (which includes a cross default from the Senior Bond Resolution or the Subordinate Bond Resolution). Any appointment of a receiver for the Airport System by the Trustee for the Subordinate Bonds upon the occurrence of an event of default under the Subordinate Bond Resolution is subject to the written approval of the holders of a majority of the Senior Bonds.

Limited Obligations

THE SERIES 2019 SUBORDINATE 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 SUBORDINATE BOND RESOLUTION, OR CONSTITUTE OR BE AN OBLIGATION OF THE COUNTY 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 2019 SUBORDINATE 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 NET REVENUES. THE AUTHORITY HAS NO TAXING POWER.

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OUTSTANDING AUTHORITY OBLIGATIONS

Senior Bonds

As of November 1, 2019, the following are the Senior Bonds Outstanding under the Senior Bond Resolution, all of which are special limited obligations of the Authority payable from and secured by a pledge of and lien on the Net Revenues (the "Outstanding Senior Bonds") senior to the pledge of and lien on the Net Revenues created in the Subordinate Bond Resolution for the payment and security of the Subordinate Bonds, including the Series 2019 Subordinate Bonds and any other Additional Subordinate Bonds issued under the Subordinate Bond Resolution:

Outstanding Senior Bonds	Original Aggregate Principal Amount	Outstanding Principal Amount	Final Maturity Date
Airport Improvement Revenue Bonds, Series 2015A (Non-AMT) (the "Series 2015A Senior Bonds")[1]	$ 91,855,000	$ 88,475,000	July 1, 2045
Airport Improvement Revenue Bonds, Series 2015B (AMT)	108,145,000	104,535,000	July 1, 2045
Airport Improvement Revenue Bonds, Series 2003B (Taxable) (the "Series 2003B Senior Bonds")[2]	19,585,000	13,235,000	July 1, 2033
Total	$219,585,000	$206,245,000	

(1) A portion of the Series 2015A Senior Bonds, which were issued as Senior Bonds under the Senior Bond Resolution, are being paid from available PFC Revenues as a result of a portion of the proceeds of the Series 2015A Senior Bonds being used to fund PFC eligible projects. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS - Pledge of Other Revenues to Subordinate Bonds and Other Obligations" and "INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES - Passenger Facility Charges" herein.

(2) The Authority has internally set aside the $575,000 July 1, 2019 mandatory redemption payment for the Series 2003B Senior Bonds.

Source: Metropolitan Nashville Airport Authority.

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Other Indebtedness

The following is a summary of the currently outstanding Other Obligations authorized under the Senior Bond Resolution and Other Subordinate Obligations authorized under the Subordinate Bond Resolution, as applicable.

Subordinate Bonds. As of November 1, 2019, there were no Subordinate Bonds outstanding under the Subordinate Bond Resolution. The Series 2019 Subordinate Bonds will be the first series of Subordinate Bonds issued under the Subordinate Bond Resolution.

The payment of principal of and interest on the Series 2019 Subordinate Bonds are Other Obligations authorized under the Senior Bond Resolution and will be equally and ratably secured by a pledge of and lien upon the Net Revenues, subject and subordinate to the pledge of and lien on the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds, including the Outstanding Senior Bonds and any other Additional Senior Bonds and are senior to the payment obligations of the Authority under the Note Purchase Agreement as to the pledge of, lien on and source of payment from the Net Revenues.

Note Purchase Agreement. Pursuant to the Note Purchase Agreement, the Authority has agreed to issue and Bank of America has agreed to purchase various tax-exempt and taxable notes of the Authority, from time to time, upon satisfaction of the terms and conditions set forth in the Note Purchase Agreement. Previously, Bank of America had agreed to make advances pursuant to the Note Purchase Agreement from time to time in an aggregate principal amount not to exceed $300,000,000 (the "Available Commitment") for interim financing of the Authority's Capital Projects. Pursuant to an amendment to the Note Purchase Agreement, which became effective on November 26, 2019 (the "Amendment to Note Purchase Agreement"), Bank of America has agreed to (a) increase the Available Commitment to $400,000,000, (b) permit the Authority the right, from time to time, to reduce the Available Commitment, and (c) modify the lien position of the obligations under the Note Purchase Agreement to reflect that such obligations are junior and inferior and subject and subordinate in payment to the lien and pledge on the Net Revenues created under the Subordinate Bond Resolution for the payment of and security for the Subordinate Bonds issued or incurred by the Authority under the Subordinate Bond Resolution. As of November 1, 2019, $241.5 million was outstanding under the Note Purchase Agreement and all or a portion of such outstanding amount is anticipated to be repaid from the proceeds of the Series 2019 Subordinate Bonds, which, in turn, will reinstate a like amount of the Available Commitment.

Pursuant to the Amendment to Note Purchase Agreement, the payment of the principal of and interest on the amounts due under the Note Purchase Agreement are deemed to be Other Subordinate Obligations authorized under the Subordinate Bond Resolution secured by a lien and pledge on the Net Revenues, junior and inferior and subject and subordinate in payment to the lien and pledge on the Net Revenues created under the Senior Bond Resolution for the payment of and security for the Senior Bonds and junior and inferior and subject and subordinate in payment to the lien and pledge on the Net Revenues of any Other Obligations issued or incurred by the Authority under the Senior Bond Resolution and the Subordinate Bond Resolution, including the Subordinate Bonds.

Anticipated Future Borrowing

In connection with the preparation of the Report of the Airport Consultant, the Airport Consultant assumed that the Authority will issue Additional Senior Bonds in 2021 and 2023 in the approximate amount of $1,631,500,000 to fund all or a portion of the Authority Capital Projects (the "Anticipated Future Bonds"). However, the timing, lien position and amount of the Anticipated Future Bonds will ultimately be determined by the Authority based upon a careful balancing by the Authority of imperatives related to accommodating evolving priorities with respect to demand-driven traffic activity, operational needs of the Airport, and sound financial management of the Authority's available revenues and debt capacity. See "AUTHORITY CAPITAL PROJECTS - Anticipated Funding Sources for Authority Capital Projects" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - The Series 2019 Subordinate Bonds and Future Bonds" attached hereto.

Further, the Authority continues to monitor market conditions for refunding opportunities and may issue Senior Refunding Bonds under the Senior Bond Resolution and/or Subordinate Refunding Bonds under the Subordinate Bond Resolution from time to time in order to realize debt service savings and/or other financial benefits to the Authority.

PRINCIPAL AND INTEREST REQUIREMENTS

The following table presents the annual debt service obligations of the Authority on the Outstanding Senior Bonds upon the issuance and delivery of the Series 2019 Subordinate Bonds, and presents the annual debt service obligations of the Authority on the Series 2019 Subordinate Bonds, and the total aggregate debt service on the issuance of the Series 2019 Subordinate Bonds. For additional information relating to the Senior Bonds Outstanding and the Other Obligations Outstanding, see "OUTSTANDING AUTHORITY OBLIGATIONS" herein.

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Fiscal Year Ending June 30[3]	Outstanding Senior Bonds Debt Service[1][4][5]	Series 2019A Subordinate Bonds[1][2]			Series 2019B Subordinate Bonds[1][2]			Total Aggregate Series 2019 Subordinate Bonds Debt Service[1][2]	Total Aggregate Debt Service[1][2][4][5][6]
		Principal	Interest	Total	Principal	Interest	Total		
2020	$ 14,694,237	-	$ 2,273,360	$ 2,273,360	-	$ 723,404	$ 723,404	$ 2,996,764	$ 17,691,001
2021	14,694,235	-	8,375,550	8,375,550	-	14,454,450	14,454,450	22,830,000	37,524,235
2022	14,692,196	-	11,403,117	11,403,117	-	15,425,800	15,425,800	26,828,917	41,521,112
2023	14,692,670	-	12,089,700	12,089,700	-	15,425,800	15,425,800	27,515,500	42,208,170
2024	14,691,616	-	12,221,750	12,221,750	-	29,348,050	29,348,050	41,569,800	56,261,416
2025	14,692,672	$ 2,965,000	12,221,750	15,186,750	$ 7,920,000	32,132,500	40,052,500	55,239,250	69,931,922
2026	14,698,655	3,120,000	12,073,500	15,193,500	8,315,000	31,736,500	40,051,500	55,245,000	69,943,655
2027	14,694,618	3,270,000	11,917,500	15,187,500	8,735,000	31,320,750	40,055,750	55,243,250	69,937,868
2028	14,696,761	3,430,000	11,754,000	15,184,000	9,170,000	30,884,000	40,054,000	55,238,000	69,934,761
2029	14,693,737	3,600,000	11,582,500	15,182,500	9,625,000	30,425,500	40,050,500	55,233,000	69,926,737
2030	14,693,196	3,790,000	11,402,500	15,192,500	10,110,000	29,944,250	40,054,250	55,246,750	69,939,946
2031	14,694,091	3,970,000	11,213,000	15,183,000	10,610,000	29,438,750	40,048,750	55,231,750	69,925,841
2032	14,695,375	4,175,000	11,014,500	15,189,500	11,145,000	28,908,250	40,053,250	55,242,750	69,938,125
2033	14,696,001	4,380,000	10,805,750	15,185,750	11,700,000	28,351,000	40,051,000	55,236,750	69,932,751
2034	13,339,969	5,000,000	10,586,750	15,586,750	13,240,000	27,766,000	41,006,000	56,592,750	69,932,719
2035	13,341,719	5,245,000	10,336,750	15,581,750	13,905,000	27,104,000	41,009,000	56,590,750	69,932,469
2036	12,894,219	5,640,000	10,074,500	15,714,500	14,920,000	26,408,750	41,328,750	57,043,250	69,937,469
2037	12,898,969	5,920,000	9,792,500	15,712,500	15,655,000	25,662,750	41,317,750	57,030,250	69,929,219
2038	12,898,469	6,210,000	9,496,500	15,706,500	16,445,000	24,880,000	41,325,000	57,031,500	69,929,969
2039	12,901,969	6,530,000	9,186,000	15,716,000	17,260,000	24,057,750	41,317,750	57,033,750	69,935,719
2040	12,898,219	6,855,000	8,859,500	15,714,500	18,130,000	23,194,750	41,324,750	57,039,250	69,937,469
2041	12,901,469	7,195,000	8,516,750	15,711,750	19,040,000	22,288,250	41,328,250	57,040,000	69,941,469
2042	12,895,219	7,555,000	8,157,000	15,712,000	19,990,000	21,336,250	41,326,250	57,038,250	69,933,469
2043	12,898,719	7,935,000	7,779,250	15,714,250	20,985,000	20,336,750	41,321,750	57,036,000	69,934,719
2044	12,900,219	8,330,000	7,382,500	15,712,500	22,030,000	19,287,500	41,317,500	57,030,000	69,930,219
2045	12,899,231	8,750,000	6,966,000	15,716,000	23,130,000	18,186,000	41,316,000	57,032,000	69,931,231
2046	-.	12,940,000	6,560,550	19,500,550	33,340,000	17,095,100	50,435,100	69,935,650	69,935,650
2047	-	13,535,000	5,964,150	19,499,150	34,900,000	15,528,900	50,428,900	69,928,050	69,928,050
2048	-	14,165,000	5,340,550	19,505,550	36,540,000	13,889,750	50,429,750	69,935,300	69,935,300
2049	-	14,810,000	4,688,050	19,498,050	38,260,000	12,173,800	50,433,800	69,931,850	69,931,850
2050	-	15,500,000	4,006,000	19,506,000	40,045,000	10,377,500	50,422,500	69,928,500	69,928,500
2051	-	16,225,000	3,276,200	19,501,200	41,940,000	8,488,400	50,428,400	69,929,600	69,929,600
2052	-	16,990,000	2,512,450	19,502,450	43,915,000	6,510,100	50,425,100	69,927,550	69,927,550
2053	-	17,785,000	1,712,850	19,497,850	45,995,000	4,439,100	50,434,100	69,931,950	69,931,950
2054	-	18,620,000	875,950	19,495,950	48,155,000	2,270,300	50,425,300	69,921,250	69,921,250
	$361,388,444	$254,435,000	$292,419,226	$546,854,226	$665,150,000	$719,800,704	$1,384,950,704	$1,931,804,931	$2,293,193,375

(1) Numbers may not add up due to rounding.
(2) Reflects debt service on the Series 2019 Subordinate Bonds net of capitalized interest.
(3) Amounts shown in each year for the Fiscal Year Ending June 30 include interest payable on the prior January 1 and principal and interest payable on the July 1 immediately following June 30 of each such Fiscal Year.
(4) A portion of the Series 2015A Senior Bonds, which were issued as Senior Bonds under the Senior Bond Resolution, are being paid from available PFC Revenues as a result of a portion of the proceeds of the Series 2015A Senior Bonds being used to fund PFC eligible projects. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS - Pledge of Other Revenues to Subordinate Bonds and Other Obligations" and "INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES - Passenger Facility Charges" herein.
(5) The Authority has internally set aside the $575,000 July 1, 2019 mandatory redemption payment for the Series 2003B Senior Bonds. As such, the Outstanding Senior Bonds debt service excludes such mandatory redemption payment for the Series 2003B Senior Bonds.
(6) Excludes debt service obligations on the amounts due under the Note Purchase Agreement. See "OUTSTANDING AUTHORITY OBLIGATIONS - Other Indebtedness - Note Purchase Agreement" herein.

Source: Metropolitan Nashville Airport Authority.

THE METROPOLITAN NASHVILLE AIRPORT AUTHORITY

General

The Authority is a metropolitan airport authority created on February 9, 1970 pursuant to the provisions of the Act. The Authority is acting as an agency and instrumentality of the Metropolitan Government. The principal purpose of the Authority is the management and operation of the Airport System and other airports and auxiliary fields either acquired or placed under its control. The Authority is empowered under the Act to construct, improve and operate airports and to establish and charge fees, rentals, rates and other charges. Further, the Authority is authorized to issue revenue bonds for the purposes authorized by the Act.

Board of Commissioners

The Board governs the Authority and serves without compensation. The Board consists of ten members, nine of whom are appointed by the Mayor of the Metropolitan Government (the "Mayor"), with the tenth being the Mayor (or the Mayor's designee). All appointments are confirmed by the Metropolitan Council, except that of the Mayor. All appointments to the Board are for four-year terms. The terms of commissioners are staggered to provide for continuity of Airport System development and management. In accordance with the Act, commissioners are representative of specified areas of expertise, such as industry, commerce and finance, legal, engineering, neighborhood 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 Airport System, and the hereinafter defined MPC and MPC Subsidiaries. The President and CEO leads a full-time staff of professional and technical personnel located at the Airport.

Administration

The executive staff of the Authority includes the following:

Douglas E. Kreulen, A.A.E. Mr. Kreulen serves as the Authority's President and Chief Executive Officer. Mr. Kreulen joined the Authority in 2012 and was promoted in 2014 to Chief Operating Officer. He was named President & Chief Executive Officer in December 2017. Before joining the Authority, Mr. Kreulen served four years as Director of Operations for Huntsville International Airport. Prior to his career in the commercial aviation sector, Mr. Kreulen served in the United States Air Force for 27 years, earning the rank of Colonel and holding prominent command and staff leadership positions. He is an Accredited Airport Executive (A.A.E.). Mr. Kreulen earned a Bachelor of Science in Laboratory Technology from Auburn University, a Master of Science in Personnel Management from Troy University, and a Master of Science in National Security Strategy, National War College.

Robert L. Ramsey, P.E., A.A.E., IAP. Mr. Ramsey serves as the Authority's Senior Vice President and Chief Operating Officer. Mr. Ramsey joined the Authority in 2003 and currently serves as Chief Operating Officer and senior vice president. He oversees the Operations and Facilities Maintenance, Public Safety, Development and Engineering, and Strategic Planning departments for the Airport and the Reliever Airport. Mr. Ramsey previously served as vice president and Chief Engineer, where he was responsible for, among many other capital projects,

the development and launch of the BNA Vision, the Authority's growth and expansion plan for the Airport. He also served eight years in the United States Air Force as an officer in multiple squadron leadership roles. A graduate of the University of Missouri and the Virginia Military Institute, Ramsey is a Professional Engineer (PE), an Accredited Airport Executive (A.A.E) and an International Airport Professional (IAP).

Margaret M. Basrai, CPA, CGMA, C.M. Ms. Basrai serves as the Authority's Vice President and Chief Financial Officer. Ms. Basrai joined the Authority in January 2018 and currently serves as Vice President and Chief Financial Officer. She is responsible for the financial and fiscal management functions for both the Airport and the Reliever Airport, including financial planning and analysis, budgeting and accounting, financial investment, debt management, grant financial administration, oversight of rates and charges, and procurement. Ms. Basrai has 19 years of accounting and financial management experience in the aviation industry. She previously served as Vice President and Controller for the Wayne County Airport Authority, which operates Detroit Metropolitan Airport, Willow Run Airport, and its airport hotel. She is a Certified Public Accountant (CPA), Chartered Global Management Accountant (CGMA) and a Certified Member (C.M.) of the American Association of Airport Executives. Ms. Basrai earned a Bachelor of Arts in Accounting and an MBA from Michigan State University.

Separate Entities

The Authority formed MNAA Properties Corporation ("MPC") as a Tennessee nonprofit corporation in 2007, pursuant to an interlocal cooperation agreement with the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The commissioners of the Board constitute the board of directors of MPC. The Authority made an initial capital contribution of $9.0 million to MPC in August 2007.

During 2008, MPC Holdings, LLC, a limited liability company of which MPC is the sole member ("MPC Holdings"), acquired two separate multi-tenant facilities, both on Airport property. The first, International Plaza, was purchased for $7.5 million, and the second was purchased from a major tenant for approximately $1.4 million. Both acquisitions were financed with bank loans from SunTrust Bank ("SunTrust") to MPC Holdings and related interest rate swap agreements and since refinanced with SunTrust. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

In late 2009, the Authority and MPC caused the creation of MPC CONRAC, LLC, as a Tennessee nonprofit limited liability company of which MPC is the sole member ("MPC CONRAC," and together with MPC Holdings, the "MPC Subsidiaries"), in connection with the CONRAC Bonds (as defined herein) issued by the Authority as Special Facility Revenue Bonds to finance the cost of construction associated with the CONRAC Facility (as defined herein). See "NASHVILLE INTERNATIONAL AIRPORT - Airport Facilities - CONRAC Facility" herein.

The operating expenses of MPC and the MPC Subsidiaries are not Operating Expenses under the Senior Bond Resolution nor the Subordinate Bond Resolution and the income and

revenues of MPC and the MPC Subsidiaries are not included in Airport Revenues, except that ground rent payments and management fees paid by such entities to the Authority are included in Airport Revenues. Although the Authority may commit amounts in the Nashville Airports Experience (NAE) Fund to support projects undertaken by MPC and the MPC Subsidiaries, it is currently expected that no other property or assets of the Authority will be committed to support MPC or any subsidiary. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

The Signatory Airline Agreements do not provide any Signatory Airline support for MPC or any MPC Subsidiaries. The financial obligations of MPC or any MPC Subsidiaries are not debt of the Authority and are not included within either the Senior Bond Resolution or the Subordinate Bond Resolution, and any shortfalls or deficits of MPC or any MPC Subsidiaries must be paid from other available Authority funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS - Intercompany Loans" herein.

Intercompany Loans

In March 2018, the Authority and the MPC executed a Memorandum of Intercompany Loan Facility (the "Intercompany Loan Memorandum") for the purpose of documenting an intercompany loan provided by the Authority to MPC to pay amounts due under a guarantee agreement between MPC and SunTrust with a final maturity date of April 1, 2018 (the "MPC Guarantee Agreement") for which MPC did not have sufficient funds. Under the original terms of the Intercompany Loan Memorandum, MPC is to repay the Authority the principal amount of $400,000 in monthly installments, bearing interest at 3.25% per annum, which commenced on April 30, 2018 and is scheduled to continue on the last day of each calendar month thereafter, with a final maturity date of April 1, 2021. MPC has made all such monthly payments and as of November 1, 2019, MPC owed the Authority $193,745 under the Intercompany Loan Memorandum. See "THE METROPOLITAN NASHVILLE AIRPORT AUTHORITY - Separate Entities" herein and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

Employee Relations

None of the Authority's employees are presently represented by labor unions. As of June 30, 2019, the Authority employed 311 persons, with a full-time equivalent (FTE) of 324 positions. The Authority's Fiscal Year 2020 budget provides for 366 full-time equivalent employees.

THE AIRPORT SYSTEM

The Airport System includes the Airport, the Reliever Airport including any extensions, additions or improvements thereto, and includes any other air transportation related facilities added to the definition of the Airport System by resolution of the Authority.

Nashville International Airport

In 1936, the Airport was established as Berry Field on a 340-acre tract and has been expanded and developed over the years to meet increased demand and accommodate the economic growth of the Middle Tennessee region. Today, the Airport covers approximately 4,470 acres and is located approximately six miles from downtown Nashville. Access to the Airport is primarily provided from Interstate 40 and indirectly from Interstates 24 and 65 via Donelson Pike. The Airport is the largest airport in the State of Tennessee, the only medium hub airport in the region as classified by the Federal Aviation Administration ("FAA"), and is relatively isolated from airport competition in the region. For additional information regarding the Airport, see "NASHVILLE INTERNATIONAL AIRPORT" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT" attached hereto.

John C. Tune Airport

The Authority also owns and operates the Reliever Airport, a 372-acre facility which is a general aviation airport and serves the needs of corporate and private aircraft users. The Reliever Airport is located on the west side of Nashville approximately five miles from downtown. The Reliever Airport is designated as a reliever airport to the Airport pursuant to the FAA's National Plan of Integrated Airport Systems. Reliever airports are specially designated general aviation airports intended to reduce congestion at larger commercial service airports primarily by providing an option for accommodating general aviation traffic.

The Reliever Airport, which opened in 1986, has a single runway of 6,000 feet long, 360,000 square feet of aircraft ramp space, 3,000 square feet of office space, a terminal building, and other hangar space for corporate and general aviation aircraft. In 2015, over $30.0 million in capital improvements, 95% of which was funded with federal and state grant funds, were made at the Reliever Airport. Improvements included, extension of both the runway and taxiway, construction of new runway safety areas, installation of LED airfield lighting major renovations to the main terminal, hangar repairs and improvements, and paving of the aircraft ramp and apron. In addition, in Fiscal Year 2019, the Reliever Airport began construction on a $2.0 million project to provide site development for a new aircraft hangar with attached office and shop space, including aircraft asphalt taxilane, asphalt apron and vehicle parking.

NASHVILLE INTERNATIONAL AIRPORT

Airport Facilities

Airfield Facilities. The existing airfield consists of four runways, three of which are in a parallel northeast-southwest alignment (Runways 2R-20L, 2C-20C, and 2L-20R) and one crosswind carrier runway oriented in a northwest/southeast direction (Runway 13-31). Runway 2R-20L is 8,001 feet in length, Runway 2C-20C is 8,001 feet in length, Runway 2L-20R is 7,704 feet in length, and Runway 13-31 is the Airport's longest at 11,030 feet in length. All four runways are 150 feet wide and are equipped with high intensity runway lighting systems. Parallel Runways 2L-20R and 2R-20L are equipped with centerline lighting, and touchdown zone lights are installed on Runway ends 2L-20R and 2R-20L. Precision instrument landing systems were installed on all ends of each runway for approaches during instrument flight rules conditions with

the exception of Runway ends 20C and 13. Existing runways have adequate capacity to meet forecast operations throughout the foreseeable future. See "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Airfield Facilities" attached hereto.

Passenger Terminal Complex. The passenger terminal complex at the Airport consists of a main terminal building with four attached concourses and an international arrivals building ("IAB") and over one million square feet of total space. The existing terminal and apron facilities provide for 43 gate positions and associated passenger waiting areas and security screening facilities. Of the 43 gate positions, two are at the IAB, which can accommodate international arrivals, and 41 are generally used for domestic operations. The terminal apron is comprised of approximately 1.35 million square feet of pavement. For additional information regarding the passenger terminal complex, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Terminal Facilities" attached hereto.

Main Terminal. The main terminal building at the Airport is divided into three primary levels: ground transportation (Level 1), the arrivals level (Level 2), and the departures level (Level 3). Level 1 accommodates Airport passenger ground transportation services, such as rental cars, taxis, limo, transportation network companies ("TNCs"), such as Rasier, LLC (doing business as Uber) ("Uber") and Lyft, Inc. ("Lyft"), and shuttle buses. Level 2 serves primarily as the hall for baggage claims, baggage makeup, and check baggage inspection screening facilities. An elevated roadway provides vehicle access to Level 3, which provides passengers access to the ticketing hall, the security screen checkpoint, and the four concourses. Level 3 is also the primary level for concessions areas, including food and beverage operators, retailers, and service providers, enhancing the customer experience at while at the Airport. Such concession offerings include, but are not limited to, a variety of fast food and full-service restaurants, local themed gifts and retail shops, newsstands and other spa/service providers. Restaurants and public spaces also offer music in many forms, including live performances. For additional information regarding the main terminal, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Terminal Facilities" attached hereto.

Administration. The Authority's administration space is primarily located on Level 4 of the main terminal. This space comprises over 25,000 square feet and makes up the majority of the level. The Authority operations office is located in Concourse C and other general Authority offices are located in Concourse B. For additional information regarding the Authority's administrative space, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Terminal Facilities" attached hereto.

Public Parking Facilities. Authority-owned public parking facilities consist of a new six-story short-term public parking garage, one long-term surface parking lot (Terminal Lot A), two economy surface parking lots (Economy Lots B and C), valet parking, and a remote valet surface parking lot (BNA Express Park). In total, these facilities provide approximately 11,300 public parking spaces offering various products to passengers. The Authority opened the first phase of the new terminal parking garage in December 2018. The new garage replaced the existing short-term garage. The new terminal parking garage has approximately 2,200 covered

parking spaces with 20 charging stations for electric vehicles, and is located adjacent to and within walking distance to the passenger terminal. Terminal Lot A is a surface lot consisting of 1,034 public parking spaces, which is within walking distance to the terminal and also offers shuttle service approximately every five minutes. Economy Lot B is a surface lot consisting of 2,124 public parking spaces and offers shuttle service to the terminal approximately every five minutes. The Economy Lot C has 3,625 surface public parking spaces and offers shuttle service to the terminal approximately every ten minutes. Valet parking pick-up and drop-off occurs on the lower roadway level in front of the terminal building. The storage lot for valet parking contains 1,081 (679 useable) parking spaces. The valet parking product also offers optional car wash services. The BNA Express Park lot has 1,235 remote spaces providing valet on-demand shuttle service and includes two free electric charging stations and optional car wash services.

The following table presents the current pricing for the terminal parking garage, Terminal Lot A, Economy Lot B, Economy Lot C, valet parking service, and the BNA Express Park lot.

Public Parking Rates at the Airport
Effective May 6, 2019

Parking Facility	Daily Maximum Rate
Terminal Parking Garage	$24
Terminal Lot A	18
Economy Lot B	12
Economy Lot C	12
Valet Parking Service	34
BNA Express Park Lot	12

To help reduce vehicle traffic congestion in the terminal area, two cell phone waiting lots are 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. Both lots are located north of the passenger terminal and include 49 spaces for the lot east of Economy Lot C and 80 spaces for the lot west of Economy Lot C.

Off-Airport parking competition includes five private operators offering over 4,700 spaces. Off-Airport parking operators' daily rates are comparable, and in some cases greater than, the Authority's daily economy rates.

For additional information regarding the Authority-owned public parking facilities and off-Airport parking competition, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Public Parking Facilities" attached hereto.

CONRAC Facility. The 1.2 million-square foot consolidated rental car facility (the "CONRAC Facility") is located north of the Terminal Parking Garage and contains 2,400 rental car ready/return spaces on three parking levels. The CONRAC Facility is within walking distance from the terminal building; therefore, no busing of passengers is needed. Covered walkways provide convenient passenger access to/from the terminal. Ten rental car brands are currently

offered within CONRAC Facility: Advantage, Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, and Thrifty.

A grade-level quick-turn around ("QTA") facility adjacent and to the north of the ready/return parking is also included within the CONRAC Facility. The QTA contains 10 car wash bays, 54 fueling stations, a common vacuum and windshield wiper fluid system, and three 20,000-gallon underground fuel tanks for servicing of vehicles by the rental car operators.

Air Cargo Facilities. Air cargo operations at the Airport include all-cargo aircraft operators, air freight operators, integrated carriers, and the U.S. Postal Service. Facilities for all-cargo operators generally include an aircraft parking apron for the loading and unloading of cargo. Air freight is generally the cargo transported on passenger airlines, and integrated carriers are operators such as FedEx and United Parcel Service, etc. The air freight facilities consist of enclosed building space with a capacity of about 40,000 square feet located southeast of the passenger terminal facility for ease of transporting freight to and from passenger aircraft, which the Authority leases to various passenger airlines for their air freight. All-cargo facilities are located in the western part of the Airport between Briley Parkway and Runway 2L-20R, which facilities have direct access to approximately 400,000 square feet of apron space. In addition, the Air Cargo Terminal One and Air Cargo Terminal Two facilities consist of apron space and building space to support all-cargo and integrated carrier operations. See "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Air Cargo and Aircraft Maintenance Facilities" attached hereto.

Aircraft Maintenance Facilities. Multiple aircraft maintenance facilities are located at the Airport. Fixed base operators and other service providers offer maintenance service to general aviation aircraft. Brazilian aircraft manufacturer Embraer also provides maintenance services from a 78,000-square foot hangar on the west side of the Airport, which Embraer leases from the Authority. The Authority leases this building space to Embraer. See "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Air Cargo and Aircraft Maintenance Facilities" attached hereto.

Ancillary Facilities. Ancillary facilities support the aviation-related activities at the Airport. The facilities identified as ancillary are categorized as Military, General Aviation, FAA, the Authority, Ground Support Equipment, Flight Kitchens, Other Facilities, and the Central Receiving and Distribution Center. For additional information regarding ancillary facilities, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Existing Airport Facilities - Ancillary Facilities" attached hereto.

Air Service Area

The Airport is the primary commercial airline passenger airport serving the Nashville metropolitan area and the surrounding region, the Middle Tennessee area, portions of Southern Kentucky and Northern Alabama, and is relatively isolated from airport competition in the region.

The Airport's Air Service Area is defined as the Nashville-Davidson-Murfreesboro-Franklin, Tennessee MSA and includes the 14 counties in Middle Tennessee of Cannon, Cheatham, Davidson (Airport's location), Dickson, Hickman, Macon, Maury, Robertson,

Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson Counties. The Nashville-Davidson-Murfreesboro-Franklin MSA is the 36th most populated MSA in the U.S., with approximately 1.9 million people as of July 2017. In many cases, an air service area can extend beyond the primary MSA depending on the location of other population centers and availability of other commercial service airports; however, it is generally the economic strength of the primary MSA that provides the principal demand for supporting O&D air travel. The Nashville metropolitan region is a major destination draw for visitors and conventions. For a map of the Air Service Area, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Role of the Airport and Economic Base for Air Traffic - Role of the Airport - Regional Role" attached hereto.

The Air Service Area is generally isolated from competing airport facilities and, hence, the Airport has limited competition for air service. Huntsville International Airport (HSV), small hub, is the closest commercial airport, about 125 (driving) miles from the Airport. The next closest airport is Chattanooga Metropolitan Airport (CHA), non-hub, which is about 145 (driving) miles away. Louisville International Airport (SDF), small hub, and Knoxville McGee Tyson Airport (TYS), small hub, are about 175 (driving) miles from the Airport. Paducah Barkley Regional Airport (PAH) is a non-hub airport about 150 (driving) miles from the Airport with only Essential Air Service. Memphis International Airport (MEM) is a small hub airport about 220 (driving) miles from the Airport. The following map presents the Air Service Area and other commercial service airports in the general vicinity, which shows that other commercial service airports in the region are smaller facilities and the more comparable small hub airports are over 175 miles away. Other medium and large hub airports are over 250 miles from the Airport with Hartsfield-Jackson Atlanta International Airport (ATL) the nearest at approximately 255 (driving) miles.

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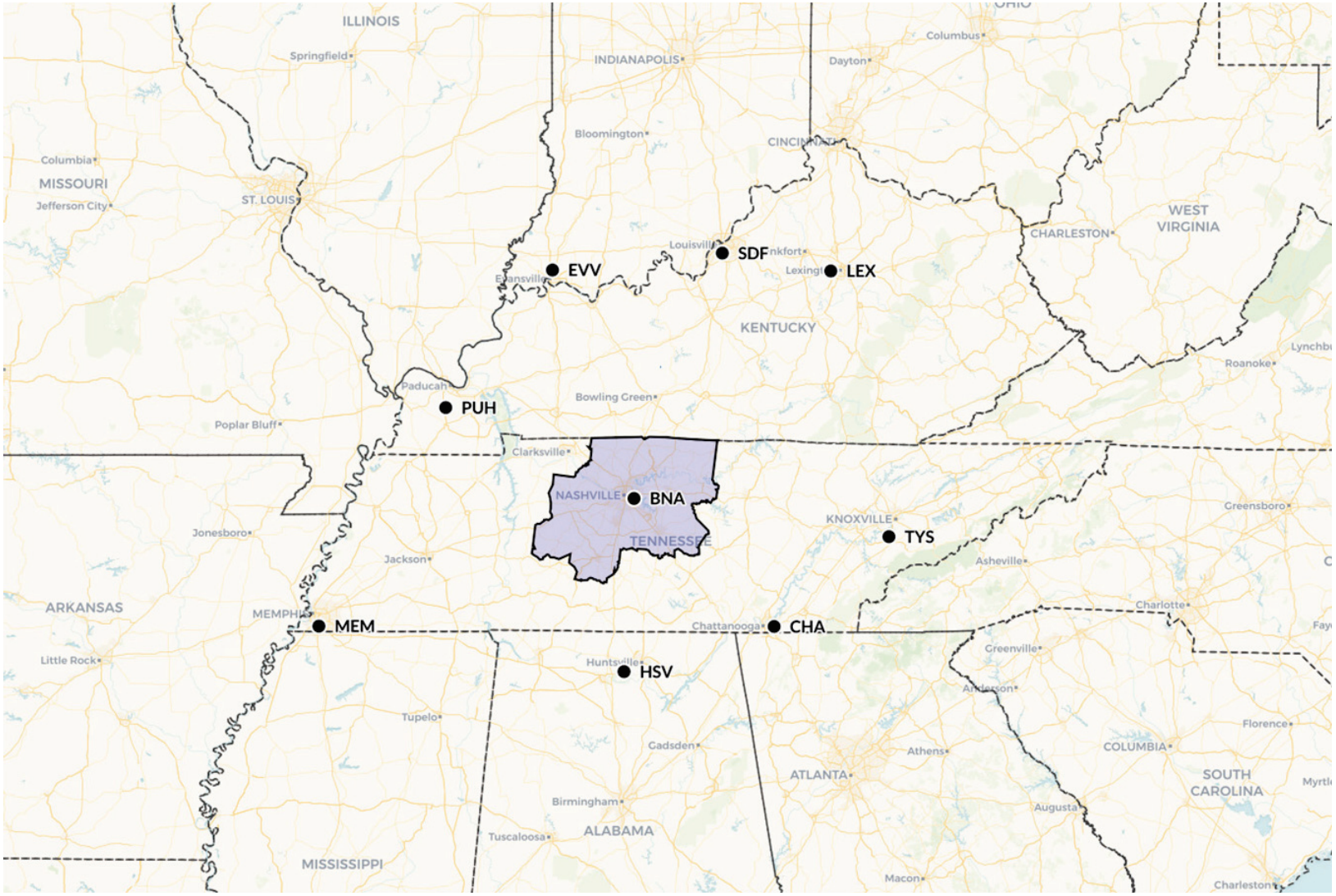
ILLINOIS
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Jefferson City
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WEST VIRGINIA
CHARLESTON
Louisville
SDF
Frankfort
Lexington
LEX
Evansville
EVV
KENTUCKY
Roanoke
Paducah
PUH
Bowling Green
Poplar Bluff
Clarksville
NASHVILLE
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Florence
Gadsden
Athens
COLUMBIA
ATLANTA
SOUTH CAROLINA
Birmingham
Augusta
Tuscaloosa
ALABAMA
MISSISSIPPI
Macon
Charleston

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 - Role of the Airport and Economic Base for Air Traffic" attached hereto.

Airlines Serving the Airport

The Airport has a diverse, stable base of air carriers. All the major U.S. network airlines along with selected low-cost carriers ("LCCs") and ultra low-cost carriers ("ULCCs") operate at the Airport. Over the last few years, several new Airlines, particularly LCCs and ULCCs such as JetBlue Airlines ("JetBlue"), Allegiant Air ("Allegiant"), Sun Country Airlines ("Sun Country"), and most recently Spirit Airlines ("Spirit"), have begun service at the Airport. In Fiscal Year 2019, the Airport added two additional carriers, Sun Country and VivaAerobus, as well as nonstop service to new domestic destinations, including Allentown, Burbank, Cedar Rapids, Grand Rapids, Harrisburg, Portland, and San Jose. Southwest Airlines ("Southwest") is the dominant Airline at the Airport with a 52.5% share of enplanements for Fiscal Year 2019.

In October 2019, the Airport had scheduled passenger service by 24 U.S. airlines and seven foreign flag carriers with 280 peak day scheduled departures from the Airport to 67 destinations. In addition, there was cargo service provided by six all-cargo Airlines. The following table presents the Airlines serving the Airport as of October 2019.

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Airlines Serving the Airport
(as of October 2019)

Passenger Airlines			Cargo Carriers	
Signatory	**Regional Affiliates[1]**	**Non-Signatory**	**Signatory**	**Non-Signatory**
Alaska Airlines	Air Wisconsin[2]	AeroMexico[7]	Federal Express	Air General, Inc.
Allegiant Air	Endeavor Air[3]	Air Georgian[7]		Air Transport International
American Airlines	Envoy[4]	Boutique Air		Airborne Express
Delta Air Lines	ExpressJet[5]	British Airways[7]		CSA
Frontier Airlines	GoJet Airlines[3]	Contour Airlines		Mountain Air Cargo
JetBlue	Mesa Airlines[4]	Sun Country		
Southwest Airlines	Republic Airways[2]	Sunwing[7]		
United Airlines	Shuttle America[6]	Swift Air		
Spirit Airlines	SkyWest Airlines[6]	VivaAerobus[7]		
	TransStates Airlines[5]	WestJet[7]		
		WestJet Encore[7]		
		Xtra Airways		

(1) Subject to the provisions of the Signatory Airline Agreements, certain Signatory Airlines have designated one or more regional airlines as an Affiliate (as defined in the Signatory Airline Agreements). As such, the Landing Fees, Terminal Rents (both as defined in the Signatory Airline Agreements) and other charges due on account of each Affiliate's use of Airport facilities or services are calculated as if the Affiliate were a Signatory Airline. See "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS" attached hereto.
(2) Doing business as American Airlines and United Airlines.
(3) Doing business as Delta Air Lines.
(4) Doing business as American Airlines.
(5) Doing business as United Airlines.
(6) Doing business as Delta Air Lines and United Airlines.
(7) Foreign flag carriers.

Source: The Report of the Airport Consultant attached hereto as APPENDIX A.

For additional information regarding air service at the Airport, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis" attached hereto.

Airport's Role

The following is a summary of the role that the Airport serves in accommodating air traffic for the nation, the region, and as a focus city for both Southwest Airlines and Delta Air Lines ("Delta").

Airport's National Role. The Airport is classified by the FAA as a medium-hub airport based upon its share of nationwide enplaned passengers. According to data from the FAA, there was an increase of approximately 16.1% in enplaned passengers at the Airport for calendar year 2018 as compared to calendar year 2017, and the Airport increased its ranking to 31st in the U.S. as the largest medium hub airport. In calendar year 2018, the Airport had the largest percentage increase of any of the largest 35 airports in the U.S. in terms of enplaned passengers. The following

table presents the rankings of the top 35 U.S. airports in terms of total enplaned passengers per the FAA for calendar year 2018.

Enplaned Passenger Rankings
Top 35 U.S. Airports
Calendar Year 2018

Rank	City	Airport	Code	Hub Type	Enplaned Passengers
1	Atlanta	Hartsfield-Jackson Atlanta International	ATL	Large	51,865,797
2	Los Angeles	Los Angeles International	LAX	Large	42,624,050
3	Chicago	Chicago O'Hare International	ORD	Large	39,873,927
4	Dallas-Fort Worth	Dallas-Fort Worth International	DFW	Large	32,821,799
5	Denver	Denver International	DEN	Large	31,362,941
6	New York	John F Kennedy International	JFK	Large	30,620,769
7	San Francisco	San Francisco International	SFO	Large	27,790,717
8	Seattle	Seattle-Tacoma International	SEA	Large	24,024,908
9	Las Vegas	McCarran International	LAS	Large	23,795,012
10	Orlando	Orlando International	MCO	Large	23,202,480
11	Newark	Newark Liberty International	EWR	Large	22,797,602
12	Charlotte	Charlotte/Douglas International	CLT	Large	22,281,949
13	Phoenix	Phoenix Sky Harbor International	PHX	Large	21,622,580
14	Houston	George Bush Intercontinental/Houston	IAH	Large	21,157,398
15	Miami	Miami International	MIA	Large	21,021,640
16	Boston	General Edward Lawrence Logan International	BOS	Large	20,006,521
17	Minneapolis	Minneapolis-St Paul International/Wold-Chamberlain	MSP	Large	18,361,942
18	Fort Lauderdale	Fort Lauderdale/Hollywood International	FLL	Large	17,612,331
19	Detroit	Detroit Metropolitan Wayne County	DTW	Large	17,436,837
20	Philadelphia	Philadelphia International	PHL	Large	15,292,670
21	New York	LaGuardia	LGA	Large	15,058,501
22	Baltimore	Baltimore/Washington International Thurgood Marshall	BWI	Large	13,371,816
23	Salt Lake City	Salt Lake City International	SLC	Large	12,226,730
24	San Diego	San Diego International	SAN	Large	12,174,224
25	Washington	Washington Dulles International	IAD	Large	11,621,623
26	Washington	Ronald Reagan Washington National	DCA	Large	11,366,771
27	Chicago	Chicago Midway International	MDW	Large	10,678,018
28	Tampa	Tampa International	TPA	Large	10,368,514
29	Honolulu	Daniel K Inouye International	HNL	Large	10,017,149
30	Portland	Portland International	PDX	Large	9,804,868
31	**Nashville**	**Nashville International**	**BNA**	**Medium**	**8,017,347**
32	Dallas	Dallas Love Field	DAL	Medium	8,011,221
33	Austin	Austin-Bergstrom International	AUS	Medium	7,714,479
34	St. Louis	St Louis Lambert International	STL	Medium	7,631,953
35	Houston	William P Hobby	HOU	Medium	7,053,886

Source: The Report of the Airport Consultant attached hereto as APPENDIX A.

The Airport also has modest cargo operations. Approximately 51,400 tons of freight and mail were loaded and unloaded on and off aircraft in calendar year 2018. This ranks the Airport below the top 50 of North American airports in terms of cargo. Also, in calendar year 2018, ACI-NA data indicates the Airport had 218,539 aircraft movements or operations. As such, it ranked 46th in the U.S.

For additional information regarding the Airport's role in accommodating air traffic for the nation, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Role of the Airport and Economic Base for Air Traffic - Role of the Airport - National Role" attached hereto.

Airport's Regional Role. The Airport is the primary commercial airline passenger airport serving the Nashville metropolitan area and the surrounding region, the Middle Tennessee area, portions of Southern Kentucky and Northern Alabama, and is relatively isolated from airport competition in the region. It is also the largest airport in the State and the only medium hub airport in the region. The Air Service Area is the 36th most populated MSA in the U.S., with approximately 1.9 million people. In many cases, an air service area can extend beyond the primary MSA depending on the location of other population centers and availability of other commercial service airports; however, it is generally the economic strength of the primary MSA that provides the principal demand for supporting origination and destination ("O&D") air travel. The Nashville metropolitan region is also a major destination draw for visitors and conventions.

The Airport typically has lower airfares as compared to other regional airports. These fare advantages allow the Airport to compete favorably for price-sensitive traffic across the region. The Airport's fare advantage is generally most pronounced in Southwest nonstop markets. Southwest typically prices nonstop flight segments at lower fares as compared to connecting markets, particularly versus other network airlines such as American Airlines (including all American Airlines Group carriers) ("American"), United Airlines ("United"), and Delta. Given the large number of Southwest nonstop markets from the Airport a significant competitive advantage is inherent for the Airport from a regional perspective.

For additional information regarding the Airport's role in accommodating air traffic for the region, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Role of the Airport and Economic Base for Air Traffic - Role of the Airport - Regional Role" attached hereto.

Airport's Role as a Focus City for Southwest Airlines. Southwest is the Airport's largest carrier in terms of passenger market share and operates the Airport as a "focus city." As a "focus city," Southwest emphasizes carrying O&D traffic, but due to Southwest's size at the Airport, also carries connecting traffic. In Fiscal Year 2019, approximately 27.7% of Southwest's traffic was connecting, and, therefore, approximately 72.3% was O&D traffic. As of May 14, 2019, the Airport is the 9th busiest airport in terms of daily departures in Southwest's system, offering up to 138 departures a day from the Airport to 46 cities. As compared to the rest of Southwest's system, the Airport is also among Southwest's fastest growing markets. Southwest enplaned approximately 4.5 million passengers at the Airport in Fiscal Year 2019 for a 52.5% market share. According to published flight schedules for Southwest, in the first half of Fiscal Year 2020, Southwest is scheduled to increase seating capacity by 11.4% compared to the first half of Fiscal Year 2019.

For additional information regarding the Airport's role as a focus city for Southwest, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Role of the Airport and Economic Base for Air Traffic - Role of the Airport - Role as a Focus City for Southwest Airlines" and "Air Service and Traffic Analysis - Air Service at the Airport - Airlines Operating at the Airport - Southwest Airlines" attached hereto.

Airport's Role in American's System. American has the second largest market share in terms of enplaned passengers from the Airport in Fiscal Year 2019. While American's enplaned passenger traffic has increased from 1.1 million in Fiscal Year 2014 to 1.3 million in Fiscal Year 2019, their market share of enplaned passengers from the Airport has decreased from 20.9% to 15.7% during that time. This decline is attributable to the growth in other Airlines, including the introduction of ULCCs, at the Airport rather than a reduction of service from American. From the Airport, American historically serves its major hubs, focus cities or large east coast markets where American holds takeoff and landing slots. In June 2019, American operated nonstop service to ten markets from the Airport, averaging 42.4 daily departures. Approximately 60.9% of American's enplaned passengers are operated on three routes: Dallas-Fort Worth International Airport, Charlotte Douglas International Airport, and Chicago O'Hare International Airport.

For additional information regarding the Airport's role in American's system, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Air Service at the Airport - Airlines Operating at the Airport - Southwest Airlines" attached hereto.

Airport's Role as a Focus City for Delta. Delta has recently announced that the Airport is one of its five focus cities, these focus cities include: Austin, Cincinnati, Nashville, Raleigh/Durham, and San Jose (California). Such focus cities were chosen based on the region associated with each of the cities having a strong economic environment including a youthful presence and strong corporate standing. All of the focus cities have seen an above average growth for the industry. Delta sees these cities as an opportunity to capture more of the market in order to connect passengers to its global network. The City of Nashville, specifically, has been identified as a dynamic city in the U.S. South with above average growth. Delta's enplaned passenger traffic increased from approximately 860,000 in Fiscal Year 2014 to nearly 1.3 million in Fiscal Year 2019. As with American, Delta's market share of enplaned passengers from the Airport decreased during that time from 16.2% to 14.9% due to the introduction of new Airlines, particularly the ULCCs.

For additional information regarding the Airport's role in Delta's system, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Air Service at the Airport - Airlines Operating at the Airport - Delta Air Lines" attached hereto.

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Summary of Common Indicators of Activity

The following table presents several of the most common indicators of activity at the Airport for Fiscal Years 2015 through 2019.

Common Indicators of Activity
Fiscal Year 2015-2019

	2015	2016	2017	2018	2019
Enplanements	5,604,148	6,141,092	6,790,099	7,466,332	8,596,307
% increase (decrease)	5.5%	9.6%	10.6%	10.0%	15.1%
Aircraft landed weight (all - 000)	6,757,176	7,203,374	7,953,656	8,640,900	9,952,397
% increase (decrease)	2.1%	6.6%	10.4%	8.6%	15.2%
Aircraft operations (passenger)	103,007	112,889	126,273	137,614	154,955
% increase (decrease)	9.2%	9.6%	11.8%	9.0%	12.6%
Aircraft operations (all other)	75,725	75,865	75,811	72,743	72,470
% increase (decrease)	-6.6%	1.8%	0.0%	-4.0%	-0.4%
Load factors[1]	82.4%	85.0%	84.0%	86.0%	79.2%[2]
% increase (decrease)	1.9%	2.6%	-0.8%	2.4%	-6.8%

(1) Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing.
(2) Airlines at the Airport have increased seat capacity growth which had a somewhat negative impact on load factors in Fiscal Year 2019.

Source: Metropolitan Nashville Airport Authority Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2019 and 2018.

For information regarding enplaned passengers, including enplaned passengers rankings, growth in enplaned passengers, enplaned passengers by Airline and market share, enplaned passengers forecast, and historical enplaned passengers, see "NASHVILLE INTERNATIONAL AIRPORT - Enplaned Passenger Market Share" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Role of the Airport and Economic Base for Air Traffic - Role of the Airport - National Role," " - Air Service and Traffic Analysis - Air Service at the Airport - Airlines Operating at the Airport," " - Air Service and Traffic Analysis - O&D Markets," " - Air Service and Traffic Analysis - Air Traffic Activity and Trends - Enplaned Passengers," and "Air Service and Traffic Analysis - Air Traffic Activity Forecasts - Forecast Summary" attached hereto.

For information regarding historical landed weight and landed weight forecasts at the Airport, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Air Traffic Activity and Trends - Landed Weight," " - Air Service and Traffic Analysis - Air Traffic Forecasts - Landed Weight Forecasts," and " - Air Service and Traffic Analysis - Air Traffic Forecasts - Forecast Summary" attached hereto.

Enplaned Passenger Traffic

Enplaned passenger traffic at the Airport has experienced a fairly consistent upward trend from Fiscal Years 1996 through 2019 with exceptions in the early 2000s and in Fiscal Years 2008

and 2009 where traffic contracted nationwide in response to the economic recession. In more recent years, growth in passenger traffic has accelerated. The Airport experienced another year of record growth in Fiscal Year 2019, surpassing 17.1 million total passengers and approximately 8.6 million enplanements. Enplanements were up 15.1%, 10.0% and 10.6%, in Fiscal Years 2019, 2018, and 2017, respectively, making the Airport one of the fastest-growing airports in the United States. From Fiscal Years 2009 through 2019, enplaned passengers increased at a compound annual growth rate ("CAGR") of 6.8%. Enplaned passengers at the Airport increased by approximately 286,000 or 13.6% for the first three months of Fiscal Year 2020 as compared to the first three months of Fiscal Year 2019. See "NASHVILLE INTERNATIONAL AIRPORT - Summary of Common Indicators of Activity" above.

The Airport predominately serves domestic traffic, which comprised approximately 98.8% of the Airport's passenger traffic in Fiscal Year 2019; therefore, international traffic is a relatively small component at approximately 1.2%. The Airport also primarily serves O&D traffic, as 80.9% of the Airport's passenger traffic in Fiscal Year 2019 was O&D, with the remaining 19.1% connecting. Almost all of the Airport's connecting passengers are carried by Southwest. In terms of O&D passenger volume, the Airport had approximately 6.9 million O&D enplaned passengers for Fiscal Year 2019, making it the 28th largest O&D market in the U.S. and the largest medium hub airport according to data from the United States Department of Transportation ("U.S. DOT").

The following table presents enplaned passengers, O&D enplaned passengers, year-over-year growth of enplaned passengers and O&D enplaned passengers, and percent of O&D enplaned passengers for Fiscal Years 2010 through 2019.

Enplaned Passengers and O&D Enplaned Passengers
Fiscal Years 2010 - 2019

Fiscal Year	Enplaned Passengers	Year-Over-Year Growth	O&D Enplaned Passengers[(1)]	Year-Over-Year-Growth	Percent of O&D Enplaned Passengers
2010	4,487,336	0.6%	3,656,886	(3.1)%	81.5%
2011	4,724,974	5.3	3,763,677	2.9	79.7
2012	4,883,374	3.4	3,927,943	4.4	80.4
2013	5,037,975	3.2	4,039,314	2.8	80.2
2014	5,312,021	5.4	4,302,260	6.5	81.0
2015	5,604,148	5.5	4,562,238	6.0	81.4
2016	6,141,092	9.6	5,044,163	10.6	82.1
2017	6,790,099	10.6	5,617,042	11.4	82.7
2018	7,466,332	10.0	6,154,523	9.6	82.5
2019	8,596,307	15.1	6,953,983	13.0	80.9

(1) The Authority also receives O&D passenger data directly from the airlines that operate at the Airport, and that data may differ from the U.S. DOT data presented in this table.

Source: Report of the Airport Consultant attached hereto as APPENDIX A.

For additional information regarding enplaned passengers, including enplaned passengers rankings, growth in enplaned passengers, enplaned passengers by Airline and market share,

enplaned passengers forecast, and historical enplaned passengers, see "NASHVILLE INTERNATIONAL AIRPORT - Enplaned Passenger Market Share" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT- Role of the Airport and Economic Base for Air Traffic - Role of the Airport - National Role," " - Air Service and Traffic Analysis - Air Service at the Airport - Airlines Operating at the Airport," " - Air Service and Traffic Analysis - O&D Markets," " - Air Service and Traffic Analysis - Air Traffic Activity and Trends - Enplaned Passengers," and "Air Service and Traffic Analysis - Air Traffic Activity Forecasts - Forecast Summary" attached hereto.

Enplaned Passenger Market Share

Factoring in Airline mergers, the top four passenger Airlines serving the Airport, which comprised 91.6% of the Airport's enplaned passenger market share in Fiscal Year 2019, are Southwest, American, United, and Delta. Over the last few years, several new Airlines, particularly LCCs and ULCCs such as JetBlue, Allegiant, Sun Country, and most recently Spirit, have begun service at the Airport. Southwest is the Airport's largest carrier in terms of passenger market share. Southwest accounted for approximately 52.5% and 53.7% of the total enplanements of 8,596,307 and 7,466,332 at the Airport in Fiscal Years 2019 and 2018, respectively.

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The following table presents enplaned passengers at the Airport by Signatory Airlines, Non-Signatory Airlines (as defined herein), and total enplaned passengers for Fiscal Years 2015 through 2019 with the associated market share for Fiscal Year 2019.

Enplaned Passenger Market Share[1]
Fiscal Years 2015 – 2019

	2015	2016	2017	2018	2019	% of Total
Signatory Airlines:						
Alaska Airlines	-	41,233	58,533	87,309	115,960	1.3%
American Airlines	454,897	1,156,141	1,176,043	1,235,501	1,348,801	15.7
American Eagle[2]	218,520	-	-	-	-	0.0
Continental Express d/b/a ExpressJet[3]	223,995	-	-	-	-	0.0
Delta Air Lines Inc.	623,480	926,454	988,137	1,138,922	1,278,183	14.9
Frontier Airlines	81,596	-	9,979	146,184	177,341	2.1
JetBlue	-	22,570	138,985	130,541	138,189	1.6
Southwest Airlines	3,114,815	3,426,391	3,655,441	4,009,180	4,517,284	52.5
United Airlines/Comair[4]	6,400	448,396	543,704	600,988	730,243	8.5
US Airways[2]	202,656	-	-	-	-	0.0
Sub Total	4,926,359	6,021,185	6,570,822	7,348,625	8,306,001	96.6%

	2015	2016	2017	2018	2019	% of Total
Non-Signatory Airlines:						
Air Canada d/b/a Jazz Air	229	371	1,034	174	292	0.0%
Air Georgian dba Air Canada	26,056	29,589	42,739	44,229	45,204	0.5
Air Wisconsin[2]	75,888	-	-	-	-	0.0
Allegiant Air	-	-	-	6,136	80,170	0.9
British Airways	-	-	-	8,671	43,289	0.5
Contour Airlines	-	-	8,038	10,432	14,290	0.2
Frontier Airlines	-	71,840	130,449	-	-	0.0
Mesa Airlines[2]	43,348	-	-	-	-	0.0
Republic	77,117	-	-	-	-	0.0
Various/Trans State Airlines[2]	26,324	-	-	-	-	0.0
United/Skywest[4]	37,261	-	-	-	-	0.0
Westjet Airlines	-	-	2,252	11,591	23,559	0.3
Westjet/Encore	-	1,115	20,479	22,210	22,339	0.3
All Others (includes Charters)	391,566	16,992	14,286	14,264	61,163	0.7
Sub Total	677,789	119,907	219,277	117,707	290,306	3.4%
Total	**5,604,148**	**6,141,092**	**6,790,099**	**7,466,332**	**8,596,307**	**100.0%**

(1) Under the Signatory Airline Agreements, only major carriers are Signatory Airlines and subsidiary carrier activity was consolidated under the Signatory Airline in Fiscal Year 2016. Some Airlines which were previously Non-Signatory Airlines now fly consolidated under multiple Signatory Airlines.
(2) American Affiliates.
(3) Delta Affiliates.
(4) United Affiliates.

Source: Metropolitan Nashville Airport Authority Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2019 and 2018.

For additional information regarding the enplaned passenger market share at the Airport generally and passenger market share at the Airport for Southwest, American, and Delta, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Role of the Airport and

Economic Base for Air Traffic - Role of the Airport - National Role," " - Role of the Airport and Economic Base for Air Traffic - Role of the Airport - Role as a Focus City for Southwest Airlines," and "Air Service and Traffic Analysis - Air Service at the Airport - Airlines Operating at the Airport" attached hereto.

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 Signatory Airline 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.

Total landed weight decreased from 7.3 billion pounds in Fiscal Year 2005 to 5.9 billion pounds in Fiscal Year 2010, attributable to the decline in passenger traffic combined with the reduction in aircraft operations through the use of larger aircraft operating at higher load factors. Since Fiscal Year 2010, the total landed weight has increased at a CAGR of 5.9%. During this period, passenger aircraft landed weight increased at a CAGR of 6.0% compared to the 7.5% CAGR for passenger enplanements. The difference between these metrics indicates that more passengers are being served on a per-aircraft-operation basis, a trend that is expected to continue.

The following table presents landed weight by Signatory Airlines and Non-Signatory Airlines, passenger carrier landed weight, cargo and miscellaneous landed weight, total landed weight, and the percentage of passenger landed weight for Fiscal Years 2015 through 2019 with the associated market share for Fiscal Year 2019.

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Passenger, Cargo, and Miscellaneous Landed Weight[1]
Fiscal Years 2015 – 2019
(in thousands)

	2015	2016	2017	2018	2019	% of Total
Signatory Airlines:						
Alaska Airlines	-	43,248	55,390	99,354	129,001	1.3%
American Airlines	523,970	1,332,377	1,352,169	1,415,662	1,549,447	16.1
American Eagle[2]	261,251	-	-	-	-	0.0
Continental Express d/b/a ExpressJet[3]	219,248	-	-	-	-	0.0
Delta Air Lines Inc.	693,222	1,051,357	1,148,263	1,287,034	1,427,507	14.8
Frontier Airlines	85,862	-	8,784	140,496	166,271	1.7
JetBlue	-	23,986	152,321	147,967	156,958	1.6
Southwest Airlines	3,600,935	3,807,965	4,065,313	4,391,669	4,947,577	51.3
United Airlines/Comair[4]	15,306	485,586	614,443	683,646	859,945	8.9
US Airways[2]	230,945			-	-	0.0
Sub Total	5,630,739	6,744,519	7,396,683	8,165,828	9,236,706	95.7%

	2015	2016	2017	2018	2019	% of Total
Non-Signatory Airlines:						
Air Canada d/b/a Jazz Air	2,111	2,583	2,987	2,752	1,840	0.0
Air Georgian dba Air Canada	30,759	33,506	47,610	47,422	48,594	0.5
Air Wisconsin[2]	85,865	-	-	-	-	0.0
ExpressJet/Delta[3]	57,364	-	-	-	-	0.0
British Airways	-	-		15,960	101,865	1.1
Compass Airlines[3]	2,296	-	-	-	-	0.0
Delta, Midwest Connect[3]	85	-	-	-	-	0.0
Frontier Airlines	-	70,424	126,550	-	-	0.0
Mesa Airlines[2]	45,879	-	-		-	0.0
Pinnacle/Endeavor Airlines	107,398	-	-	-	-	0.0
Republic	183,157	-	-	-	-	0.0
Trans States Airlines[2]	25,662	-	-	-	-	0.0
Skywest[4]	157,259	-	-	-	-	0.0
All Others (includes Charters)	124,323	46,700	94,068	102,944	262,979	2.7
Sub Total	822,158	153,213	271,215	169,078	415,278	4.3%
Total Passenger Carrier Weight (000s)	**6,452,897**	**6,897,732**	**7,667,898**	**8,334,906**	**9,651,984**	**100.0%**
Cargo & Misc. Carrier Weight (000s)	304,279	305,642	285,758	305,994	300,413	
Total Weight All Aircraft (000s)	**6,757,176**	**7,203,374**	**7,953,656**	**8,640,900**	**9,952,397**	
% Passenger Carrier Weight	**95%**	**96%**	**96%**	**96%**	**97%**	

(1) Under the Signatory Airline Agreements, only major carriers are Signatory Airlines and subsidiary carrier activity was consolidated under the Signatory Airline in Fiscal Year 2016. Some Airlines which were previously Non-Signatory Airlines now fly consolidated under multiple Signatory Airlines.
(2) American Affiliates.
(3) Delta Affiliates.
(4) United Affiliates.

Source: Metropolitan Nashville Airport Authority Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2019 and 2018.

For additional information regarding historical landed weight and landed weight forecasts at the Airport, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Air Traffic Activity and Trends - Landed Weight," " - Air Service and

Traffic Analysis - Air Traffic Forecasts - Landed Weight Forecasts," and " - Air Service and Traffic Analysis - Air Traffic Forecasts - Forecast Summary" attached hereto.

SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS

Signatory Airline Agreements

Brief descriptions of the Authority's current rate making methodology and certain other provisions of the Signatory Airline Agreements are provided below. The descriptions provided below are qualified in their entirety by the applicable provisions of the Signatory Airline Agreements. For a more detailed discussion of the Authority's current rate making methodology and certain additional provisions of the Signatory Airline Agreements see "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS" attached hereto. *Unless expressly defined herein, capitalized terms used in this section entitled "SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS" shall have the meanings assigned thereto in "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS" attached hereto.*

Effective July 1, 2015, the Authority and the Signatory Airlines began operating under the Signatory Airline Agreements. Pursuant to the Signatory Airline Agreements, Airport Revenues are retained by the Authority to be applied in accordance with the provisions of the Senior Bond Resolution and the Subordinate Bond Resolution, to fund capital improvements, establish certain reserve funds, and provide funds for other discretionary purposes. However, any excess Net Revenues remaining after making all required deposits to the funds and accounts established under the Senior Bond Resolution and the Subordinate Bond Resolution are now accumulated in the Nashville Airports Experience (NAE) Fund and may be applied to any lawful purpose of the Authority, including the funding of capital improvements. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Application of Airport Revenues" attached hereto. For a description of the application of Airport Revenues under the Senior Bond Resolution, see "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Application of Airport Revenues" attached hereto.

The Signatory Airline Agreements establish three cost centers for the purpose of determining rates and charges payable by the Signatory Airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridges fees are also assessed. The Signatory Airline Agreements have a "hybrid" airline rate-setting methodology with the Landing Fees being calculated on a residual basis (as described below), the Terminal Rental Rates (as described below) being fixed rates specified in the Signatory Airline Agreements that were initially derived based upon a compensatory basis using rentable space in the calculation, and Terminal Ramp Area rates generally established through a compensatory methodology. Other than the Airfield, the Signatory Airlines are not required to provide for break-even financial operation of the Airport under the Signatory Airline Agreements.

Rates and Charges. The Signatory Airline Agreements govern airline use of certain Airport facilities, including Airfield, Terminal, Terminal Ramp Areas, baggage claim, ticket counters and gate areas and permit the Signatory Airlines to lease Exclusive Premises, Preferential Use Premises, and Joint Use Premises. Exclusive Premises generally includes office space, storage areas, airline club lounges, employee break rooms, and baggage service area space; and Preferential Use Premises is Airport space, including holdroom areas and gates, ticket counters, and baggage makeup areas, leased to a Signatory Airline and to which the Signatory Airline has a higher and continuous priority of use over all other air carriers. Joint Use Premises includes baggage claim areas and baggage makeup equipment.

Landing Fees under the Signatory Airline Agreements are calculated on a primarily residual basis. Capital Costs allocable to the Airfield, including debt service on Senior Bonds or Subordinate Bonds, may be included in the calculation of the Landing Fees with Majority-in-Interest approval. While debt service on Senior Bonds or Subordinate Bonds allocable to the Airfield may be included in the Landing Fees, the Signatory Airline Agreements do not permit inclusion in the Landing Fees of coverage on Senior Bonds or Subordinate Bonds allocable to the Airfield or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Senior Bonds or the Subordinate Bond Reserve Fund Requirement allocable to such Subordinate Bonds.

The Terminal Rental Rate under the Signatory Airline Agreements is calculated on a compensatory basis with fixed rates. There is no specific provision in the Signatory Airline Agreements for increasing the Terminal Rental Rate to provide for the payment of debt service on Outstanding Senior Bonds or Subordinate Bonds or Outstanding Additional Senior Bonds or Additional Subordinate Bonds or to provide for the payment of Operating Expenses allocable to the Terminal. The fixed Terminal Rental Rates were established to include allowances for Senior Bonds which were then outstanding, the funding of approximately $150.3 million of Capital Improvement Costs for the Terminal from various sources including the debt service on Additional Senior Bonds or Additional Subordinate Bonds required to support approximately $66.5 million of projects costs, and typical Operating Expense escalations.

With limited exceptions, there is no provision in the Signatory Airline Agreements for increasing the Terminal Rental Rates to provide for the payment of debt service on Additional Senior Bonds or Additional Subordinate Bonds or increases in Operation and Maintenance Expenses.

Except as provided in the next succeeding paragraph, there is no provision in the Signatory Airline Agreements for including debt service on Outstanding Senior Bonds or Outstanding Subordinate Bonds or Additional Senior Bonds or Additional Subordinate Bonds in airline rates and charges for Senior Bonds or Subordinate Bonds issued for other Airport improvements not included in the Airfield or Terminal cost centers with or without Majority-in-Interest approval.

Debt service on Senior Bonds or Subordinate Bonds allocable to the acquisition of Passenger Loading Bridges or for Baggage Claim Equipment, Baggage Make-up Equipment and the Baggage Claim Areas may be included in the Passenger Loading Bridge fees or baggage fees that may be imposed under the Signatory Airline Agreements without Majority-in-Interest approval. There is no provision in the Signatory Airline Agreements for increasing the Passenger

Loading Bridge fees or baggage fees to provide for coverage on such Senior Bonds or Subordinate Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds. Debt service on Senior Bonds or Subordinate Bonds allocable to capital improvements in the Terminal Ramp Area may be included in the Terminal Ramp Area rate without Majority-in-Interest approval. There is no provision in the Signatory Airline Agreements for increasing the Terminal Ramp Area rate to provide for coverage on such Senior Bonds or Subordinate Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Senior Bonds or the Subordinate Bond Reserve Fund Requirement allocable to such Subordinate Bonds.

Debt service on Senior Bonds or Subordinate Bonds that are not allocated to Airfield improvements or the acquisition of Passenger Loading Bridges as well as coverage or amounts required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Senior Bonds or the Subordinate Bond Reserve Fund Requirement allocable to such Subordinate Bonds must be paid from sources other than Signatory Airlines rates and charges, which would principally be the Authority's share of in-terminal concession revenues, parking fees, and other non-airline lease revenues. Under the Signatory Airline Agreements, the Authority shares a portion of in-terminal concession revenue with the Signatory Airlines by means of revenue sharing credits.

The Authority is obligated under the Signatory Airline Agreements to undertake $250.3 million of capital improvement projects that may not be funded through rates and charges to be paid by Signatory Airlines. Principal amount of Senior Bonds or Subordinate Bonds allocable to the funding of capitalized interest are not counted toward these requirements.

Revenue Sharing. Other than revenues allocable to the Airfield, the Signatory Airline Agreements provide for the sharing of certain revenues with the Signatory Airlines, referred to as Concession Revenue Share, in the form of a credit against Terminal Rents. The Concession Revenue Share, comprised of a portion of in-terminal concessions, is credited to each Signatory Airline based on its pro rata share of enplaned passengers to reduce Terminal Rents.

Non-Signatory Airlines Rates and Charges. Passenger airlines and cargo carriers operating at the Airport that are not Signatory Airlines or Affiliates of Signatory Airlines (the "Non-Signatory Airlines") are subject to rates and charges that reflect a 25% premium over the rates and charges assessed to Signatory Airlines under the Signatory Airline Agreements.

The Reliever Airport and MNAA Properties Corporation (MPC). The Signatory Airline Agreements provide Signatory Airline support for a portion of the net cost for the Reliever Airport through a negotiated annual amount referred to as the Reliever Airport Support Costs. The Reliever Airport is included in the definition of Airport System under the Senior Bond Resolution and Subordinate Bond Resolution, with the effect of including operating expenses attributable to the Reliever Airport in amounts which must be paid for by Airport Revenues from the Operating Fund and included in rate covenant calculation purposes.

The Signatory Airline Agreements do not provide for any support from the Signatory Airlines for MPC. The financial obligations of MPC are not included within the Senior Bond

Resolution or the Subordinate Bond Resolution, and any MPC shortfalls or deficits must be paid from other available funds of the Authority.

Majority-in-Interest Approvals Relating to Authority's Capital Projects. The Authority has secured all Majority-in-Interest approvals necessary to complete the portions of the Authority's Capital Projects being funded with proceeds of the Series 2019 Subordinate Bonds. This includes an approval for $15.0 million for the extension of Runway 2L-20R environmental assessment, property acquisition, and design but does not include approval for construction of the Runway 2L-20R extension. The Authority has also received Majority-in-Interest approval for $70.0 million for the reconstruction of Runway 2R-20L included in the Authority CIP Projects. No other projects being funded in whole or in part with proceeds of the Series 2019 Subordinate Bonds require Majority-in-Interest approval.

Term of Signatory Airline Agreements. The Signatory Airline Agreements expire in June 2022 and will not be extended under the existing terms. The Authority is currently in preliminary negotiations with the Signatory Airlines regarding new signatory airline agreements upon the expiration of the Signatory Airline Agreements at the end of Fiscal Year 2022. At this time, it is uncertain as to the future airline rates and charges methodology to be included in such future airline agreements. See "REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST - Financial Forecasts After Expiration of Signatory Airline Agreements" herein for a description of the Airport Consultant's assumptions regarding the future airline rates and charges methodology during the Forecast Period.

There is no indication, at this time, that the Authority and the Signatory Airlines will not reach agreement on new signatory airline agreements, but the current Signatory Airline Agreements still have over two years before expiration of their respective terms, and the Authority is currently contemplating that negotiations with the Signatory Airlines with respect to new airline agreements will substantially take place over Fiscal Years 2020 and 2021 with resolution completed prior to the expiration of their respective terms in June 2022. Beyond Fiscal Year 2022, airline rate-setting methodologies used by the Authority may ultimately differ from the current rate-setting methodologies under the current Signatory Airline Agreements; however, the Authority's obligations to Bondholders set forth in the Senior Resolution and the Subordinate 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.

For a summary of additional provisions of the Signatory Airline Agreements, see APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS" attached hereto.

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, including the hereinafter defined Lease and Concession Agreement, Rental Car Concession Agreements, Parking Agreement, and TNC Agreements.

Lease and Concession Agreement. The Authority and Fraport USA entered into that certain Lease and Concession Agreement, effective August 15, 2018 (the "Lease and Concession Agreement"), for the development and management of the Airport terminal concessions program through January 31, 2029. The rent under the Lease and Concession Agreement is equal to the greater of 60% of sublessee rents or a minimum annual guarantee ("MAG") amount equal to the greater of 85% of the previous year's rents or $11.0 million. Under the Lease and Concession Agreement, Fraport USA agreed to design, construct, lease and manage the concessions space across the Airport's four concourses in the passenger terminal, including: food court restaurants, cafes, pubs, full-service restaurants, newsstands, retail shops, and display advertising, among other specialties. With concessions redevelopment a part of the BNA Vision, the Lease and Concession Agreement includes the development and management of more than 90 new food and beverage, specialty retail, passenger services and news and gifts outlets in 133,000 square feet of Airport concession space, and a transition plan to ensure that concessions will be available to passengers during renovations with staggered store openings between 2019 and 2023.

Rental Car Concession Agreements. The Authority entered into Rental Car Lease Agreements, commencing on January 4, 2010 and ending on January 3, 2025 (the "Rental Car Concession Agreements"), with the following rental car companies: Advantage, Avis, Budget, Burgner Enterprises Inc. (operating as Thrifty Car Rental), Enterprise, Hertz, Midwest Rental & Leasing LLC (operating as Dollar Rent-a-Car Company), Vanguard Car Rental USA Inc. (which operates the Alamo and National brands and is wholly owned by Enterprise Holdings), and Payless. All of the on-airport rental car companies must collect and remit CFCs (as defined herein) to the Authority. The concession fees to be paid by the on-airport rental car companies equal to 10% of gross revenues or a MAG amount equal to the greater of 85% of either: (a) prior year concession fees or (b) initial year concession fees. The total MAG amounts for Fiscal Year 2019 were approximately $13.0 million.

CONRAC Facility Lease and Sublease Agreements. The Authority is currently leasing the CONRAC Facility to MPC CONRAC under a lease agreement and is leasing-back the facility from MPC CONRAC under a sublease agreement. Pursuant to its sublease agreement, the Authority leases the CONRAC Facility to on-airport rental car companies under the Rental Car Concession Agreements.

Parking Agreement. The Authority entered into an agreement with ABM Parking Services, Inc. ("ABM"), with a term through June 30, 2021 (the "Parking Agreement"), to manage and operate on Airport automobile parking facilities which include automobile parking facilities and shuttle bus operations. Under the Parking Agreement, the Authority retains all parking revenues and pays ABM a management fee, which was approximately $300,000 in Fiscal Year 2019.

TNC Agreements. The Authority entered into agreements with Lyft and Uber (the "TNC Agreements"), which commenced operations at the Airport in October and December 2014, respectively. Pursuant to the TNC Agreements, the Authority implemented a $4.00 pick-up fee (the "TNC Fees"), which can be increased by the Authority with 30 days' notice. Currently, the Authority doesn't assess a drop-off fee. The TNC Agreements are renewed annually.

Other Agreements. The Authority also has other leases and agreements with cargo facility and fixed base operators and tenants leasing hangars and buildings.

For more information regarding the sources and amounts of non-airline revenue, see "INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Financial Structure - Other Agreements" herein.

INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES

Unless expressly defined herein, capitalized terms used in this section entitled "INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES" shall have the meanings assigned thereto in "APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS" attached hereto.

Airline Revenues

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

The rate-setting formulas for these charges are consistent with the rate-setting methodologies set forth in the Signatory Airline Agreements through the term of the Signatory Airline Agreements. For a discussion regarding forecasted results during the Forecast Period, including the period after expiration of the Signatory Passenger Airlines Agreements in Fiscal Year 2022, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Airline Revenues" attached hereto.

Landing Fees. Per the cost center residual rate-setting methodology in the Airfield under the Signatory Airline Agreements, the Authority fully recovers direct and allocated indirect costs for airline use of the airfield cost center. The Signatory Airline Airfield Net Requirement is reduced by estimated non-airline revenue forecast in each Fiscal Year. After the expiration of the Signatory Airline Agreements in Fiscal Year 2022 through the end of the Forecast Period, for purposes of the Report of the Airport Consultant, it is assumed that the landing fee will continue as a cost center residual calculation. The landing fee calculation will no longer include amounts approved by the Signatory Airlines to be charged in the Airline Facilities Investment Fund. The landing fee calculation will include the amortized cost of future Airfield project costs funded with Authority funds and debt service coverage up to the amount required pursuant to the Senior Bond Resolution and the Subordinate Bond Resolution. The Signatory Airline Landing Fee Rate per 1,000-pound unit of landed weight was $3.09 and $3.21 in Fiscal Year 2019 and 2018, respectively. The Authority collected approximately $31.3 million and $29.4 million in landing fees in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, including the period after expiration of the Signatory Passenger Airlines Agreements in Fiscal Year 2022, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Airline Revenues - Landing Fees" attached hereto.

Terminal Rents. Pursuant to the Signatory Airline Agreements, the Authority recovers Terminal Rents from the Signatory Passenger Airlines based on a fixed rate per square foot, which was $103.1 million and $100.6 million in Fiscal Years 2019 and 2018, respectively. The Authority collected approximately $18.7 million and $17.3 million in Terminal Rents in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, including the period after expiration of the Signatory Passenger Airlines Agreements in Fiscal Year 2022, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Airline Revenues - Terminal Rents, Passenger Loading Bridge Fees, and Baggage Fees" attached hereto.

Passenger Loading Bridge and Baggage Fees. Costs of operating and maintaining Passenger Loading Bridges and Baggage Systems and Equipment are recovered through Passenger Loading Bridge Fees and Baggage Fees, respectively. The Authority collected approximately $426,000 and $417,000 in Passenger Loading Bridge Fees in Fiscal Years 2019 and 2018, respectively. The Authority collected approximately $10.9 million and $7.6 million in Baggage Fees in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, including the period after expiration of the Signatory Passenger Airlines Agreements in Fiscal Year 2022, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Airline Revenues - Terminal Rents, Passenger Loading Bridge Fees, and Baggage Fees" attached hereto.

Terminal Ramp Area Rentals. Per the existing compensatory rate-setting methodology under the Signatory Airline Agreements, the Authority recovers approximately 80% of direct and allocated indirect costs for airline use of the Terminal Ramp Area cost center. The Authority collected approximately $2.1 million and $2.5 million in terminal ramp area rentals in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, including the period after expiration of the Signatory Passenger Airlines Agreements in Fiscal Year 2022, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Airline Revenues - Terminal Ramp Area Rentals" attached hereto.

Concession Revenue Share. Pursuant to the Signatory Airline Agreements, Concession Revenue Share, consists of an In-Terminal Concession Share, equal to 50% of in-terminal concessions. The Authority collected approximately $7.0 million and $6.4 million in Concession Revenue Share in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, excluding the period after expiration of the Signatory Passenger Airlines Agreements in Fiscal Year 2022, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Airline Revenues - Concession Revenue Share" attached hereto.

For additional information regarding operating revenues, see "AUTHORITY FINANCIAL INFORMATION - Schedule of Revenues, Expenses and Changes in Net Position" herein.

Non-Airline Revenue

Non-Airline Revenue includes, but is not limited to, revenues from parking, ground transportation, and rental car terminal concessions. Parking, ground transportation, and rental car

revenues represent the largest component of Non-Airline Revenue for the Airport System, accounting for approximately 53.4% and 54.0% of total Non-Airline Revenue in Fiscal Years 2019 and 2018, respectively. Automobile parking revenues, TNC fees, rental car concession fees, and taxi/limousine/shuttle fees are primary sources of parking and ground transportation revenues. Parking revenues, rental car concessions, and TNC fees have increased in each year from Fiscal Year 2015 through Fiscal Year 2019. Other ground transportation revenues, such as taxi fees and other shuttle and bus revenues, have declined in recent years. While it is difficult to determine the exact reason for these decreases, it could be attributable to the emergence of TNCs during the past five Fiscal Years. It is important to note that, in aggregate, ground transportation revenues have increased over the past five Fiscal Years. For additional information regarding parking, ground transportation, and rental car revenues and forecasted results during the Forecast Period, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Non-Airline Revenue - Financial Framework and Analysis" attached hereto.

Parking Revenues. The Authority implemented parking rate changes in September 2017 and May 2019 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 these parking rate increases and the differing products as demand has continued to increase. The Authority collected approximately $53.2 million and $50.4 million in parking revenues in Fiscal Years 2019 and 2018, respectively. For information regarding the Parking Agreement and a discussion regarding forecasted results during the Forecast Period, see "SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS - Non-Airline Agreements - Parking Agreement" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Non-Airline Revenue - Parking, Ground Transportation, and Rental Car - Parking Revenues" attached hereto.

Ground Transportation Concessions. Ground transportation concessions include the implementation of a $4.00 pick-up fee (no drop-off fee is charged) under the TNC Agreements with Lyft and Uber. The Authority collected approximately $7.3 million and $4.9 million in ground transportation concessions in Fiscal Year 2019 and 2018, respectively, of which approximately $4.9 million and $3.4 million in Fiscal Year 2019 and 2018, respectively, were TNC Fees. For information regarding the TNC Agreements and a discussion regarding forecasted results during the Forecast Period, see "SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS - Non-Airline Agreements - TNC Agreements" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Non-Airline Revenue - Parking, Ground Transportation, and Rental Car - Ground Transportation Concessions" attached hereto. See also, "CERTAIN FACTORS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND OTHER CONSIDERATIONS - Technological Innovations in Ground Transportation" herein.

Rental Car Concessions. Pursuant to the Rental Car Concession Agreements, the Authority collected approximately $16.2 million and $15.2 million in rental car concessions in Fiscal Year 2019 and 2018, respectively. For information regarding the terms of the Rental Car Concession Agreements and a discussion regarding forecasted results during the Forecast Period,

see "SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS - Non-Airline Agreements - Rental Car Concession Agreements" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Non-Airline Revenue - Rental Car Concessions" attached hereto.

Terminal Concession Revenues. Terminal concession revenues include food and beverage, retail, and news and gift concessions. The Authority collected approximately $13.9 million and $12.8 million in terminal concessions in Fiscal Year 2019 and 2018, respectively. For information regarding the terms of the Lease and Concession Agreement and a discussion regarding forecasted results during the Forecast Period, see "SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS - Non-Airline Agreements - Lease and Concession Agreement" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Non-Airline Revenue - Terminal Concessions" attached hereto.

Other Buildings and Areas. Other buildings and areas revenues include air cargo revenues; hangar, ground, and land rentals; fixed base operator rents; and other miscellaneous reimbursements and revenues. The Authority collected approximately $16.0 million and $14.3 million in other buildings and areas revenues in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Non-Airline Revenue - Other Buildings and Areas" attached hereto.

The Reliever Airport. Revenues at the Reliever Airport include current leases. The Authority collected approximately $934,000 and $865,000 in current leases at the Reliever Airport in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Non-Airline Revenue - The Reliever Airport" attached hereto.

Airfield. Airfield revenues from sources other than Signatory Airlines is comprised of Non-Signatory Airline Landing Fees and fuel flowage fees. The Authority collected approximately $654,000 and $652,000 in Non-Signatory Airline Landing Fees and fuel flowage fees in Fiscal Years 2019 and 2018, respectively. For a discussion regarding forecasted results during the Forecast Period, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Non-Airline Revenue - The Reliever Airport" attached hereto.

For additional information regarding non-airline revenue, see "SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE AGREEMENTS AND CERTAIN NON-AIRLINE AGREEMENTS - Non-Airline Agreements" and "AUTHORITY FINANCIAL INFORMATION - Schedule of Revenues, Expenses and Changes in Net Position" herein.

Federal, State and Other Grants

The Authority receives federal grants for Airport capital development under the FAA's Airport Improvement Program ("AIP"). The Authority received AIP entitlement grants of approximately $3.0 million in each of Fiscal Years 2019 and 2018, based on: (a) levels of funding authorized and appropriated by Congress for the program, (b) the number of passengers and amount of cargo at the Airport, and (c) a 75% reduction in entitlement grants associated with the Authority's $4.50 PFC level. The Reliever Airport receives a total of approximately $150,000 per year. 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 funded approximately $12.5 million of BNA Vision 1.0 projects with State grants. For additional information regarding federal and State grants, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Authority Capital Projects Plan of Finance - Federal, State, and Other Grants" attached hereto.

Passenger Facility Charges

PFC Act, PFC Regulations, 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 2018 (H.R. 302, Pub. L. 115-254) (Reauthorization) (the "FAA Reauthorization Act") was signed on October 5, 2018 and extends the FAA's funding and authorities through 2023. The FAA Reauthorization Act amends 49 U.S.C. §40117 (b)(4), among other provisions, by removing the AIP funds reasonability determination and the significant contribution requirement, which includes PFC 72-19 changes to the PFC levels above $3.00. In light of such legislation, FAA personnel should no longer apply these requirements in reviewing PFC applications.

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 January 1, 1993, the Airlines began collecting a PFC on qualifying enplaning passengers at the Airport on behalf of the Authority. Effective September 2010, the Authority was allowed to collect a $3.00 PFC per enplaning passenger. In May 2015, the Authority began collecting at a $4.50 PFC per enplaning passenger. The Authority currently anticipates remaining at this $4.50 collection level. PFCs are recorded as nonoperating revenue and were approximately $31.4 million and $28.3 million in Fiscal Years 2019 and 2018, respectively. PFC collections increased 11.0% and 8.9% in Fiscal Years 2019 and 2018, respectively, due to increased growth in passenger enplanements.

As of October 2019, the Authority was authorized by the FAA to impose and use approximately $946.9 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 March 1, 2036. As of June 30, 2019, the Authority had collected approximately $406.0 million of its total approved collection authority and had spent approximately $366.5 million on approved projects (including the debt service on certain Senior Bonds, the proceeds of which financed PFC-eligible projects). As of June 30, 2019, the Authority had an unliquidated balance of approximately $39.4 million of PFC Revenues.

Permitted Use of PFC Revenues. Pursuant to the Senior Bond Resolution and the Subordinate 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 Senior Bonds and Subordinate Bonds issued to fund PFC approved projects. Accordingly, the Authority has been paying and intends to continue to pay a portion of the Debt Service on the Series 2015A Senior Bonds from available PFC Revenues and also intends to pay a portion of the Debt Service on the Series 2019 Subordinate Bonds related to the portion of the proceeds of the Series 2019 Subordinate Bonds used to fund PFC eligible projects from available PFC Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 SUBORDINATE BONDS - Flow of Funds" herein.

For a discussion of the Authority's ability to pledge PFC Revenues, to secure one or more Series of Senior Bonds under the Senior Bond Resolution or one or more Series of Subordinate Bonds under the Subordinate Bond Resolution, see "APPENDIX D - SUMMARY OF CERTAIN

PROVISIONS OF THE SUBORDINATE BOND RESOLUTION - Additional Subordinate Bonds and Other Indebtedness - Passenger Facility Charges" and APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION - Additional Senior Bonds and Other Indebtedness" attached hereto.

For additional information regarding PFC Revenues, see "AUTHORITY FINANCIAL INFORMATION - Schedule of Revenues, Expenses and Changes in Net Position," "AUTHORITY CAPITAL PROJECTS - Anticipated Funding Sources for Authority Capital Projects," "CERTAIN FACTORS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND OTHER CONSIDERATIONS - FAA Reauthorization and Federal Funding," and " - Passenger Facility Charges" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT" attached hereto.

Customer Facility Charges

The customer facility charges ("Customer Facility Charges" or "CFCs") were authorized by resolution of the Authority adopted on November 26, 2007, as amended and restated during 2008 and amended and restated again on November 18, 2009 (the "CFC Enabling Resolution"). On January 1, 2008, the Authority began requiring the rental car companies operating at the Airport to charge a CFC to be used to pay, or to reimburse the Authority, for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the CONRAC Facility and other costs, fees and expenses that may be paid from CFC proceeds in accordance with the CFC Enabling Resolution. The CFC was initially imposed at $4.00 per transaction day and increased to $4.50 per transaction day effective January 1, 2010. The CFC is collected by the on-Airport rental car companies on all vehicle rental transactions as specifically set forth in the CFC Enabling Resolution and the Rental Car Lease Agreements and subsequently remitted to the Authority. Advantage, Avis, Budget, Burgner Enterprises Inc. (operating as Thrifty Car Rental), Enterprise, Hertz, Midwest Rental & Leasing LLC (operating as Dollar Rent-a-Car Company), Vanguard Car Rental USA Inc. (which operates the Alamo and National brands and is wholly owned by Enterprise Holdings), and Payless constitute the on-Airport rental car companies. Since the imposition of the CFC, which is a nonoperating revenue source, the Authority has collected approximately $127.7 million, with approximately $15.1 million and $14.3 million collected in Fiscal Years 2019 and 2018, respectively. CFC revenues increased approximately 5.6% and 5.4% in Fiscal Years 2019 and 2018, respectively. Transaction days for the on-Airport rental car companies have consistently improved in recent years. CFCs are not included as Airport Revenues pursuant to the Senior Bond Resolution or the Subordinate Bond Resolution. For additional information regarding Customer Facility Charges, see "AUTHORITY FINANCIAL INFORMATION - Schedule of Revenues, Expenses and Changes in Net Position" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - CIP Plan of Finance - Customer Facility Charges" attached hereto.

The Authority previously issued its: (a) $66,300,000 in aggregate principal amount of Special Facility Revenue Bonds (MPC CONRAC LLC Project), Series 2010 (the "Series 2010 CONRAC Bonds") to finance the CONRAC Facility; and (b) $27,358,295 in aggregate principal amount of Special Facility Revenue Bonds (MPC CONRAC LLC Project), Series 2018 (the "Series 2018 CONRAC Bonds," and together with the Series 2010 CONRAC Bonds, the "CONRAC Bonds") to refund a portion of the Series 2010 CONRAC Bonds. As of November 1,

2019, the CONRAC Bonds were outstanding in the aggregate principal amount of $30,358,295. The CONRAC Bonds are payable from and secured by a pledge of certain rental payments derived from CFCs under the Rental Car Lease Agreements. Currently, CFCs only secure the CONRAC Bonds and do not constitute Airport Revenues or Net Revenues and are not pledged to the payment of any Senior Bonds under the Senior Bond Resolution or Subordinate Bonds under the Subordinate Bond Resolution. However, the Authority may elect to restructure the CONRAC Bonds and finance all or a portion of the CONRAC Facility with Additional Senior Bonds issued under the Senior Bond Resolution or Additional Subordinate Bonds issued under the Subordinate Bond Resolution, in which case the CFCs could be treated as Airport Revenues and Net Revenues available to pay debt service on Senior Bonds issued under the Senior Bond Resolution and Subordinate Bonds issued under the Subordinate Bond Resolution. In addition, CFCs collected in excess of the amounts required under the bond indentures or other authoritative or legal documents relating to the CONRAC Bonds may be used by the Authority for any lawful purpose. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION" and "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION" attached hereto.

Authority Funds

The Authority has historically used some internal funds from the operation of the Airport System to fund certain projects from its ongoing capital improvement plan. Per the Senior Bond Resolution and the Subordinate Bond Resolution, any Revenues remaining in the Nashville Airports Experience (NAE) Fund, after all obligations have been satisfied, can be used by the Authority for any lawful purpose of the Authority. As of November 1, 2019, the balance in the NAE Fund was approximately $93.0 million.

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 2015 through 2019 and reflects financial information for the Airport, the Reliever Airport, and the MPC. **MPC revenues and expenses are <u>not</u> included in the definition of Airport Revenues or the definition of Operating Expenses, respectively, except that ground rent payments and management fees by MPC and its subsidiaries to the Authority are included in Airport Revenues.** As such, the following table should be read together with the Authority's financial statements, which presents the condensed financial information for the Airport, the Reliever Airport, and its blended component unit, MPC. 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, the Reliever Airport, and MPC. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

Schedule of Revenues, Expenses and Change in Net Position[1][2]
Fiscal Years 2015 -2019
(Unaudited)

	2015	(As Restated)[3] 2016	(As Restated)[3] 2017	2018	2019
Operating Revenues:					
Signatory Airline	$ 39,414,175	$ 30,561,053	$ 30,671,634	$ 48,091,521	$ 55,264,548
Parking	38,725,346	41,889,907	43,977,208	50,369,200	53,153,828
Concession	22,873,310	25,453,862	29,338,439	33,498,728	37,203,600
Space Rental	11,989,094	12,324,959	15,121,337	16,648,433	16,885,811
Other	5,993,198	5,959,737	8,987,603	5,871,735	7,524,807
Total Operating Revenues	**$118,995,123**	**$116,189,518**	**$128,096,221**	**$154,479,617**	**$170,032,594**
Operating Expenses:					
Salaries and wages	$ 32,019,144	$ 34,666,038	$ 33,862,254	$ 32,879,302	$ 38,469,934
Contractual Services	25,962,137	26,270,995	28,610,678	36,801,980	41,434,039
Materials and Supplies	3,987,451	3,374,113	3,509,520	3,840,490	4,046,799
Utilities	6,255,942	5,944,858	5,971,391	5,639,206	6,140,029
Other	4,901,870	5,677,177	5,610,734	6,101,266	9,623,130
Total Operating Expenses	**$ 73,126,544**	**$ 75,933,181**	**$ 77,564,577**	**$ 85,262,244**	**$ 99,713,931**
Provision for Depreciation	**36,534,617**	**37,223,834**	**38,979,958**	**39,914,221**	**44,497,442**
Nonoperating Revenues:					
Investment income	$ 359,790	$ 333,542	$ 730,198	$ 2,149,363	$ 7,703,826
Passenger facility charges	15,703,411	23,735,979	25,982,494	28,300,013	31,416,941
Customer facility charges	11,692,265	12,956,481	13,561,430	14,290,386	15,094,273
Other nonoperating revenues	94,800	610,366	629,868	495,797	261,940
Total Nonoperating Revenues	**$ 27,850,266**	**$ 37,636,368**	**$ 40,903,990**	**$ 45,235,559**	**$ 54,476,980**
Nonoperating Expenses:					
Debt-related expenses	$ 7,610,829	$ 8,874,244	$ 10,299,910	$ 10,262,472	$ 13,267,265
Other nonoperating expenses	-	1,230,456	81,759	914,499	16,432,748
Total Nonoperating Expenses	**7,610,829**	**10,104,700**	**10,381,669**	**$ 11,176,971**	**$ 29,700,013**
Capital Contributions	**27,506,580**	**28,763,278**	**14,552,791**	**15,010,688**	**18,178,942**
Increase in Net Position	**57,079,979**	**59,327,449**	**56,626,798**	**78,372,428**	**68,777,130**
Total Net Position – End of Year	**$463,183,856**	**$522,511,305**	**$579,138,103**	**$657,510,531**	**$726,287,661**

(1) This table presents the Authority's revenues, expenses and change in net position in accordance with the Management's Discussion and Analysis (Unaudited) in the Authority's Comprehensive Annual Financial Reports for the Fiscal Years ended June 30, 2015 through June 30, 2019 and differs from the Schedule of Revenues, Expenses and Change in Net Position presented in the Statistical Information sections (unaudited) of the Authority's Comprehensive Annual Financial Reports (the "Statistical Information Sections"). Specifically, certain other operating expenses, other nonoperating revenues, other nonoperating expenses, and capital contributions are presented differently, but there is no difference between the total net position in each Fiscal Year presented in this table and the Statistical Information Sections.

(2) This table presents the Authority's schedule of revenues, expenses and change in net position for Fiscal Years 2015 through 2019 and reflects financial information for the Airport, the Reliever Airport, and the MPC. **MPC revenues and expenses are <u>not</u> included in the definition of Airport Revenues or the definition of Operating Expenses, respectively, except that ground rent payments and management fees by MPC and its subsidiaries to the Authority are included in Airport Revenues**. As such, the following table should be read together with the Authority's financial statements, which present the condensed financial information for the Airport, the Reliever Airport, and its blended component unit, MPC. 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, the Reliever Airport, and MPC. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

(3) Fiscal Years 2017 and 2016 ending net position were restated in Fiscal Year 2018 for the effects of the retrospective application of GASB Statement No. 75. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

Source: Management's Discussion and Analysis (Unaudited) in the Metropolitan Nashville Airport Authority Comprehensive Annual Financial Reports for the Fiscal Years ended June 30, 2015 through June 30, 2019.

Senior Debt Service Coverage

The following table presents the historical debt service coverage on the Senior Bonds for Fiscal Years 2015 through 2019.

Senior Debt Service Coverage[1]
Fiscal Years 2015 - 2019
(Unaudited)

	Fiscal Year				
Description	**2015**	**2016**	**2017**	**2018**	**2019**
Airport Revenues (Operating Revenues)[2]	$116,444,627	$113,655,043	$124,939,159	$151,362,491	$166,845,829
Add: Investment Income[2]	358,183	331,892	728,337	2,148,385	7,691,491
Revenues Available for Debt Service	$116,802,810	$113,986,935	$125,667,496	$153,510,876	174,537,320
Less: Operating Expenses[3]	(71,525,395)	(74,896,295)	(75,725,590)	(83,769,031)	(98,347,533)
Net Revenues	$ 45,277,415	$ 39,090,640	$ 49,941,906	$ 69,741,845	$ 76,189,787
Debt Service[4]:					
Interest	$ 3,290,471	$ 2,884,288	$ 4,668,561	$ 7,715,268	$ 10,563,490
Principal	27,015,000	10,980,000	11,770,000	11,515,000	16,155,000
Less: PFC Revenues applied to Debt Service[5]	(8,876,848)	(8,837,930)	(6,307,038)	(4,227,479)	(6,560,025)
Less: DSRF Release[6]	-	-	-	-	(3,723,692)
Total Debt Service	$ 21,428,623	$ 5,026,358	$ 10,131,523	$ 15,002,789	$ 16,434,773
Debt Service Coverage	2.11	7.78	4.93	4.65	4.64

(1) This table presents the debt service coverage for the Authority's outstanding Senior Bonds in accordance with the Senior Bond Resolution and differs from the debt service coverage presented in the Statistical Information Sections. Specifically, the debt service coverage calculations in the Statistical Information Sections include different sources of available revenues, expenses and associated debt service. Refer to the below footnotes and the sources of information referenced therein for an explanation of the debt service coverage calculation presented in this table. The debt service coverage presented in this table for Fiscal Year 2019 also differs from the debt service coverage for Fiscal Year 2019 presented in the Report of the Airport Consultant. Specifically, the Net Revenues for Fiscal Year 2019 presented in the Report of the Airport Consultant is based on the airline rate model and the Net Revenues for Fiscal Year 2019 presented in this table is based on information from the Metropolitan Nashville Airport Authority Comprehensive Annual Financial Reports for Fiscal Year 2019. The debt service presented in this table also includes a debt service offset based on a release of funds from the Debt Service Reserve Fund.

(2) Includes annual operating revenues and investment income derived from the Airport and the Reliever Airport. Source: Metropolitan Nashville Airport Authority Comprehensive Annual Financial Reports for Fiscal Year 2015 through 2019.

(3) Includes annual operating expenses related to the Airport and the Reliever Airport. Source: Metropolitan Nashville Airport Authority Comprehensive Annual Financial Reports for Fiscal Year 2015 through 2019.

(4) The Authority has internally set aside the $575,000 July 1, 2019 mandatory redemption payment for the Series 2003B Senior Bonds. As such, the debt service excludes such mandatory redemption payment for the Series 2003B Senior Bonds. Source: Metropolitan Nashville Airport Authority.

(5) Includes amounts transferred from PFC Revenues to pay debt service on the Authority's Airport Improvement Revenue Bonds, Series 2009A (the "Series 2009A Senior Bonds") (which are no longer Outstanding), the Authority's Airport Improvement Revenue Bonds, Refunding Series (which are no longer Outstanding), and the Series 2015A Senior Bonds. Source: Metropolitan Nashville Airport Authority.

(6) Includes release of funds relating to the Series 2009A Senior Bonds from the Debt Service Reserve Fund. Source: Metropolitan Nashville Airport Authority.

Source: PFM Financial Advisors LLC (calculation only).

For information regarding the Airport Consultant's forecasted debt service coverage ratios relating to the Senior Bonds throughout the Forecast Period, see "REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Net Revenues and Debt Service Coverage" attached hereto.

Subordinate Debt Service Coverage

The Series 2019 Subordinate Bonds will be the first series of Subordinate Bonds issued under the Subordinate Bond Resolution. As such, there is no historical debt service coverage information available for Subordinate Bonds. For information regarding the Airport Consultant's forecasted debt service coverage ratios relating to the Series 2019 Subordinate Bonds throughout the Forecast Period, see "REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Net Revenues and Debt Service Coverage " attached hereto. For information regarding the historical debt service coverage for Senior Bonds, see "AUTHORITY FINANCIAL INFORMATION - Senior Debt Service Coverage" below.

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 the Landing Fees, Terminal Rents, Passenger Loading Bridge Fees, Baggage Fees, and Terminal Ramp Area rentals, offset by revenues shared with the Signatory Airlines, and divided by total enplaned passengers.

Average Airline Cost Per Enplaned Passenger
Fiscal Years 2015 - 2019[1]

Fiscal Year	Average CPE
2015	$7.02
2016	5.36
2017	5.04
2018	6.78
2019	6.67

(1) This table presents the Authority's average airline cost per enplaned passenger and differs from the average cost per enplaned passenger presented in the Statistical Information Sections. Specifically, the information presented in this table is based on the airline rate model.

Source: Metropolitan Nashville Airport Authority.

For forecasted CPE for the Airport, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Financial Framework and Analysis - Airline Revenues - Airline Cost per Enplaned Passenger" attached hereto.

Analysis of Airport Financial Results

Fiscal Year 2019 Results. The Authority experienced another year of record growth in Fiscal Year 2019, surpassing 17.1 million total passengers and approximately 8.6 million enplanements. Since 2010, the Authority has experienced consistent enplanement growth of 3.0% or better each year, with increases of 15.1% and 10.0%, in Fiscal Years 2019 and 2018, respectively. Gross landed weight was also up 15.2%, totaling 9.95 billion pounds in 2019.

Operating revenue increased $15.6 million (10.1%) over the prior year. Signatory Airline revenue increased $7.2 million (14.9%) primarily due to a contractual reimbursement from the Airlines for a baggage handling project. Parking and concession revenue increased $2.8 million (5.5%) and $3.7 million (11.1%), respectively, which were attributable to the increase in passengers. Other operating revenue increased $1.7 million (28.2%) due to Non-Signatory Airline landing weight increasing from Allegiant Air, British Airways, and Sun Country.

Operating expenses increased $14.5 million (16.9%) over 2018. Salary and wages were up $5.6 million (17%) due to: a 3% cost of living adjustment, increase in base salaries as a result of a compensation study conducted in early 2019, and increase of 13 new positions needed due to the growth in passenger traffic. Contractual services increased $4.7 million (12.6%) primarily due to additional janitorial services, security services, and parking lot operations required to handle the passenger growth. Other operating expenses increased $3.5 million (57.7%) due to the settlement of a lawsuit against the Authority and additional payments for Airline incentives to British Airways.

Nonoperating revenues and expenses increased $9.2 million (20.4%) and $18.5 million (165.7%), respectively, over the prior year. The increase in investment income of $5.6 million (258.4%) was attributable to better market conditions and changes in overall investment strategy that was started January 2018. Collection of Passenger Facility Charges increased $3.1 million (11%) due to the growth in passengers. The increase in interest expense of $3 million (29.3%) was related to additional borrowings on the new credit facility the Authority entered into on January 7, 2019. Other non-operating expenses increased $15.5 million primarily due to the loss in connection with disposal of assets related to the demolition of the short-term garage and the old Concourse D.

Fiscal Year 2018 Results. The Authority continued another year of double digit growth, surpassing 14.9 million total passengers and approximately 7.5 million enplanements. Enplanements were up 10% and 10.6% in Fiscal Years 2018 and 2017, respectively. The Authority also continued to add new air service in Fiscal Year 2018, including new nonstop flights to London's Heathrow Airport with British Airways, Nashville's first transatlantic service since 1994.

Operating revenue increased $26.4 million (20.6%) over Fiscal Year 2017. Signatory Airline revenue increased $17.4 million (56.8%) due to: Southwest's increased amount of square feet rented; price per square foot increased from $90 to $100.55; increase in landed weight of 10.3% and a landing fee rate change from $2.54 in 2017 to $3.21 in 2018; concession true-up credit to the Airlines decreased due to contractual change (2017 Airlines received 60% of in-terminal concessions and 20% of rental car concessions, 2018 Airlines only received 50% of in-terminal concessions). Parking revenue increased $6.4 million (14.5%) driven by the passenger

growth and a rate increase implemented on September 1, 2017. Concession revenue, which includes ground transportation and car rental revenue, increased $4.2 million (14.2%) due to the passenger growth at the Airport. Other operating revenue decreased $3.1 million (34.7%) over the prior year primarily due to two one-time insurance settlements received ($2.1 million) and $682,000 received from the Nashville Electric Service energy efficiency program in 2017.

Operating expenses increased $7.7 million (9.9%) over the prior year. Salary and wages decreased $983,000 (2.9%) primarily due to open budgeted positions not filled during the year. Contractual services increased $8.2 million (28.6%) over 2017 due to: opening and running of the new Express Park, new staff augmentation costs for Design and Engineering for increased construction and increase in janitorial and security services to keep up with the passenger growth.

Non-operating revenues increased $4.3 million (10.6%) over Fiscal Year 2017. Investment income increased $1.4 million (194.4%) due to the new investment strategy implemented in January 2018. Collection of Passenger Facility Charges increased $2.3 million (8.9%) due to overall enplanement growth.

Fiscal Year 2017 Results. The Authority experienced its first year of double digit growth in Fiscal Year 2017, surpassing 13.5 million passengers and approximately 6.8 million enplanements. Enplanements were up 10.6% and 9.6% in 2017 and 2016, respectively.

Operating revenue increased $11.9 million (10.2%) over 2016. The Operating revenue increase is attributable to increased overall traffic at the Airport, and a contractual reduction in the revenue share to Signatory Airlines. Majority of operating revenue increases for Fiscal Year 2017 are as follows: parking $2.1 million (5.0%), concessions $3.9 million (15.3%), space rental $2.8 million (22.7%), and other revenue $3.0 million (50.8%).

Operating expenses only increased $1.6 million (2.1%) in 2017, primarily in contractual services which increased $2.3 million (8.9%).

Non-operating revenues increased $3.3 million (8.7%) primarily due to the increase in the collection of Passenger Facility Charges of $2.2 million (9.5%).

Fiscal Year 2016 Results. The Authority experienced another year of record growth in Fiscal Year 2016, surpassing 12.3 million passengers and over 6.1 million enplanements. Enplanements were up 9.6% and 5.5% in 2016 and 2015, respectively.

Operating revenue decreased $2.8 million (2.4%) over the prior year. The decrease in Signatory Airline revenue of $8.9 million (22.5%) was attributable to the new agreement with the Airlines which went into effect on July 1, 2015 providing the Signatory Airlines with a "revenue share" based on enplanements. Both parking and concession revenues increased in Fiscal Year 2016 by $3.2 million (8.2%) and $2.6 million (11.3%), respectively.

Operating expenses increased $2.8 million (3.8%) with the largest increase in salary and wages of $2.6 million (8.3%).

Non-operating revenues increased $9.8 million (35.1%) over 2015. Largest increases were in Passenger Facility Charges collection of $8.0 million (51.2%) and customer facility charges of $1.3 million (10.8%).

Fiscal Year 2020 Budget

The Authority's budgets for Fiscal Year 2020 were approved by the Board and include combined operating revenue of $164.6 million and combined operating expenses of $112.2 million which totals include MPC's budget, comprised of $3.3 million of operating revenue and $1.6 million of operating expenses. MPC revenue and expenses are not included as Airport Revenues or as Operating Expenses, respectively, under the Subordinate Bond Resolution.

Fiscal Year 2020 budgeted operating revenue was increased $3.4 million (4.5%) over the Fiscal Year 2019 budget. Budgeted concessions revenue was increased by $1.5 million due to projected passenger growth and parking revenue was increased by $7.3 million to adjust the budget to mirror the Fiscal Year 2019 actual revenue and to include the estimated impact of a rate increase which took effect in May 2019. Budgeted Signatory Airline revenue was decreased by $3.2 million due to the removal of the cost reimbursement for a Fiscal Year 2019 baggage handling project.

Fiscal Year 2020 budgeted operating expenses increased $10.2 million (10.0%) over the Fiscal Year 2019 budget. Budgeted salary and wages were increased by $5.0 million primarily due to an additional 42 positions added to the budget to properly adjust staffing levels with the growth the Authority has experienced the past few years. Budgeted contractual services increased by $3.0 million primarily due to additional janitorial services and supplies, security services, utilities, and parking lot operations required to handle the passenger growth.

The Authority cannot accurately predict the economic climate in Fiscal Year 2020. However, the Authority has used conservative budget assumptions, including enplanements and landed weights in developing the Fiscal Year 2020 budget. This conservative approach should enable the Authority to meet or exceed the budgeted performance in Fiscal Year 2020.

Pension and Other Postemployment Benefits

The Authority is required to have actuarial estimates produced for its pension and other post-employment benefits ("OPEB") liabilities. Actuarial estimates are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans. For a summary of the Authority's pension and OPEB information based on the most recent pension plan and OPEB valuations and the most recent audited basic financial statements of the Authority, see "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

Insurance

The Authority maintains various insurance policies, including, but not limited to airport owners and operators liability, property liability (including a stand- alone builders' risk, business interruption coverage), airport site pollution liability, financial, executive and professional risks (including crime, cyber security, and legal, forensic/crisis management).

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 $500 million in coverage limits with a deductible of $5,000/occurrence, and includes $1 million of auto liability coverage, $1 million of workers' compensation coverage.

Property Liability. The Authority's property insurance program which includes, among other things, business interruption, a stand-alone builder's risk coverage for certain projects, rented/leased equipment coverage, wind and hail coverage, scheduled bridges coverage. Pavements and roadways coverage have a sublimit of $1,000,000 and excludes aircraft surfaces such as runways and taxiways; while flood and earthquake coverage has a sublimit of $50,000,000. Furthermore, there is an all other perils coverage. Limits and deductibles vary under the policy, but the most the policy will pay is $800 million. For its Capital Development Program, the Authority has a Controlled Insurance Program (CIP). The Authority provides the general liability and builder's risk policies with various limits per project phase. The Authority requires the general contractor and its subcontractors to carry all other coverages at various limits (e.g., owner's protective professional indemnity, pollution, cyber, auto, and workers' compensation).

The Authority also maintains a separate Fine Arts policy for its art collection with a total insured value of approximately $1.8 million with a $500 deductible.

Airport Site Pollution Liability. The Authority maintains coverage for pollution claims which consists of Pollution Legal Liability coverage with an aggregate limit of $5.0 million and a deductible of $1.0 million and Contractors Pollution coverage with an aggregate limit of $5,000,000 and a self-insured retention of $25,000.

Financial, Executive and Professional Risks (FINEX). The Authority maintains a financial, executive and professional risks policy which includes, directors' and officers' liability, employment practices liability, executive risks, fiduciary liability, crime, cyber security, and legal, forensic/crisis management.

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, hangerkeepers 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, all construction projects in excess of $20,000 are additionally secured by payment and performance bonds for the full contract value.

The Authority, at its discretion, uses an independent risk management and insurance consultant who works with the Authority's risk management and in-house counsel team 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.

AUTHORITY CAPITAL PROJECTS

General

In 2013, the Authority completed a 20-year master plan update for the Airport (the "2013 Master Plan") which, reflected at the time, all airfield, terminal, landside/ground access and support facility projects necessary to meet the anticipated demand for air travel over a planning horizon ending in 2031. The Authority developed a comprehensive plan from the 2013 Master Plan referred to as the "BNA Vision," which is composed of four phases: BNA Vision 1.0; BNA Vision 2.0; BNA Vision 3.0; and BNA Vision 4.0. The BNA Vision was designed to enable the Airport to accommodate the region's population growth and meet the needs of the Airport's record-breaking passenger increases. For additional information regarding the BNA Vision, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Capital Development Program - BNA Vision" attached hereto.

Between 2008 and 2018, the population of the Air Service Area grew by approximately 18.9%, from approximately 1.6 million to 1.9 million, and annual enplaned passengers at the Airport increased by 53.0% from approximately 4.9 million to 7.5 million. This past growth, and the anticipated future growth, in enplanements at the Airport has led the Authority to continually evaluate the capacity of the Airport Facilities. The 2013 Master Plan, as adjusted based on the 2017 forecast of the consultant Corgan, contemplated capacity enhancements, renovations, and expansion of the Airport Facilities to serve a capacity of 22.0 million annual passengers at the Airport, which capacity was projected to be reached in 2041. Since the 2013 Master Plan, projections show that the time period for reaching the capacity of 22.0 million annual passengers has significantly shortened. The FAA approved passenger forecast for the BNA 2018 Master Plan, an update to the 2013 Master Plan which the Airport expects to submit to the FAA in March 2020, projected that the Airport would reach 22.0 million annual passengers in 2032. Since this forecast was approved, the Authority has run two additional passenger forecasts in 2019. The first projection used the original forecast for the BNA 2018 Master Plan and adjusted the 2018 and 2019 passenger numbers to agree to the actual number of passengers that traveled through the Airport those years. This forecast projects that the Airport will reach 22.0 million annual passengers in 2024. Finally, based on the internally generated numbers from the Authority's 2019 Airline Lease Early Reporting Tool (ALERT), the Airport is projected to reach 22.0 million annual passengers in 2022; 19 years earlier than originally projected in the 2013 Master Plan.

In response to such growth and the expected continued growth in the region and in passengers, the Authority developed a "Capital Development Program," which consists of: (a) capital projects from the BNA Vision; and (b) certain additional capital projects that the Authority plans to undertake as part of its ongoing capital improvement plan (the "Authority CIP

Projects"). The Capital Development Program includes capital projects expected to be undertaken both during and beyond the Forecast Period, including Runway 2L-20R Extension estimated to cost approximately $500.0 million, which is not included in the Authority Capital Projects since it is expected to be completed beyond the Forecast Period. For additional information regarding the Capital Development Program, the BNA Vision, and the Authority CIP Projects, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Capital Development Program" and " - Authority Capital Projects" attached hereto.

Currently, the capital projects from the Capital Development Program which will be undertaken during the Forecast Period consist of all of the capital projects from BNA Vision 1.0, currently estimated to cost approximately $1.4 billion, certain capital projects from BNA Vision 2.0, currently estimated to cost approximately $1.0 billion, and the Authority CIP Projects, currently estimated to cost approximately $493.8 million (collectively, the "Authority Capital Projects"). The Authority Capital Projects are estimated to cost approximately $2.9 billion, of which approximately $810.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds. If the rapid growth in passenger traffic which the Airport has been experiencing over the last several years continues, it is possible that the remaining elements of BNA Vision 2.0, and certain elements of BNA Vision 3.0 and BNA Vision 4.0 could be undertaken during the Forecast Period. For a description of the Authority Capital Projects and the related estimated project costs and anticipated funding sources, which includes proceeds of the Series 2019 Subordinate Bonds, see "PLAN OF FINANCE and "AUTHORITY CAPITAL PROJECTS - Anticipated Funding Sources for Authority Capital Projects" below and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Authority Capital Projects" and " - Authority Capital Projects Plan of Finance" attached hereto.

The Authority Capital Projects and the Capital Development Program which are demand driven are subject to frequent review and modification based on expected funding priorities of the Airport System. As a result of the rapid growth in passenger traffic which the Airport has been experiencing, the Authority will continue to actively assess and manage its capital needs to determine any necessary modifications to the Authority Capital Projects and the Capital Development Program as necessary to accommodate evolving priorities with respect to demand-driven traffic activity, operational needs of the Airport, and other factors, which could result in increases or decreases to the costs of the Authority Capital Projects and the Capital Development Program, or extend or accelerate the timing to complete certain elements of the Authority Capital Projects and the Capital Development Program. Any revisions to the Authority Capital Projects and the Capital Development Program will reflect a careful balancing by the Authority of imperatives related to accommodating evolving priorities with respect to demand-driven traffic activity, operational needs of the Airport, and sound financial management of the Authority's available revenues and debt capacity.

Implementation of Authority Capital Projects

The Authority uses a variety of strategies to mitigate risk associated with the implementation of the elements within the Authority Capital Projects. From an overall management perspective, the Authority has weekly BNA Vision meetings with representatives from all departments to discuss the status, timing, potential issues, etc. associated with each BNA

Vision project in order to ensure proper communication is occurring throughout the Authority. The Development & Engineering Department prepares a monthly "BNA Vision Detailed Report" and "BNA Vision Board Report" for the Board and other staff which provides budget to actual information, cash flow projections, description of projects, and summarizes potential issues. Thus far, the Authority has managed the construction well with minimal impact to passengers and the Airlines. In addition, the Authority holds quarterly meetings with the Airline Tech Committee to discuss the BNA Vision and keep the Airlines apprised of the status of construction and work through any issues in advance. The Authority also uses social media heavily to keep the passengers updated.

The Authority has developed a number of approaches to anticipate and mitigate construction cost escalation, including a variety of contingencies. As of October 1, 2019, on a programmatic level, of the total budget of approximately $1.4 billion for BNA Vision 1.0, $50.5 million (3.65% of total budget) is included as a program contingency, of which $33.7 million remains. At an individual project level, the Authority maintains individual owner contingencies for each project in BNA Vision 1.0 with total budgeted owner reserves of $115.2 million (or 8.3% of total budget), of which $58.4 million remains. The Authority also maintains contractor contingencies for BNA Vision 1.0 which gets assigned as each part of a project is placed under contract; currently, the Authority has $78.8 million in contractor contingency available. For each individual project listed in BNA Vision 2.0, approximately 20% of the cost of each such project is allocated to contingency and escalation costs combined.

As of October 1, 2019, $712.0 million of the approximately $1.4 billion total BNA Vision budget (51% of the total budget) is under contract. All such contracts are design/build and subject to Guaranteed Maximum Price which mitigates the risk of cost escalation. The projects included as part of BNA Vision 1.0 were designed to meet future demand of 22.0 million annual passengers, which capacity was expected to be reached in 2041. However, based on the recent extraordinary growth in enplanements at the Airport, and various forecasts developed by, and for, the Authority, the 22.0 million annual passenger level could be reached much sooner than originally projected. As a result, the Authority could embark on various additional projects contained in BNA Vision 2.0. BNA Vision 2.0 was developed to meet the increasing demand of up to 32.0 million annual passengers. However, the majority of the projects in BNA Vision 2.0 are modular and will only be pursued based on demand; so if passenger growth declines quickly at the Airport, these projects can be delayed until needed. Additionally, the Concourse A expansion can be built in stages, if needed.

Nevertheless, the completion of various projects could be delayed, or the cost of completing certain projects included in the Authority Capital Projects could be higher than expected due to various factors. See "CERTAIN FACTORS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND OTHER CONSIDERATIONS - Capacity of the Airport; Cost and Schedule of Authority Capital Projects" herein.

Anticipated Funding Sources for Authority Capital Projects

Most of the costs of the Authority Capital Projects are expected to be funded with remaining proceeds of the Outstanding Senior Bonds, draws under the Note Purchase Agreement, proceeds of the Series 2019 Subordinate Bonds, and proceeds of Additional Senior Bonds and/or

Additional Subordinate Bonds. The Authority Capital Projects are estimated to cost approximately $2.9 billion, of which approximately $810.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds. For additional information regarding financing assumptions, amounts, and timing of the Series 2019 Subordinate Bonds and Additional Senior Bonds and/or Additional Subordinate Bonds, see "OUTSTANDING AUTHORITY OBLIGATIONS - Anticipated Future Borrowing" herein and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Authority Capital Projects Plan of Finance - Bond Proceeds" attached hereto. The Authority has used and will continue to use interim financing capacity available through the Note Purchase Agreement for projects currently underway. The funding amounts presented in the following table and described in the Report of the Airport Consultant reflect proceeds of the Series 2019 Subordinate Bonds that will either be used to directly fund construction costs or to pay all or a portion of the draws made pursuant to the Note Purchase Agreement that were used for construction costs.

The following table presents estimated project costs of the Authority Capital Projects and anticipated funding sources, which includes proceeds of the Series 2019 Subordinate Bonds and the Anticipated Future Bonds described in "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Airport Facilities and Capital Program - Authority Capital Projects Plan of Finance" attached hereto.

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Authority Capital Projects Plan of Finance
(Dollars in Millions)

Project	Federal and State[1]	Existing Bond Proceeds[1]	Series 2019 Subordinate Bonds[1]	Future Bonds[1]	CFC[1]	Authority Funding[1]	Total[1]
BNA Vision 1.0							
Parking Garages, Transportation Center, and Administration Building	$12.5	$ 83.5	**$198.7**	$ 73.4	$6.5	$ 0.0	$ 374.6
International Arrival Building Rehabilitation	0.0	7.2	**0.0**	0.0	0.0	0.0	7.2
Concourse D & Terminal Wings	0.0	0.8	**296.7**	0.0	0.0	0.0	297.5
Terminal Lobby & IAF	0.0	21.2	**183.4**	276.8	0.0	0.0	481.4
Terminal Access Roadway	0.0	1.0	**0.0**	159.5	0.0	0.0	160.5
Terminal Apron & Taxilane Expansion	0.0	2.0	**23.7**	19.9	0.0	0.0	45.6
Employee Parking Lot	0.0	0.3	**7.7**	0.0	0.0	0.0	8.0
Eastside Electrical Vault	0.0	0.4	**3.8**	0.0	0.0	0.0	4.2
Art Allowance	0.0	0.0	**0.0**	4.5	0.0	0.0	4.5
Subtotal - BNA Vision 1.0	$12.5	$116.4	**$714.0**	$ 534.1	$6.5	$ 0.0	$1,383.5
BNA Vision 2.0[2]							
Runway 2L-20R Extension - EA & Property Acquisition	$ 0.0	$ 0.0	**$ 5.5**	$ 0.0	$0.0	$ 0.0	$ 5.5
Runway 2L-20R Extension - Design	0.0	0.0	**9.5**	20.5	0.0	0.0	30.0
Satellite Concourse E	0.0	0.0	**0.0**	190.0	0.0	0.0	190.0
Concourse A Site Preparation	0.0	0.0	**0.0**	78.0	0.0	0.0	78.0
Concourse A Terminal Expansion	0.0	0.0	**0.0**	650.0	0.0	0.0	650.0
Deicing Treatment	0.0	0.0	**0.0**	45.0	0.0	0.0	45.0
Curbside Expansion	0.0	0.0	**0.0**	34.0	0.0	0.0	34.0
Subtotal - BNA Vision 2.0	$ 0.0	$ 0.0	**$ 15.0**	$1,017.5	$0.0	$ 0.0	$1,032.5
Capital Improvement Plan							
Runway 2R-20L Reconstruction	$20.0	$ 0.0	**$ 70.0**	$ 0.0	$0.0	$ 0.0	$ 90.0
Terminal Apron and Taxilane Expansion: Ph 3	0.0	0.0	**0.0**	30.3	0.0	0.0	30.3
Concourse A, B & C Upgrades	0.0	0.0	**0.0**	18.0	0.0	0.0	18.0
Taxiway T1/T2 Intersection	0.0	0.0	**0.0**	31.6	0.0	0.0	31.6
Terminal Shell Expansion for Delta Sky Club	0.0	0.0	**11.0**	0.0	0.0	0.0	11.0
Other CIP Projects[3]	26.6	0.0	**0.0**	0.0	0.0	286.3	312.9
Subtotal - Capital Improvement Plan	$46.6	$ 0.0	**$ 81.0**	$ 79.9	$0.0	$286.3	$ 493.8
TOTAL AUTHORITY CAPITAL PROJECTS	$59.2	$116.4	**$810.0**	$1,631.5	$6.5	$286.3	$2,909.8

(1) Totals may not add due to rounding.
(2) BNA Vision 2.0 also includes construction of the Runway 2L-20R Extension, however, that project is not included in the Authority Capital Projects.
(3) Includes projects included in the Authority's 2020-2024 capital improvement plan plus other assumed expenditures from Fiscal Year 2025 through Fiscal Year 2028.

Source: Report of the Airport Consultant attached hereto as APPENDIX A.

REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST

General

The Airport Consultant has prepared the Report of the Airport Consultant in connection with the issuance of the Series 2019 Subordinate Bonds, which report is attached hereto as "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT." The Report of the Airport Consultant provides, among other things, a summary of the funding plan for the Authority Capital Projects, analyses of historical airline service and passenger traffic, analyses of historical Airport revenues and expenses, and financial forecasts demonstrating the sufficiency of Net Revenues to meet the funding requirements and obligations established by the Senior Bond Resolution and the Subordinate Bond Resolution during the Forecast Period. For additional information on historical and forecast revenues of the Airport and the various underlying assumptions incorporated into the Report of the Airport Consultant, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT" attached hereto.

The Airport Consultant developed forecasts of air traffic activity based on an analysis of the underlying economic conditions of the Air Service Area, airline traffic trends, and an assessment of Southwest's continued focus on the region. In general, the Airport Consultant assumed that in the long-term, growth in O&D passenger traffic at the Airport will occur as a function of growth in population and the economy of the Air Service Area and made certain other assumptions regarding the Authority's rate making methodology after the expiration of the term of the Signatory Airline Agreements. See REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST - Financial Forecasts After Expiration of Signatory Airline Agreements" below. In addition, several other assumptions were incorporated into the long-term forecast including the following:

(a) The Airlines will continue to add capacity that is in line with demand and gross domestic product growth.

(b) British Airways and other Airlines will continue to provide trans-oceanic service to markets in Europe, as well as other international markets such as Canada, Mexico, and the Caribbean. Service to other international markets will also be provided as demand dictates.

(c) Long-term nationwide growth in air travel will occur over the Forecast Period consistent with forecast growth in the economy.

(d) Aviation fuel prices over the Forecast Period are anticipated to be higher relative to historical levels, but lower than the record prices reached in mid-2008.

(e) There will be no major disruption of airline service or airline travel behavior.

(f) The Authority will receive all future MII approvals needed to complete the Authority Capital Projects.

Many of the factors that may affect air travel demand are not necessarily quantifiable. As a result, all forecasts of aviation activity are subject to various uncertainties. Therefore, the

forecasts developed by the Airport Consultant, as with any forecasts, should be viewed as a general indication of future aviation activity as opposed to a precise prediction. Actual future traffic may vary from these forecasts and such variances could be material. See "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT" attached hereto.

The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of the Airport Consultant as airport consultants.

Financial Forecasts After Expiration of Signatory Airline Agreements

The Signatory Airline Agreements expire in June 2022 and the Authority will not extend these agreements under the existing terms. The Authority is currently in preliminary negotiations with the Signatory Airlines regarding new signatory airline agreements upon the expiration of the Signatory Airline Agreements at the end of Fiscal Year 2022. At this time, it is uncertain as to the future airline rates and charges methodology to be included in such future airline agreements. Therefore, the following assumptions were used by the Airport Consultant regarding the future airline rates and charges methodology for the purposes of the forecast of future Airline revenues included in the Report of the Airport Consultant:

(a) Landing Fees are assumed to continue as a cost center residual calculation, generally the same as the current methodology with certain adjustments more particularly described in the Report of the Airport Consultant.

(b) Terminal Ramp Area Rates are assumed to continue as a compensatory calculation, generally the same as the current methodology with certain adjustments more particularly described in the Report of the Airport Consultant.

(c) Terminal Rental Rates are calculated using a commercial compensatory methodology, which differs from the current fixed rate methodology under the Signatory Airline Agreements.

(d) Revenue sharing is not assumed beyond the expiration of the Signatory Airline Agreements.

The Authority may unilaterally implement, without airline consent or written agreements, rate-setting methodologies that meet the requirements of the FAA's Policy Regarding the Establishment of Airport Rates and Charges ("Rates and Charges Policy") and other applicable requirements of federal law and federal grant assurances. The rate-setting methodologies assumed to forecast airline revenues from Fiscal Year 2023 through Fiscal Year 2028 were developed to meet the requirements of the Rates and Charges Policy and the Authority's other federal requirements. Such methodologies, if they are adopted by the Authority, could be challenged by the Airlines serving Airport and the Federal Department of Transportation would determine whether the rate-setting methodologies complied with the Authority's federal obligations.

Forecast Debt Service Coverage

The following table, which has been extracted from the Report of the Airport Consultant, presents forecast Net Revenues, other available funds, Senior Debt Service (net of PFCs),

Subordinate Debt Service (net of PFCs), and Senior and Subordinate Debt Service (net of PFCs) for the Airport System throughout the Forecast Period. The forecast indicates compliance with the rate covenants under the Senior Bond Resolution and the Subordinate Bond Resolution for each Fiscal Year of the Forecast Period.

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Net Revenue and Debt Service Coverage
(dollars in thousands, except rates)
(Fiscal Years Ending June 30)

		Actual	Forecast								
		2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Revenues											
Total Passenger Airline Revenues[1]		$ 57,296	$ 59,188	$ 64,490	$ 84,858	$ 89,837	$108,671	$122,182	$153,057	$164,712	$169,963
Cargo Carrier Revenues		1,168	1,304	1,283	1,781	1,090	1,297	1,497	1,616	1,695	1,774
Non-Airline Operating Revenues		113,250	120,396	130,290	137,838	147,126	153,089	159,282	168,799	175,518	182,430
Total Revenues	[A]	$171,714	$180,888	$196,063	$224,477	$238,053	$263,057	$282,961	$323,471	$341,925	$354,166
Less:											
O&M Expenses	[B]	98,689	115,014	120,268	128,469	134,474	145,536	152,237	163,361	170,907	178,807
Net Revenue	[C=A-B]	$ 73,026	$ 65,874	$ 75,795	$ 96,009	$103,578	$117,521	$130,724	$160,111	$171,018	$175,359
Plus: Other Available Funds for Senior Debt Service Coverage[2]	[D]	4,529	3,463	3,473	4,507	6,982	12,166	16,276	23,297	25,515	25,485
Funds Available for Senior Debt Service Coverage	[E=C+D]	$ 77,555	$ 69,337	$ 79,268	$100,515	$110,561	$129,686	$147,000	$183,408	$196,534	$200,844
Other Available Funds for Senior and Subordinate Debt Service Coverage[3]	[F]	1,812	1,726	2,972	3,772	4,839	7,220	9,470	12,277	13,165	13,153
Funds Available for Senior and Subordinate Debt Service Coverage	[G=C+F]	$ 74,837	$ 67,601	$ 78,767	$ 99,781	$108,417	$124,741	$140,194	$172,387	$184,183	$188,512
Senior Lien Debt Service (Net of PFCs)	[H]	$ 18,116	$ 13,850	$ 13,893	$ 18,026	$ 27,930	$ 48,663	$ 65,104	$ 93,188	$102,061	$101,941
Subordinate Lien Debt Service (Net of PFCs)	[I]	-	3,414	15,827	19,694	20,457	23,539	29,591	29,580	29,588	29,589
Total Net Debt Service	[J=H+I]	$ 18,116	$ 17,264	$ 29,720	$ 37,720	$ 48,386	$ 72,203	$ 94,695	$122,767	$131,650	$131,531
Senior Lien Debt Service Coverage (Net Revenue and Other Available Funds)	[K=E/H]	**4.28**	**5.01**	**5.71**	**5.58**	**3.96**	**2.66**	**2.26**	**1.97**	**1.93**	**1.97**
Senior Lien Debt Service Coverage (Net Revenue)	[L=C/H]	**4.03**	**4.76**	**5.46**	**5.33**	**3.71**	**2.41**	**2.01**	**1.72**	**1.68**	**1.72**
Senior and Subordinate Debt Service Coverage (Net Revenue and Other Available Funds)	[M=G/J]	**4.13**	**3.92**	**2.65**	**2.65**	**2.24**	**1.73**	**1.48**	**1.40**	**1.40**	**1.43**
Senior and Subordinate Debt Service Coverage (Net Revenue)	[N=C/J]	**4.03**	**3.82**	**2.55**	**2.55**	**2.14**	**1.63**	**1.38**	**1.30**	**1.30**	**1.33**

Note: Amounts may not add due to rounding.

(1) Net of revenue sharing through Fiscal Year 2022.
(2) Equal to 25% of Senior Lien Debt Service available from the NAE Fund.
(3) Equal to 10% of Senior Lien Debt Service and 10% of Subordinate Lien Net Debt Service available from the NAE Fund.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast).

CERTAIN FACTORS AFFECTING THE AIR TRANSPORTATION INDUSTRY AND OTHER CONSIDERATIONS

The information included under this caption describes certain factors affecting the air transportation industry and other considerations which may impact the payment of or security for the Series 2019 Subordinate Bonds and speaks only as of the date of this Official Statement. The following discussion is not meant to be a comprehensive or exhaustive list of the factors affecting the air transportation industry and other considerations which may impact the payment of or security for the Series 2019 Subordinate Bonds and does not necessarily reflect the relative importance of the various factors. Investors are advised to consider the following factors along with all other information described in this Official Statement or incorporated by reference herein when evaluating the merits of an investment in the Series 2019 Subordinate Bonds. Additional factors, considerations and other uncertainties not presently known, or currently believed to be immaterial, may also ultimately materially and adversely affect, among other things, Airport Revenues and Net Revenues or individual investors. There can be no assurance that other factors or considerations not discussed in this Official Statement are or will not become material in the future.

Economic Conditions and Events and their Impact on Demand for Air Travel

Historically, the U.S. economy as measured by gross domestic product has grown at a relatively steady rate, averaging 3.1% per annum between 1960 and 2017. The rate of growth has been remarkably stable reflecting both the size and maturity of the U.S. economy. Individual years have fluctuated around the long-term trend for a variety of reasons including macroeconomic factors, fuel shocks, war, and terrorist attacks. There have been two official economic recessions in the U.S. thus far in the 21st century.

The first economic recession occurred between March and November of 2001 and was compounded by the terrorist attacks on September 11, 2001. The negative impact of such events on the airline industry is well documented. The recession itself was short-lived by historical standards and the economy returned to positive growth rates quickly, fueled by a gradual but prolonged reduction in interest rates. The second recession, often referred to as the "Great Recession," occurred between December 2007 and June 2009. The Great Recession was the worst financial crisis to affect the U.S. since the Great Depression and it was the longest recession since airline industry deregulation in 1978. The nation's unemployment rate rose from 5.0% in December 2007 to a high of 10.6% in January 2010.

The ability of the Authority to generate Airport Revenues sufficient to pay Operating Expenses, debt service on the Outstanding Senior Bonds and the Subordinate Bonds (including the Series 2019 Subordinate Bonds) and other obligations depends upon the demand for the facilities and services at the Airport. The principal determinants of passenger demand at the Airport include, among other things, the population and economy of the Air Service Area; national and international economic conditions; political conditions, including wars; other hostilities and acts of terrorism; airfares and competition from surrounding airports; Airline service and route networks; the capacity of the national air transportation system and the Airport; accidents involving commercial passenger aircraft; and the occurrence of pandemics and other natural and man-made disasters. Airfare and airline service are, in turn, affected by the financial condition of

the individual airlines and regulatory requirements imposed on Airlines, among other factors. Certain factors not directly related to the health of the Air Service Area, including airline competition and demand in other markets, the financial strength and stability of Airlines serving the Airport, including individual Airline decisions regarding levels of service at the Airport, are among the determinants of future airline traffic and may affect total enplanements

No assurance can be given that traffic at the Airport, despite a demonstrated level of Airline service and operations and despite the Airport's being primarily an O&D airport, will continue to increase or that current traffic levels will continue. The continued presence of the Airlines serving the Airport and the level of aviation activity and enplaned passenger and cargo traffic at the Airport depend upon a number of factors, most of which are not within the Authority's control.

For additional information regarding the impact of economic conditions and events on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - Economic Conditions and Events" attached hereto.

Airline Bankruptcies

Over the past several years, the U.S. airline industry has undergone a significant transformation. Although it has been profitable in recent years, the U.S. airline industry cumulatively experienced losses of approximately $62.0 billion from 2000 through 2009 on domestic operations. Many airlines filed for Chapter 11 bankruptcy protection and some merged or ceased operations altogether. During such period, airlines suffered from excess capacity, which drove down yields. Yields adjusted for inflation had dropped by approximately 70%. With oil prices spiking to near $150 per barrel in 2008, industry changes were critical. As a result, all of the major network airlines restructured their route networks and reached agreements with lenders, employees, vendors, and creditors to decrease their cost structure.

A bankruptcy of a Signatory Airline (or of any other major tenant or concessionaire at the Airport) can result in significant delays, significant additional expenses and/or significant reductions in payments, or even in non-payments, to the Authority and consequently in a reduction in the amount of Net Revenues and possibly delays in payments on the Series 2019 Subordinate Bonds. There may be other possible effects of a bankruptcy of an Airline (or of any other major tenant or concessionaire at the Airport) that could result in delays or reductions in payments on, or other losses with respect to, the Series 2019 Subordinate Bonds.

In connection with airlines in bankruptcy outside of the United States, the Authority cannot predict what types of orders or relief could be issued by foreign tribunals or the extent of delays in connection with such proceedings or the extent to which such orders would be enforceable in the United States.

Regardless of any specific adverse determinations and delays in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding, particularly a bankruptcy of a Signatory Airline, could have a material adverse effect on the liquidity and value of the Series 2019 Subordinate Bonds and could cause a material reduction in Airport Revenues.

For additional information regarding airlines that have declared bankruptcy since 2000, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - The U.S. Airline Industry - Airline Bankruptcies" attached hereto.

Airline Profitability

Since 2008, the U.S. airline industry has decreased capacity, particularly in short-haul markets with smaller, short-range aircraft types. The result has been a significant improvement in yields, revenue per available seat mile ("RASM"), and subsequently profitability. In recent years, the U.S. airline industry has been at its most stable, profitable point in history. According to the U.S. Department of Transportation Bureau of Transportation Statistics, the 21 U.S. scheduled passenger airlines reported a pre-tax net operating profit of $17.6 billion in 2018, which marks the tenth consecutive year of pre-tax operating profits. The scheduled passenger Airlines reported an operating profit margin of 9.4% in 2018, down from 12.2% in 2017 and 15.0% in 2016. Profitability can also be attributed to airlines unbundling of services and increasing the use of ancillary fees such as charges for checked baggage. The continued presence of the Airlines and their level of activity and the resulting enplaned passenger and cargo traffic at the Airport is dependent upon route profitability as well as a number of other factors which are outside of the Authority's control. While the Airport appears to be one of Southwest's strongest performing markets, no assurance can be given that the RASM for Southwest from the Airport will continue. It is reasonable to assume that any significant financial or operational difficulties incurred by Southwest, the largest carrier at the Airport, could have a material adverse effect on the Airport, although financial or operational difficulties by any of the other Signatory Airlines also may, whether directly or indirectly, have an adverse impact on Airport Revenues or Airport operations, the effect of which may be material. At this time, it is not possible to predict the effect that any financial or operational difficulties incurred by Southwest or any other Airline could have on the Airport.

For additional information regarding the impact of Airline profitability on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - The U.S. Airline Industry - Airline Profitability" attached hereto.

Airline Mergers and Affiliations

Industry consolidation has taken place as a result of competitive pressures and economic conditions. Many airlines have merged or been acquired since 2000. Such mergers have resulted in significant economic control of passenger ridership. In 2018, the four largest U.S. airlines (American, Southwest, Delta, and United) accounted for 80.3% of the domestic seating capacity. The potential impacts associated with consolidation include limited industry seat capacity growth and continued increase in yields (fares). Further, alliances, joint ventures, and other marketing arrangements may provide airlines with many of the advantages of mergers, and, currently, all of the large U.S. network airlines are member of such alliances with foreign-flag airlines. Alliances typically involve large U.S. network airlines are member of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between airlines.

To date, these mergers and alliances have not adversely impacted the Airport, but it is not possible to predict the future impact, if any, on the Airport of these mergers or alliances. Any further airline consolidation could change airline service patterns, particularly at the connecting hub airports of the merging airlines. Furthermore, if Signatory Airlines merge or form other alliances, gate utilization at the Airport and the number of flights could decrease, which could materially adversely affect Airport operations and ultimately lead to reduced Airport Revenues, reduced PFC collections and/or increased costs for the other Airlines. At this time, it is not possible to predict the effect of any future airline consolidation on connecting activity or gate utilization at the Airport.

For additional information regarding the impact of airline mergers on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - The U.S. Airline Industry - Airline Mergers" attached hereto.

Aviation Fuel

The price of oil and the associated cost of jet fuel is the largest single cost affecting the airline industry. In 2000, the cost of jet fuel to end users averaged $0.89 per gallon. The average cost of jet fuel climbed 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, 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 were faced with cutting capacity or increasing 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 have generally climbed.

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. In the May 2019 release, the EIA projects that jet fuel prices will reach $2.21 per gallon by December 2020. Although fuel cost is of major importance to the airline industry, future prices and availability are uncertain and fluctuate based on numerous factors. These can include supply-and-demand expectations, geopolitical events, fuel inventory levels, 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. While fuel hedging has generally not been used by airlines in recent years, it remains as a potential option to mitigate fuel cost risk. Experts generally agree that longer-term prices are expected to remain high relative to historical levels as demand for energy on a global basis continues to increase.

It is expected that 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 in order to remain profitable. At this time, alternative fuels are not yet commercially cost effective.

For additional information regarding the impact of the cost of jet fuel on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - Aviation Fuel" attached hereto.

Aviation Security

Since the 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, deployment of explosive detection devices, strengthening of aircraft cockpit doors, the increased presence of armed air marshals, awareness programs for personnel at airports, and new programs for flight crews. Aviation security is under the control of the federal government through the Transportation Security Administration.

The threat of terrorism poses risks to the continued growth of the aviation industry. Although terrorist events 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. There have been terrorist attacks at airports internationally including at the Brussels Airport in March 2016, the Istanbul Atatürk Airport in June 2016, and the Orly International 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.

For additional information regarding the impact of aviation security on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - Aviation Security" attached hereto.

Cyber and Data Security

Similar to other large organizations, the Authority and the Airlines rely on electronic systems and technologies to conduct operations. There have been numerous attempts to gain unauthorized access to electronic systems of large organizations for the purposes of misappropriating assets or personal, operational, financial or other sensitive information, or causing operational disruption. These attempts, which are increasing, include highly sophisticated efforts to electronically circumvent security measures or freeze assets as well as more traditional intelligence gathering aimed at obtaining information necessary to gain access. The Authority maintains a security posture designed to deter cyber-attacks, and is committed to deterring attacks on its electronic systems and responding to such attacks to minimize their impact on operations. However, no assurances can be given that the Authority's security measures will prevent cyber-attacks, and no assurances can be given that any cyber-attacks, if successful, will not have a material adverse effect on the operations or financial condition of the Authority.

For additional information regarding the impact of cyber and data security on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - Cyber and Data Security" attached hereto.

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 sufficient 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. Although not likely over the Forecast Period, 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.

For additional information regarding the impact of national air traffic capacity on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT Air - Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - National Air Traffic Capacity" attached hereto.

Pilot Shortage

Pilot shortage is an industry-wide issue. In March 2018, Great Lake Airlines, a regional carrier, ended service because it couldn't hire enough pilots for its flights. There are several reasons for the pilot shortage. Congress changed duty time rules in 2010 to mitigate pilot fatigue which required airlines to increase pilot staff. Another rule, instituted in the U.S. in 2013, required first officers flying for commercial airlines to have at least 1,500 hours of flight time, instead of the 250 hours previously required. This has decreased the pool of qualified pilots. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Even with the increased incentives, this makes it harder for small regional airlines to hire qualified new pilots. Additionally, as passenger demand increases, the major carriers also need additional pilots and are generally able to hire them away from the regional carriers, resulting in a shortage for the smaller regional carriers. This pilot shortage could cause service reductions, especially to smaller U.S. markets where regional aircrafts are more prevalent.

For additional information regarding the impact of pilot shortages on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - Pilot Shortage" attached hereto.

Southwest Airlines - The Airport's Largest Carrier

In Fiscal Year 2019, Southwest accounted for approximately 52.5% of the total enplaned passengers at the Airport. In Fiscal Year 2019, approximately 27.7% of Southwest's traffic at the Airport was connecting traffic, and approximately 72.3% was O&D. Where an airport has a sizable market share accounted for by a single Airline, there is risk associated with the potential for that airline to reduce or discontinue service. However, Southwest currently and operates the Airport as a "focus city" pursuant to which it emphasizes carrying O&D traffic and Southwest has

a proven record, with very few exceptions, of maintaining and increasing service at the airports it serves. Additionally, the development of service by Southwest has demonstrated the level of locally-generated passenger demand that could be served by other airlines at Airport if Southwest were to reduce service. Nevertheless, the Authority cannot predict what effect a reduction or discontinuation of service (O&D and/or connecting) by Southwest would have on the Authority, Airport Revenues and Net Revenues, or whether another airline would absorb the service then being provided by Southwest.

Boeing 737 Max 8

The Airport's largest carrier, Southwest, is the largest operator of the Boeing 737 Max 8 aircraft with 34 currently in the fleet. Southwest was expected to take delivery of an additional 44 planes in 2019. Currently, the Boeing 737 Max accounts for 4.5% of Southwest's fleet. On March 13, 2019, the FAA ordered that the Boeing 737 Max 8 remain temporarily grounded until further notice. Since March 2019, Southwest has been removing the aircraft from its schedules with the most recent change extending to flights through early January. This has also resulted in a number of cancellations as Southwest does not have adequate aircraft in reserve to make up the reduction in the fleet. In July 2019, Southwest announced that it would be pulling out of Newark Liberty International Airport and consolidating its operations in New York at La Guardia Airport. Should the grounding continue further into calendar year 2020, it may have an impact on Southwest's current schedule plans for the Airport. At this time, it is difficult to determine potential impacts to the Airport that would result from a prolonged grounding of the Boeing 737 Max 8. However, the Airport appears to be one of Southwest's strongest performing markets, which would most likely be considered as part of any future schedule adjustments.

For additional information regarding the impact of the grounding of the Boeing 737 Max 8 on the air transportation industry and the Airport, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - Boeing 737 Max 8" and "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Air Service at the Airport - Airlines Operating at the Airport - Southwest Airlines" attached hereto.

Introduction of New Low-Cost Carriers

Historically, the Airport has been served by one LCC, Frontier Airlines ("Frontier"). However, several new LCCs and ULCCs have begun service at the Airport recently. In Fiscal Year 2016, Jet Blue began daily scheduled service to Boston Logan International Airport and Fort Lauderdale-Hollywood International Airport from the Airport. At the same time, Frontier doubled its existing service. The combined effect was that scheduled service by LLCs and ULCCs increased by 272.2%. The following year, Allegiant Air began service to seven markets and expanded its service in Fiscal Year 2019. Sun Country began scheduled service in Fiscal year 2019 to nine markets. Overall, LCC and ULCC service increased from 87,456 departing seats serving two markets in Fiscal Year 2015 to 459,135 departing seats serving 33 markets in Fiscal Year 2019. Spirit is the latest ULCC to announce service at the Airport and began service in October 2019. Normally, new service doesn't materially stimulate passenger traffic at an airport as service is generally added to meet current demand. However, the introduction of LLCs and

ULCCs at an airport generally drive down airfares which can promote new demand as prices can reach a level that results in the decision to fly as opposed to other transportation options.

Given their business models in offering lower fares geared more towards the leisure traveler, LCCs and ULCCs can be more prone to impacts from economic disturbances such as fuel price increases than network carriers. Therefore, while the Airport is experiencing strong growth from this segment of air carriers, currently, economic disturbances could impact future growth.

There can be no assurance that the LCCs and ULCCs will continue to maintain the current traffic levels in the future. The continued presence of the LCCs and ULCCs serving the Airport, and the levels at which such Airlines might provide service at the Airport, are a function of a variety of factors, including: airline airfares and competition; airline industry economics, including labor costs and the price of aviation fuel; capacity of the Airport and competition from other airports; and the strength of the origination and destination market at the Airport. Most of these factors are beyond the control of the Authority. Accordingly, no assurance can be given as to the levels of aviation activity that the LCCs and ULCCs will provide at the Airport.

For additional information regarding the impact of the introduction of new low-cost carriers on the air transportation industry, see "APPENDIX A - REPORT OF THE AIRPORT CONSULTANT - Air Service and Traffic Analysis - Key Factors Affecting Air Traffic Demand - Introduction of New Low-Cost Carriers" attached hereto.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. In recent years, airline traffic delays have decreased as a result of reduced numbers of aircraft operations, but, as airline travel increases in the future, flight delays and restrictions may be expected.

Capacity of the Airport; Cost and Schedule of Authority Capital Projects

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at the Airport will depend on the capacity at the Airport itself. The estimated costs of and the projected scheduled for the Authority Capital Projects and any other projects planned by the Authority are subject to a number of uncertainties. Although the Authority uses a variety of strategies to mitigate risk associated with the implementation of the Authority Capital Projects, the ability of the Authority to complete such projects may be adversely affected by various factors including, without limitation: (a) estimating errors, (b) design and engineering errors, (c) changes to the scope of the capital improvements, (d) delays in contract awards, (e) material and/or labor shortages, (f) unforeseen site conditions, (g) adverse weather conditions, (h) contractor defaults, (i) labor disputes, (j) unanticipated levels of inflation, (k) litigation, (l) delays in permitting and (m) environmental issues, (n) the availability of the various anticipated funding sources, etc., in the amounts and at the times currently

forecasted. No assurance can be given that any portion of the Authority Capital Projects will not cost more than currently estimated. 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 utilizing the Airport. Construction of large projects at airports also involves the risk of disruption of ongoing operations and a resultant reluctance on the part of passengers and airlines to use the Airport. The successful implementation of the Authority Capital Projects requires the issuance of additional indebtedness, including the Anticipated Future Bonds, and the receipt of future revenues, including federal and state grants, Passenger Facility Charges, customer facility Charges. In the event one or more of these funding sources is not available to the Authority in the amount or on the schedule contemplated by the Authority, the implementation of the Authority Capital Projects and any other projects planned by the Authority may be delayed. Any schedule delays or cost increases could result in the need to issue Additional Senior Bonds and/or Additional Subordinate Bonds, and may result in increased costs that cannot be recovered from the Airlines. Market conditions could adversely affect the ability of the Authority to issue the Anticipated Future Bonds or such additional obligations or to obtain funding from other sources. No assurance can be given that these sources of funding will continue to be available in the amounts or on the assumed schedule. See "AUTHORITY CAPITAL PROJECTS" herein.

The Airport is a capital-intensive facility. If rapid growth continues at the Airport, it is possible that certain elements of the Authority Capital Projects or certain other projects planned by the Authority could be accelerated. While the plan of finance for these elements is not yet known, it would likely include Additional Senior Bonds and/or Additional Subordinate Bonds to fund a substantial portion, if not all, of these projects.

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 Senior Bond Resolution, Subordinate Bond Resolution, Signatory Airline 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 Capital Development Program or whether such restrictions or legislation or regulations would adversely affect Airport Revenues.

Passenger Facility Charges

Termination of PFCs. The Authority's legal authority to impose and use PFCs is subject to certain terms and conditions provided in the PFC Act, the PFC Regulations and each PFC application. If the Authority fails to comply with these requirements, the FAA may take action to terminate or to reduce the Authority's legal authority to impose or to use PFCs. Some of the events that could cause the Authority to violate these provisions are not within the Authority's control. In addition, failure to comply with the provisions of certain federal aviation noise acts may lead to

termination of the Authority's authority to impose PFCs. Further, the FAA may terminate the Authority's ability to collect PFCs to support payment of debt service on any Senior Bonds or Subordinate Bonds attributable to PFC eligible projects on the fifth anniversary of the completion of formal termination proceedings.

Amendments to PFC Act or PFC Regulations. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations will not be amended in a manner that would adversely affect the Authority's ability to collect and use PFC Revenues in an amount sufficient to deposit PFC Revenues for payment of Debt Service on the Senior Bonds or Subordinate Bonds issued to finance PFC eligible projects.

Collection of the PFCs. The ability of the Authority to collect sufficient PFCs depends upon a number of factors including the operation of the Airport by the Authority, the use of the Airport by Collecting Carriers, the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the Authority and the number of enplanements at the Airport. The Authority relies upon the Collecting Carriers' collection and remittance of PFCs, and both the Authority and the FAA rely upon the Airlines' reports of enplanements and collection statistics.

If the numbers of enplaned passengers at the Airport is significantly below the numbers forecast by the Airport Consultant in projecting annual PFC Revenues, if the collection fees retained by the Collecting Carriers are increased or if the PFC Act is amended, the amount of PFC Revenues actually collected by the Authority each year will be less than the amount projected and accordingly, PFC Revenues may be less than the amount sufficient to enable the Authority to pay debt service on that portion of the Senior Bonds or Subordinate Bonds issued to finance PFC eligible projects. In such event other Authority revenues would be required to pay debt service on that portion of the Senior Bonds or Subordinate Bonds issued to finance PFC eligible projects. Such debt service can be included in the applicable airline rate base. On the other hand, if the number of annual enplanements is higher than initially projected or if the rate of PFCs is increased, the Authority will collect PFC Revenues faster than initially forecast. The Authority will manage its PFC program carefully in such event and balance its expenditures with its collecting rates to ensure that sufficient PFC Revenues will be available in later years to pay debt service attributable to the Senior Bonds or Subordinate Bonds issued to finance PFC eligible projects.

The Authority's ability to pay the principal of, premium, if any, and interest on the Senior Bonds or Subordinate Bonds issued to finance PFC eligible projects depends, in part, upon the timely receipt by the Authority of PFC Revenues, and the amount of PFC Revenues received annually by the Authority depends largely upon the Authority's ability to implement and complete PFC eligible projects and upon the number of enplanements at the Airport each year. The level of enplanements, in turn, depends upon a number of economic and other factors that are not within the Authority's control. See "INFORMATION CONCERNING REVENUES AND CERTAIN FUNDING SOURCES - Passenger Facility Charges" and " - Customer Facility Charges" herein for a description of the authority to impose and use PFC Revenues.

No assurance can be given that PFC Revenues will actually be received in the amounts and at the times necessary to provide sufficient PFC Revenues in each relevant period, or to fund elements of the Capital Development Program anticipated to be funded with PFC Revenues. The

actual amount of PFC Revenues collected, and the rate of collection, will vary depending on the PFC level at the Airport and the actual number of eligible enplaned passengers at the Airport.

FAA Reauthorization and Federal Funding

Over the years, the authorization and funding for the FAA and various components of its operations have not been consistently approved on a long-term basis. In the past, Congress has enacted continuing resolutions which provided temporary funding for the FAA and its programs and the FAA endured a brief shutdown when a lapse in continuing authority terminated funding for non-essential operations. Failure of Congress to approve legislation reauthorizing the operating authority of the FAA, or adverse changes in the conditions placed on such authority, may have an adverse impact on Airport operations. There can be no assurance that Congress will enact and the President will sign a new comprehensive, long-term FAA reauthorization act when the FAA Reauthorization Act expires in 2023. Failure to adopt such legislation could have a material, adverse impact on U.S. aeronautical operations and the Airport, generally, as well as on the AIP grant program and other sources of federal funds.

Availability of Airline Financial and Operating Data

Certain of the Airlines or their parent corporations, are subject to the information reporting requirements of the Securities Exchange Act of 1934 (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 may be inspected in the Public Reference Room of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, NW, Washington, DC 20549, and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661 2511 and 233 Broadway, New York, NY 10279. Copies of these reports and statements also may be obtained from the Public Reference Section of the Commission at 450 Fifth Street, NW, Washington, DC 20549, at prescribed rates. 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 U.S. DOT. These reports are typically available at the websites of the individual airlines and may be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of the reports may be obtained from the U.S. DOT at prescribed rates.

Neither the Authority nor the Underwriters 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 U.S. DOT as discussed in the preceding paragraph, including updates of such information or links to other Internet sites accessed through the SEC's website.

Technological Innovations in Ground Transportation

One significant category of non-airline revenue is from ground transportation activity, including use of on-Airport parking facilities; trip fees paid by taxi, limousine and TNCs and rental car transactions by Airport passengers. 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 passenger levels at the Airport are increasing, the relative market share of these sources of revenue is shifting. The Authority is monitoring this trend and reviewing the potential impact on total non-airline revenue. However, 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 revenue in connection with such new technologies or innovative business strategies.

Climate Change Issues and Possible New Regulation

Climate change concerns are shaping laws and regulations at the federal and State levels that could have a material adverse effect on 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.

LITIGATION

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 2019 Subordinate Bonds or the use of the proceeds of the Series 2019 Subordinate Bonds or which questions or contests the validity of the Series 2019 Subordinate 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.

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 Airport.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (a) interest on the Series 2019 Subordinate Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Series 2019B Subordinate Bond for any period during which the Series 2019B Subordinate Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019B Subordinate Bonds or a "related person," and (b) interest on the Series 2019A Subordinate Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, and (c) interest on the Series 2019B Subordinate Bonds is treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2019 Subordinate Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019 Subordinate Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, the Series 2019 Subordinate Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2019 Subordinate Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2019 Subordinate Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2019 Subordinate Bonds in order that interest on the Series 2019 Subordinate Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2019 Subordinate Bonds, yield and other restrictions

on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2019 Subordinate Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2019 Subordinate Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2019 Subordinate Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2019 Subordinate Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2019 Subordinate Bonds.

Prospective owners of the Series 2019 Subordinate Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2019 Subordinate Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2019 Subordinate Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2019 Subordinate Bonds. In general, the issue price for each maturity of Series 2019 Subordinate Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2019 Subordinate Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2019 Subordinate Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's

adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2019 Subordinate Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2019 Subordinate Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2019 Subordinate Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2019 Subordinate Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2019 Subordinate Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity

from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2019 Subordinate Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2019 Subordinate Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

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 interest on the Series 2019 Subordinate Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2019 Subordinate Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2019 Subordinate Bonds.

Prospective purchasers of the Series 2019 Subordinate Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with paragraph (b)(5) of the Rule, simultaneously with the issuance of the Series 2019 Subordinate Bonds, the Authority will enter into the Continuing Disclosure Agreement for the benefit of the holders of the Series 2019 Subordinate Bonds, substantially in the form attached hereto as "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT." The Authority, as an "obligated person" under the Rule, will undertake in the Continuing Disclosure Agreement to provide: (a) certain financial information and operating data relating to the Airport and the Series 2019 Subordinate Bonds in each year (the "Annual Report"); and (b) notice of the occurrence of certain enumerated events (each a "Listed Event Notice"). The Annual Report and each Listed Event Notice, if applicable, will be filed by the Dissemination Agent, on behalf of the Authority, on EMMA, a service of the Municipal Securities Rulemaking Board. The specific nature and timing of filing the Annual Report and each Listed Event Notice, and other details of the Authority's undertakings are more fully described in "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

The following disclosure is being provided by the Authority for the sole purpose of assisting the Underwriters in complying with the Rule: The Authority previously entered into continuing disclosure undertakings, as an "obligated person" under the Rule (the "Undertakings"). In the previous five year period beginning on November 1, 2014 and ending on November 1, 2019 (the "Compliance Period"), the Authority has, on several instances during the Compliance Period, failed to comply with certain provisions of the Undertakings, including: (a) failing to timely file

certain annual financial information and/or operating data, (b) failing to provide certain required annual financial information and/or operating data in its annual filings, and (c) failing to file or timely file certain notices.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, validity, sale and delivery of the Series 2019 Subordinate Bonds are subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, in its capacity as Bond Counsel whose approving opinion (in substantially the form attached hereto as "APPENDIX F - FORM OF BOND COUNSEL OPINION") will be delivered concurrently with the issuance of the Series 2019 Subordinate Bonds.

The legal opinion will speak only as of its date and subsequent distribution of it by recirculation of this Official Statement or otherwise will not create any implication that subsequent to the date of the legal opinion Bond Counsel has affirmed its opinion.

The proposed text of the legal opinion of Bond Counsel is attached hereto as "APPENDIX F - FORM OF BOND COUNSEL OPINION." The actual legal opinion to be delivered may vary from the text of APPENDIX F, if necessary, to reflect facts and law on the date of delivery of the respective Series 2019 Subordinate Bonds.

Certain legal matters in connection with the Series 2019 Subordinate Bonds will be passed upon for the Authority by Adams and Reese LLP, Nashville, Tennessee. Greenberg Traurig, LLP Nashville, Tennessee, has served as Disclosure Counsel in connection with the Series 2019 Subordinate Bonds. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP, Denver, Colorado, as Underwriters' Counsel.

The legal opinions to be delivered concurrently with the delivery of the Series 2019 Subordinate Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the attorneys providing such opinion do not become insurers or guarantors of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the Fiscal Years ended June 30, 2019 and 2018 have been audited by Dixon Hughes Goodman LLP, independent auditors (the "Auditors"). The report of the Auditors, together with the financial statements, and notes to the financial statements for Fiscal Year ended June 30, 2019 are attached hereto as "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018." 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 Official Statement. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018" attached hereto.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Memphis, Tennessee (the "Financial Advisor") serves as independent financial advisor to the Authority on matters relating to debt management. The Financial Advisor has provided advice related to the planning, structuring and issuance of the Series 2019 Subordinate Bonds and has reviewed and commented on certain legal documentation, including the Official Statement. The advice on the plan of finance and the structuring of the Series 2019 Subordinate Bonds was based on materials provided by the Authority and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the Authority or the information set forth in this Official Statement or any other information available to the Authority with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information contained in this Official Statement.

RATINGS

Moody's Investors Service, Inc. ("Moody's), Fitch Ratings Inc. ("Fitch"), and Kroll Bond Rating Agency, Inc. ("KBRA," and collectively with Moody's and Fitch, the "Rating Agencies") have assigned ratings of "A2," "A," and "A+," respectively.

The ratings, including any related outlook with respect to potential changes in such ratings, reflect only the respective views of the Rating Agencies, and an explanation of the significance of such ratings may be obtained from the Rating Agencies furnishing the ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance that such ratings will remain unchanged for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency furnishing the same, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings or other actions by the Rating Agencies or either of them, may have an adverse effect on the liquidity and/or market price of the affected Series 2019 Subordinate Bonds. The Authority has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

UNDERWRITING

BofA Securities, Inc. ("BofA Securities"), on behalf of itself and the other underwriters listed on the front cover page of this Official Statement (collectively, the "Underwriters") have agreed jointly and severally, pursuant to a Bond Purchase Agreement between BofA Securities

and the Authority (the "Bond Purchase Agreement") to purchase the Series 2019 Subordinate Bonds at a price equal to $1,108,871,295.24 (representing the principal amount of the Series 2019 Subordinate Bonds of $919,585,000.00, less the Underwriter's discount in the amount of $2,011,857.61, plus a bond premium of $191,298,152.85). The Bond Purchase Agreement provides that the obligations of the Underwriters to purchase and accept delivery of the Series 2019 Subordinate Bonds are subject to various conditions of the Bond Purchase Agreement, but the Underwriters will be obligated to purchase all of the Series 2019 Subordinate Bonds, if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2019 Subordinate Bonds to the public.

The prices and other terms with respect to the offering and sale of the Series 2019 Subordinate Bonds may be changed from time to time by the Underwriters after such Series 2019 Subordinate Bonds are released for sale, and the Series 2019 Subordinate Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers whom may sell the Series 2019 Subordinate Bonds into investment accounts.

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

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which for certain of the Underwriters may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their 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 Underwriters and their 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. The market activities of the Underwriters and other market participants may impact the value of the Series 2019 Subordinate Bonds. The Underwriters have indicated that their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"). As part of this arrangement, BofA Securities may distribute Series 2019 Subordinate Bonds to Merrill, which may in turn distribute such Series 2019 Subordinate Bonds to investors through the financial advisor network of Merrill. As part of this arrangement, BofA Securities may compensate Merrill as a dealer for their selling efforts with respect to the Series 2019 Subordinate Bonds.

FHN Financial Capital Markets ("FHN Financial") is a division of First Horizon Bank ("First Horizon") and First Horizon Advisors, Inc. ("FHAI"), is a wholly owned subsidiary of First Horizon. FHN Financial has entered into a distribution agreement with FHAI, for the distribution of the offered Series 2019 Subordinate Bonds at the original issue prices. Such arrangement generally provides that FHN Financial will share a portion of its underwriting compensation or selling concession with FHAI.

On November 4, 2019 First Horizon and IberiaBank announced their intention to enter into a merger, pending regulatory approval, creating a leading regional financial services company. The new company will retain the First Horizon name and will have its headquarters in Memphis, Tennessee, while maintaining a significant operating presence in all of the markets in which both companies operate today. The transaction is expected to be completed in the second quarter of 2020, following the satisfaction of closing conditions, including approval by shareholders of both companies. Until all conditions, including regulatory approvals are provided, First Horizon and IberiaBank will continue to be separate, independent companies and until transaction closing, both companies will operate as they do today.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2019 Subordinate Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2019 Subordinate Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2019 Subordinate Bonds that such firm sells.

DISCLOSURE OF MULTIPLE ROLES

The Authority intends to use a portion of the proceeds from the issuance of the Series 2019 Subordinate Bonds to pay all or a portion of the amounts outstanding under the Note Purchase Agreement.

BofA Securities is acting as an underwriter in connection with the offering of the Series 2019 Subordinate Bonds, and Bank of America, which is an affiliate of BofA Securities, is the lender under the Note Purchase Agreement and, as such, Bank of America will receive a portion of the proceeds from the issuance of the Series 2019 Subordinate Bonds in connection with the payment by the Authority of all or a portion of the amounts outstanding under the Note Purchase Agreement.

Conflicts of interest could arise by reason of the different capacities in which BofA Securities and Bank of America are acting in connection with the Series 2019 Subordinate Bonds and payment of all or a portion of the amounts outstanding under the Note Purchase Agreement.

FORWARD-LOOKING STATEMENTS

Any statements made in this Official Statement, including in the appendices attached hereto, involving estimates, forecasts or matters of opinion, whether or not so expressly stated, are

set forth as such and not as representations of fact, and no representation is made that any of the estimates, forecasts or matters of opinion will be realized.

Use of the words "shall" or "will" in this Official Statement or in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

The statements contained in this Official Statement, including in the appendices attached hereto, that are not purely historical, are "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "intend," "anticipate," "project," "forecast," "estimate," "budget" or other similar words. Such forward looking statements include but are not limited to certain statements contained in the information set forth under "PRINCIPAL AND INTEREST REQUIREMENTS," "AUTHORITY CAPITAL PROJECTS," "REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST," and "LEGAL MATTERS" herein and

"APPENDIX A - REPORT OF THE AIRPORT CONSULTANT" attached hereto. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included or incorporated by reference in this Official Statement are based on information available on the date hereof and the Authority assumes no obligation to update any such forward-looking statements. It is important to note that the actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily 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 customers, suppliers, business partners and competitors, 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 Official Statement, including in the appendices attached hereto, will prove to be accurate.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2019 Subordinate Bonds, the security for and the source for repayment for the Series 2019 Subordinate Bonds and the rights and obligations of the holders of the Series 2019 Subordinate Bonds. Copies

of such documents may be obtained as specified under "INTRODUCTION - Other Information" herein.

The appendices attached hereto, are integral parts of this Official Statement and should be read together with all other part of this Official Statement.

Any statements made in this Official Statement involving matters of opinion or of estimates or forecasts, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or forecasts will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Series 2019 Subordinate Bonds.

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AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement, and its distribution and use by the Underwriters in connection with the original public offering, sale and distribution of the Series 2019 Subordinate Bonds by the Underwriters, have been duly authorized and approved by the Authority.

THE METROPOLITAN NASHVILLE AIRPORT AUTHORITY

By: */s/ Douglas E. Kreulen*
Douglas E. Kreulen, A.A.E.,
President and Chief Executive Officer

By: */s/ Margaret M. Basrai*
Margaret M. Basrai, CPA, CGMA, C.M.,
Vice President and Chief Financial Officer

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APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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Appendix A:
Report of the Airport Consultant

Subordinate Airport Revenue Bonds, Series 2019

November 14, 2019

PREPARED FOR
Metropolitan Nashville Airport Authority

PREPARED BY
Landrum & Brown, Incorporated

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November 14, 2019

Mr. Douglas E. Kreulen, A.A.E.
President and Chief Executive Officer
Metropolitan Nashville Airport Authority
Nashville International Airport
One Terminal Drive, Suite 501
Nashville, Tennessee 37214

Re: Report of the Airport Consultant, Metropolitan Nashville Airport Authority, Subordinate Airport Revenue Bonds, Series 2019A (Non-AMT) and Series 2019B (AMT)

Dear Mr. Kreulen:

Landrum & Brown, Incorporated (L&B), in association with AVK Consulting, Inc. and Partners for Economic Solutions, is pleased to submit this Report of the Airport Consultant (Report) for the proposed issuance of the Metropolitan Nashville Airport Authority's (MNAA or Authority) Subordinate Airport Revenue Bonds, Series 2019A (Non-AMT) and Series 2019B (AMT) (herein referred to collectively as the Series 2019 Subordinate Bonds). This independent Report has been prepared for the Authority to meet its obligations pursuant to various provisions in the Master Subordinate Resolution adopted by the Board of Commissioners of the Authority on October 16, 2019 (as supplemented, herein referred to as the Subordinate Resolution), and is intended to be included in the Official Statement for the Series 2019 Subordinate 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 Subordinate Resolution, except as otherwise defined herein.

The Nashville International Airport (Airport or BNA) is owned and operated by the Authority. The Authority is a metropolitan airport authority created on February 9, 1970, pursuant to The Metropolitan Airport Authority Act, Tenn. Code Ann. §§ 42-4-101 et seq., as amended (the Act), as a public and governmental body acting as an agency and instrumentality of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Metropolitan Government). The Authority also owns and operates John C. Tune Airport, a general aviation reliever airport located in West Nashville (the Reliever Airport). It serves the general aviation needs of regional corporate and private aircraft in the region. The principal purpose of the Authority is the management and operation of the Airport, the Reliever Airport (together, the Airport System) and other airports and auxiliary fields, either acquired or placed under its control. The Authority is empowered under the Act to construct, improve and operate airports and to establish and charge fees, rentals, rates and other charges. Further, the Authority is authorized to issue revenue bonds for the purposes authorized by the Act.

Senior Bonds and Senior Resolution

As of November 1, 2019, the Authority had outstanding $206,245,000 aggregate principal amount of its Airport Improvement Revenue Bonds (Outstanding Senior Bonds). The Outstanding Senior Bonds and any Additional Senior Bonds (Outstanding Senior Bonds and Additional Senior Bonds being collectively referred to herein as Senior Bonds) have been or will be issued pursuant to the Airport Improvement Revenue Bond Resolution of the Authority adopted August 15, 1991 (as supplemented and amended, herein referred to as the Senior Resolution). The Senior Resolution is described in additional detail in Chapter 4 of this Report. The Senior Bonds are limited obligations of the Authority, secured by a pledge of and lien on the Net Revenues derived by the Authority from

the operation of the Airport System. Net Revenues are defined in the Senior Resolution to mean Airport Revenues minus Operating Expenses.

Series 2019 Subordinate Bonds and Subordinate Resolution

The Series 2019 Subordinate Bonds are the first series of "Bonds" (as defined in the Subordinate Resolution, and referred to in this Report as "Subordinate Bonds") to be issued under and pursuant to the Subordinate Resolution. The Series 2019 Subordinate Bonds are Other Obligations as defined in and authorized under the Senior Resolution.

The Series 2019 Subordinate Bonds are limited obligations of the Authority, secured by a pledge of and lien on Net Revenues, subject and subordinate, and secured by a lien and pledge on the Net Revenues junior and inferior, to the lien and pledge on the Net Revenues created in the Senior Resolution for the payment and security of the Senior Bonds.

The Authority is planning to issue the Series 2019 Subordinate Bonds to: (1) fund a portion of the Authority's Capital Projects (as defined herein), (2) fund capitalized interest, (3) refinance certain draws made pursuant to the Note Purchase Agreement (as defined herein), (4) fund a deposit to the debt service reserve account, and (5) pay associated costs of issuance.

The Authority is obligated under the Subordinate Resolution to impose rates, rentals, fees and charges sufficient to produce Net Revenues, which, together with other available funds, will at least equal 110% of Debt Service on all Senior Bonds and Subordinate Bonds Outstanding. In addition, the Authority has covenanted under the Subordinate Resolution to impose rates, rentals, fees and charges such as will produce Airport Revenues at least sufficient (i) to pay the principal of, interest on and premium, if any, on Senior Bonds and Subordinate Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operating Expenses; (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues; and (iv) to carry out all provisions and covenants of the Subordinate Resolution.

Further, and pursuant to the Subordinate Resolution, the Authority is authorized to issue Additional Subordinate Bonds, subject to meeting certain conditions. The Authority may issue Additional Subordinate Bonds if, either:

(1) a Designated Financial Officer has certified that, based on the latest available audited financial statements of the Authority, the Net Revenues for that Fiscal Year (FY)[1] as derived from said audited financial statements equaled not less than 100% of average Debt Service on all Senior Bonds and Subordinate Bonds Outstanding and the Subordinate Bonds of the series then proposed to be issued and any amount required to be deposited in the Senior Bond Reserve Fund and the Subordinate Bond Reserve Fund to make up any deficiencies therein, or

(2) an Airport Consultant has certified that estimated Net Revenues to be derived in each of the three full FYs following the FY in which (a) the Authority estimates a substantial portion of the Project or Projects, the costs of acquisition or construction of which are to be financed by the issuance of such Additional Subordinate Bonds, will be placed in continuous service or in commercial operation, or (b) Refunding Subordinate Bonds are issued, equal not less than 110% of the Debt Service on all Senior Bonds and Subordinate Bonds Outstanding upon the issuance of such Additional Subordinate Bonds and including such Additional Subordinate Bonds and 100% of any amount required to be deposited in the Senior Bond Reserve Fund and the Subordinate Bond Reserve Fund to make up any deficiencies therein.

[1] The Authority's Fiscal Year is the 12-month period ending June 30.

Note Purchase Agreement (Other Subordinate Obligations)

On January 7, 2019, the Authority entered into a Note Purchase Agreement with Bank of America, N.A. with an available commitment of $300 million. The Authority is currently finalizing an increase in the available commitment amount of the Note Purchase Agreement to $400 million. The Note Purchase Agreement provides the Authority a source for interim financing which allows the Authority flexibility on timing and sizing of future bond transactions. The Authority's payment obligations under the Note Purchase Agreement are secured by a pledge of and lien on Net Revenues junior and inferior, to the lien and pledge on the Net Revenues created in the Senior Resolution for the payment and security of the Senior Bonds and in the Subordinate Resolution for the payment and security of the Subordinate Bonds. As of November 1, 2019, $241.5 million was outstanding under the Note Purchase Agreement, of which all or a portion is anticipated to be repaid using a portion of the proceeds of the Series 2019 Subordinate Bonds. The repaid portions of the Note Purchase Agreement will replenish amounts available to the Authority for interim financing of capital projects.

Signatory Passenger Airline Agreements

The Authority has entered into Signatory Airline Use and Lease Agreements (the Signatory Passenger Airline Agreements) effective through June 30, 2022, with Alaska Airlines (Alaska), Allegiant Airlines (Allegiant), American Airlines (American), Delta Air Lines (Delta), Frontier Airlines (Frontier), JetBlue Airways (JetBlue), Southwest Airlines (Southwest), Spirit Airlines (Spirit), and United Airlines (United). The Signatory Passenger Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees and charges to be collected for the use of Airport facilities. Airlines that have executed the Signatory Passenger Airline Agreements and their operating affiliates (together, the Signatory Airlines) accounted for almost 97% of enplaned passengers at the Airport in FY 2019.

The Signatory Passenger Airline Agreements establish three cost centers for the purpose of determining rates and charges payable by the signatory airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridges fees are also assessed. The Signatory Passenger Airline Agreements have a "hybrid" airline rate-setting methodology with the Landing Fees being calculated on a residual basis, the Terminal Rental Rates being fixed rates specified in the Signatory Passenger Airline Agreements that were initially derived based upon a compensatory basis using rentable space in the calculation, and Terminal Ramp Area rates generally established through a compensatory methodology. Other than the Airfield cost center, the signatory airlines are not required to provide for break-even financial operation of the Airport under the Signatory Passenger Airline Agreements.

The Signatory Passenger Airline Agreements govern airline use of certain Airport facilities, including Airfield, Terminal, Terminal Ramp Areas, baggage claim, ticket counters and gate areas and permit the Signatory Airlines to lease Exclusive Premises, Preferential Use Premises, and Joint Use Premises. Exclusive Premises generally includes office space, storage areas, airline club lounges, employee break rooms, and baggage service area space. Preferential Use Premises include holdroom areas and gates, ticket counters, and baggage makeup areas, leased to a Signatory Airline and to which the Signatory Airline has a higher and continuous priority of use over all other air carriers. Joint Use Premises includes baggage claim areas and baggage makeup equipment. Appendix D of the Official Statement presents a summary of the Signatory Passenger Airline Agreements.

Passenger airlines and cargo carriers operating at the Airport that are not Signatory Airlines or Affiliates of Signatory Airlines (the Non-Signatory Airlines) are subject to rates and charges that reflect a 25% premium over the rates and charges established in the Signatory Passenger Airline Agreements.

Airline Revenue Forecasts Beyond the Expiration of the Signatory Passenger Airline Agreements

The Signatory Passenger Airline Agreements expire in June 2022 and will not be extended under the existing terms. The Authority is currently in preliminary negotiations with the Signatory Airlines regarding new signatory passenger airline agreements upon the expiration of the Signatory Passenger Airline Agreements at the end of FY 2022. At this time, it is uncertain as to the future airline rates and charges methodology to be included in such future airline agreements. Therefore, certain assumptions regarding the future airline rates and charges methodology are used solely for the purposes of this Report to forecast future airline revenues as described below.

The current airline rate-setting methodologies used under the Signatory Passenger Airline Agreements are assumed for airline revenue forecasts for FY 2020 through FY 2022. For purposes of the financial analysis in this Report, forecasts of airline revenue for FY 2023 through FY 2028 are assumed per the methodologies described in Section 4.8 of this Report. The Authority may unilaterally implement, without airline consent or written agreements, rate-setting methodologies that meet the requirements of the FAA's Policy Regarding the Establishment of Airport Rates and Charges (Rates and Charges Policy) and other applicable requirements of federal law and federal grant assurances. The rate-setting methodologies in Section 4.8 were developed to meet the requirements of the Rates and Charges Policy and the Authority's other federal requirements. Such methodologies, if they are adopted by the Authority, could be challenged by the airlines serving the Airport and the Department of Transportation would determine whether the rate-setting methodologies complied with the Authority's federal obligations.

A summary of these airline rates and charges methodologies is as follows:

- Landing Fees are assumed to continue as a cost center residual calculation, generally the same as the current methodology with certain adjustments as described in Section 4.8 of this Report.
- Terminal Ramp Area Rates are assumed to continue as a compensatory calculation, generally the same as the current methodology with certain adjustments as described in Section 4.8 of this Report.
- Terminal Rental Rates are calculated using a commercial compensatory methodology, which differs from the current fixed rate methodology under the Signatory Passenger Airline Agreements.

There is no indication, at this time, that the Authority and the Signatory Airlines will not reach agreement on new signatory passenger airline agreements, but the current Signatory Passenger Airline Agreements still have over two years before expiration, and it is assumed negotiations over new airline agreements will substantially take place over FYs 2020 and 2021 with resolution completed prior to the June 2022 expiration. Beyond FY 2022, 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 Senior Resolution and the Subordinate 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.

Purpose of the Report of the Airport Consultant

In our preparation of this independent Report, we evaluated the ability of the Authority to generate Airport Revenues of the Airport System sufficient to meet the funding requirements and obligations established by the Senior Resolution and Subordinate Resolution during the forecast period of FY 2020 through FY 2028. The following provides an overview of the primary findings and conclusions contained in the Report.

Role of the Airport and Economic Base for Air Traffic

The Airport is classified by the Federal Aviation Administration (FAA) as a medium hub airport[2] based upon its share of nationwide enplaned passengers.[3] According to data from the FAA, there was an increase of approximately 16.1% in enplaned passengers at the Airport for calendar year (CY) 2018 as compared to CY 2017, and the Airport increased its ranking to 31st in the U.S. as the largest medium hub airport. In CY 2018, the Airport had the largest percentage increase of any of the largest 35 airports in the U.S. in terms of enplaned passengers. The Airport has a diverse, stable base of air carriers. All the major U.S. network airlines along with selected low-cost carriers (LCCs) and ultra-low-cost carriers (ULCCs) operate at the Airport. Southwest is the dominant airline at the Airport with a 52.5% share of enplanements for FY 2019.

The Airport predominately serves domestic traffic, which comprised approximately 98.8% of the Airport's passenger traffic in FY 2019; therefore, international traffic is a relatively small component at approximately 1.2%. The Airport also primarily serves origin and destination (O&D) traffic, as 80.9% of the Airport's passenger traffic in FY 2019 was O&D, with the remaining 19.1% connecting. Almost all of the Airport's connecting passengers are carried by Southwest.[4]

Southwest operates the Airport as a focus city. As a focus city, Southwest emphasizes carrying O&D traffic, but due, in part, to the airline's size at the Airport, also carries connecting traffic. For example, in FY 2019 approximately 27.7% of the airline's traffic was connecting, and approximately 72.3% was O&D.[5] As of May 14, 2019, the Airport is the 9th busiest airport in terms of daily departures in Southwest's system, offering up to 138 departures a day to 46 cities.[6] Over its entire system, Southwest operates more than 4,000 flights a day during peak travel seasons, serving 100 destinations across the U.S. and ten additional countries.[7]

The Airport is the primary commercial air service facility serving the Nashville metropolitan area and the surrounding region and is relatively isolated from airport competition in the region. It is also the largest airport in the State of Tennessee and the only medium hub airport in the region. The geographical region that serves as an airport's primary air service catchment area can be referred to as its "Air Service Area". For the purposes of this Report, the Airport's Air Service Area is defined as the Nashville-Davidson-Murfreesboro-Franklin, Tennessee Metropolitan Statistical Area (MSA) and includes the 14 counties in Middle Tennessee of Cannon, Cheatham, Davidson (Airport's location), Dickson, Hickman, Macon, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson Counties. The Nashville-Davidson-Murfreesboro-Franklin MSA is the 36th most populated MSA in the U.S., with approximately 1.9 million people. In many cases, an air service area can extend beyond the primary MSA depending on the location of other population centers and availability of other commercial service airports; however, it is generally the economic strength of the primary MSA that provides the principal demand for supporting O&D air travel. The Nashville metropolitan region is also a major destination draw for visitors and conventions.

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2 Federal Aviation Administration, Report to Congress: National Plan of Integrated Airport Systems (NPIAS) 2019-2023, September 26, 2018.

3 To be classified as a medium-hub airport, the airport must have at least 0.25 percent but less than one percent of the national annual enplaned passengers.

4 Based from US DOT Report DB1A (accessed via Diio in October 2019), which varies from data reported directly to the Authority by the airlines operating at the Airport. The Authority also receives O&D passenger data directly from the airlines that operate at the Airport, and that data may differ from the US DOT data herein.

5 Based from US DOT Report DB1A (accessed via Diio in October 2019), which varies from data reported directly to the Authority by the airlines operating at the Airport.

6 Southwest Airlines, City Facts: Nashville.

7 Southwest Airlines, Southwest Corporate Fact Sheet.

The Air Service Area's economic strength is evaluated in Chapter 1 of this Report. Growth expectations for population, employment, and household income are projected to have relatively stronger growth rates in the Air Service Area as compared to Tennessee and the overall U.S., thus indicating the ongoing capacity of the Air Service Area to continue to generate demand for air travel services during the forecast period.

Air Service and Air Traffic Analysis

The Airport has historically been served by the largest U.S. airlines in the industry. As of October 2019, the Airport had scheduled passenger service by 24 U.S. airlines and seven foreign flag carriers. In addition, there was cargo service provided by six all-cargo airlines. Factoring in airline mergers, the top four passenger airlines serving the Airport, which comprised 91.6% of the Airport's enplaned passenger market share in FY 2019, are Southwest, American, United, and Delta. Over the last few years, several new airlines, particularly LCCs and ULCCs such as JetBlue, Allegiant, Sun Country Airlines (Sun Country), and most recently Spirit, have begun or announced service at the Airport.

Enplaned passenger traffic at the Airport has experienced a fairly consistent upward trend from FY 1996 through FY 2019 with exceptions in the early 2000s and in FY 2008 and FY 2009 where traffic contracted nationwide in response to the economic recessions. In more recent years, growth in passenger traffic has accelerated. Total enplaned passengers at the Airport have increased from 3.6 million in FY 1997 to 8.6 million in FY 2019, representing a CAGR of 4.0%. It should be noted that the rate of growth has increased in recent years. From FY 2009 through FY 2019, enplaned passengers increased at a CAGR of 6.8%.

Southwest continued to grow in FY 2019 as it increased capacity to nearly all of its current markets and added new service to ten markets. The airline realized more than 500,000 enplaned passengers in FY 2019. American, Delta, and United all increased capacity by more than 100,000 departing seats each resulting in a combined increase of nearly 350,000 enplaned passengers. Combined with a full year of service from British Airways and Allegiant, and new service from Sun Country, total enplaned passengers at the Airport increased by 1.1 million, or 15.1%, in FY 2019 (and have increased by approximately 286,000, or 13.6%, for the first three months of FY 2020 compared to the first three months of FY 2019).

In addition, air service at the Airport for its primary passenger airlines appears more profitable (as demonstrated in Chapter 2 of the Report) and, hence, more stable than it was during the last enplaned passenger peak experienced in FY 2007 prior to the last U.S. economic recession. Therefore, passenger air service at the Airport currently appears to be much better positioned from a revenue standpoint than it was prior to the last economic recession.

L&B prepared the aviation activity forecasts presented in this Report. 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. After recent enplaned passenger growth that has been well above historical economic growth, enplaned passenger growth is expected to increase more in-line with longer-term economic and demographic trends. This forecast has been prepared for financial purposes and is generally considered conservative in nature, especially as it relates to recent growth, to account for year-to-year variability.

In addition, several other assumptions are also incorporated into the long-term forecast including the following:

- The airlines will continue to add capacity that is in line with demand and GDP growth.
- British Airways and other airlines will continue to provide trans-oceanic service to markets in Europe, as well as other international markets such as Canada, Mexico, and the Caribbean. Service to other international markets will also be provided as demand dictates.

- Long-term nationwide growth in air travel will occur over the forecast period consistent with forecast growth in the economy.
- Aviation fuel prices over the forecast period are anticipated to be higher relative to historical levels, but lower than the record prices reached in mid-2008.
- There will be no major disruption of airline service or airline travel behavior.

Table 1 presents historical enplaned passengers for FY 2009 through FY 2019 and forecast enplaned passengers for the Airport for the forecast period of FY 2020 through FY 2028.

Table 1 Historical and Forecast Enplaned Passengers (in thousands)

Fiscal Year	Enplaned Passengers	% Change
2009	4,461	
2010	4,487	0.6%
2011	4,725	5.3%
2012	4,883	3.4%
2013	5,038	3.2%
2014	5,312	5.4%
2015	5,604	5.5%
2016	6,141	9.6%
2017	6,790	10.6%
2018	7,466	10.0%
2019	8,596	15.1%
2019 (Jul – Sept)	2,095	
2020 (Jul – Sept)	2,381	13.6%
CAGR[1]		
2009-2019	6.8%	
Forecast		
2020	9,576	11.4%
2021	10,136	5.8%
2022	10,439	3.0%
2023	10,732	2.8%
2024	11,031	2.8%
2025	11,337	2.8%
2026	11,649	2.7%
2027	11,962	2.7%
2028	12,277	2.6%
CAGR[1]		
2019-2028	4.0%	
2021-2028	2.8%	

[1] CAGR = Compound annual growth rate
Source: Metropolitan Nashville Airport Authority (historical); Landrum and Brown, Inc. (forecast)

Authority Capital Development Program

Between 2008 and 2018, the population of the Air Service Area grew by approximately 18.9%, from approximately 1.6 million to 1.9 million, and annual enplaned passengers at the Airport increased by 53.0% from approximately 4.9 million to 7.5 million. The Authority's Capital Development Program was developed in response to this growth and the expected continued growth in the region and in passengers, and consists of a set of capital projects referred to as the BNA Vision and other capital projects developed as part of the Authority's on-going capital improvement plan (CIP). The Authority's Capital Development Program includes capital projects expected to occur both during and beyond the forecast period evaluated in this Report.

The Authority developed the BNA Vision from the 2013 Master Plan to address the need for major renovation and expansion. The BNA Vision currently includes the following four phases:

- **BNA Vision 1.0 –** Elements include the construction of a new six-story 2,200 space parking garage (completed in December 2018); the construction of two additional parking garages and a 64,000 square foot airport administrative office building; the reconstruction and expansion of Concourse D to accommodate six (6) additional aircraft gates, including the construction of a new central utility plant; the expansion of the ticketing lobby and the baggage claim area; the filling and paving of 500,000 square feet of terminal apron and taxilane area; the construction of a new international arrivals facility; and the expansion of terminal access roadways and the relocation of Donelson Pike. The estimated cost of BNA Vision 1.0 is approximately $1.38 billion. All elements of BNA Vision 1.0 are expected to be completed during the forecast period.

  BNA Vision 1.0 initially included the construction of a hotel at the Airport as part of the parking garage construction. Upon further evaluation it was determined that a public-private partnership would be sought, under which the private operator will construct and operate the hotel. The Authority is currently undergoing a process to develop a request for proposals, select a private developer, and develop a concession agreement. The estimated construction cost of the Airport hotel of $131 million was initially included in BNA Vision 1.0, however, is not included in the $1.38 billion project cost of BNA Vision 1.0.
- **BNA Vision 2.0** – Elements include an 8-gate satellite concourse (Concourse E); a deicing treatment facility, the curbside expansion of the departure and arrival levels of the terminal; the expansion of Concourse A to provide an additional ten to 12 aircraft gates; additional expansion of the airfield and apron, including the extension of Runway 2L-20R; additional expansion and improvements to the terminal access roads and transit connections; and additional support facilities needed. The estimated cost of BNA Vision 2.0 is $1.5 billion. It is expected that portions of BNA Vision 2.0 will start during the forecast period. Based on the forecast growth in passengers, the expansion of Concourse A is anticipated to be completed during the forecast period.
- **BNA Vision 3.0** – Elements include the construction of additional support facilities and various enabling projects needed for BNA Vision 4.0. The estimated cost of BNA Vision 3.0 is $0.7 billion and is expected to commence, based on forecast traffic growth, beyond FY 2028.
- **BNA Vision 4.0** – Elements include a new satellite terminal and a people mover. The estimated cost of BNA Vision 4.0 is $2.1 billion and is expected to commence, based on forecast traffic growth, beyond FY 2028.

The Authority also plans to undertake capital projects, developed in addition to the BNA Vision, as part of the Authority's CIP. The Authority maintains an ongoing CIP to address the needs of the Airport System in conjunction with the Authority's long-term facilities plan addressed through BNA Vision. The Authority's CIP consists primarily of Airport System improvements, upgrades, and other repair, reconstruction, and maintenance projects while BNA Vision was developed to address larger capital development needs. In addition to routine vehicle replacement, maintenance equipment repair and replacement, and other ongoing pavement rehabilitation projects, major CIP projects include: the reconstruction of Runway 2R, expansion of the Terminal building shell for the Delta Sky Club, additional Terminal Ramp Area and taxilane expansion, Terminal 1/Terminal 2 intersection construction, and Concourse A,B and C upgrades. The Authority's CIP is subject to frequent review and modification based on expected funding priorities of the Airport System. As a result of the rapid growth which the Airport has been experiencing, the Authority will continue to actively assess and manage its capital needs to determine any necessary modifications to the CIP as necessary to accommodate evolving priorities with respect to demand-driven traffic activity, operational needs of the Airport, and other factors. The Authority's CIP is currently anticipated to total approximately $493.8 million[8], with various projects anticipated to be completed at different times through the forecast period.

Authority Capital Projects

For purposes of this Report, the Authority's Capital Development Program is further broken down into projects that will be completed during the forecast period or through FY 2028, these projects are referred to herein as Authority Capital Projects. Authority Capital Projects consist of all of BNA Vision 1.0, certain portions of BNA Vision 2.0, and the Authority's CIP through the forecast period.

Table 2 presents estimated project costs of Authority Capital Projects and anticipated funding sources, which includes proceeds of the Series 2019 Subordinate Bonds and other funding sources described in Section 3.5 herein. The Authority has used interim financing available through its Note Purchase Agreement (described in Section 4.3.4 herein) for projects currently underway. The funding amounts presented in Table 2 and described in this Report reflect proceeds of the Series 2019 Subordinate Bonds that will either be used to directly fund construction costs or to refinance certain draws made pursuant to the Note Purchase Agreement that were used for construction costs.

As shown, Authority Capital Projects are estimated to total approximately $2.9 billion, of which approximately $810.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.

Authority Capital Projects consist of the following:

- **BNA Vision 1.0 projects.** Approximately $1.38 billion (total cost of BNA Vision 1.0), of which approximately $714.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.
- **BNA Vision 2.0 projects.** Approximately $1.03 billion of the total $1.5 billion estimated total cost of BNA Vision 2.0, of which $15.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.
- **Authority CIP projects.** Approximately $493.8 million of which $81.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.

[8] Includes the Authority's CIP for FY 2020 through FY 2024 plus additional assumed capital expenditures for FY 2025 through FY 2028.

Table 2 Authority Capital Projects (Dollars in Millions)

Project	Federal and State	Existing Bond Proceeds	Series 2019 Bonds	Future Bonds	CFC	Authority Funding	TOTAL
BNA Vision 1.0							
Parking Garages, Transportation Center, and Administration Building	$12.5	$83.5	$198.7	$73.4	$6.5	$0.0	$374.6
International Arrival Building Rehabilitation	0.0	7.2	0.0	0.0	0.0	0.0	7.2
Concourse D & Terminal Wings	0.0	0.8	296.7	0.0	0.0	0.0	297.5
Terminal Lobby & IAF	0.0	21.2	183.4	276.8	0.0	0.0	481.4
Terminal Access Roadway	0.0	1.0	0.0	159.5	0.0	0.0	160.5
Terminal Apron & Taxilane Expansion	0.0	2.0	23.7	19.9	0.0	0.0	45.6
Employee Parking Lot	0.0	0.3	7.7	0.0	0.0	0.0	8.0
Eastside Electrical Vault	0.0	0.4	3.8	0.0	0.0	0.0	4.2
Art Allowance	0.0	0.0	0.0	4.5	0.0	0.0	4.5
Subtotal - BNA Vision 1.0	**$12.5**	**$116.4**	**$714.0**	**$534.1**	**$6.5**	**$0.0**	**$1,383.5**
BNA Vision 2.0 [1]							
Runway 2L-20R Extension - EA & Property Acquisition	$0.0	$0.0	$5.5	$0.0	$0.0	$0.0	$5.5
Runway 2L-20R Extension - Design	0.0	0.0	9.5	20.5	0.0	0.0	30.0
Satellite Concourse (Concourse E)	0.0	0.0	0.0	190.0	0.0	0.0	190.0
Concourse A Site Preparation	0.0	0.0	0.0	78.0	0.0	0.0	78.0
Concourse A Terminal Expansion	0.0	0.0	0.0	650.0	0.0	0.0	650.0
Deicing Treatment	0.0	0.0	0.0	45.0	0.0	0.0	45.0
Curbside Expansion	0.0	0.0	0.0	34.0	0.0	0.0	34.0
Subtotal - BNA Vision 2.0	**$0.0**	**$0.0**	**$15.0**	**$1,017.5**	**$0.0**	**$0.0**	**$1,032.5**
Authority CIP [2]							
Runway 2R-20L Reconstruction	$20.0	$0.0	$70.0	$0.0	$0.0	$0.0	$90.0
Terminal Apron and Taxilane Expansion: Ph 3	0.0	0.0	0.0	30.3	0.0	0.0	30.3
Concourse A, B & C Upgrades	0.0	0.0	0.0	18.0	0.0	0.0	18.0
Taxiway T1/T2 Intersection	0.0	0.0	0.0	31.6	0.0	0.0	31.6
Terminal Shell Expansion for Delta Sky Club	0.0	0.0	11.0	0.0	0.0	0.0	11.0
Other CIP Repair and Replacement Projects	26.6	0.0	0.0	0.0	0.0	286.3	312.9
Subtotal – Authority CIP	**$46.6**	**$0.0**	**$81.0**	**$79.9**	**$0.0**	**$286.3**	**$493.8**
TOTAL AUTHORITY CAPITAL PROJECTS	**$59.2**	**$116.4**	**$810.0**	**$1,631.5**	**$6.5**	**$286.3**	**$2,909.8**

[1] BNA Vision 2.0 includes Runway 2L-20R Extension – Construction, which is not included in Authority Capital Projects as it is expected to be completed beyond the forecast period.
[2] Includes Authority 2020-2024 CIP plus additional expenditures assumed through the end of the forecast period.
Note: Totals may not add due to rounding.
Source: Metropolitan Nashville Airport Authority, PFM Financial Advisors LLC

Financial Analysis

L&B evaluated the ability of the Airport System to generate Airport Revenues sufficient to meet the funding requirements and obligations established by the Senior Resolution and the Subordinate Resolution during the forecast period of FY 2020 through FY 2028. Per our analyses, and as required pursuant to the Senior Resolution Rate Covenant, the Authority is forecast to be able to produce sufficient Net Revenue, which, together with other available funds, will at least equal 125% of Debt Service on all Senior Bonds anticipated to be outstanding during the forecast period. In addition, pursuant to the Subordinate Resolution Rate Covenant, the Authority is forecast to be able to produce sufficient Net Revenues, which, together with other available funds, will at least equal 110% of Debt Service on all Senior Bonds anticipated to be outstanding during the forecast period and all Subordinate Bonds anticipated to be outstanding during the forecast period, including the Series 2019 Subordinate Bonds.

The Authority is forecast to meet its requirements and obligations established by the Senior Resolution and Subordinate Resolution and maintain reasonable levels of airline cost per enplaned passenger (CPE) throughout the forecast period. **Table 3** presents Net Revenues, Senior and Subordinate Debt Service coverage ratios, and airline CPE throughout the forecast period. While amounts totaling 25% of Senior Debt Service and 10% of Senior and Subordinate Debt Service may be transferred from the Nashville Airports Experience (NAE) Fund as Other Available Funds, the Debt Service coverage ratios presented in Table 3 forecast Debt Service coverage without the inclusion of any available amounts transferred from the NAE Fund and represent a potential low range of coverage. Debt Service coverage ratios including forecast available amounts transferred from the NAE Fund as allowed per the Senior Resolution and Subordinate Resolution are presented in Chapter 4 herein.

Table 3 Debt Service Coverage Forecast and Passenger Airline CPE Forecasts (Dollars in Thousands, Except For CPE)

Fiscal Year	Net Revenues[2]	Senior Net Debt Service [1]	Subordinate Net Debt Service [1]	Senior Debt Service Coverage Ratio [2]	Senior and Subordinate Debt Service Coverage Ratio [2]	Airline CPE
2019 Actual[3]	$73,026	$18,116	$0	4.03x	4.03x	$6.67
2020	$65,874	$13,850	$3,414	4.76x	3.82x	$6.18
2021	$75,795	$13,893	$15,827	5.46x	2.55x	$6.36
2022	$96,009	$18,026	$19,694	5.33x	2.55x	$8.13
2023	$103,578	$27,930	$20,457	3.71x	2.14x	$8.37
2024	$117,521	$48,663	$23,539	2.41x	1.63x	$9.85
2025	$130,724	$65,104	$29,591	2.01x	1.38x	$10.78
2026	$160,111	$93,188	$29,580	1.72x	1.30x	$13.14
2027	$171,018	$102,061	$29,588	1.68x	1.30x	$13.77
2028	$175,359	$101,941	$29,589	1.72x	1.33x	$13.84

[1] Net of PFCs applied to Debt Service and capitalized interest.
[2] Does not include any amounts transferred from Nashville Airports Experience Fund.
[3] Reflects Authority reports used for setting airline rates and charges, which may differ from Financial Statements.
Source: Landrum & Brown

The Authority's financial statements include financial reporting for the MNAA Properties Corporation (MPC), a non-profit organization formed in April 2007 for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding Nashville area. The operating expenses of MPC (and any subsidiaries of MPC) are not Operating Expenses of the Authority and income and revenues of MPC (and any subsidiaries of MPC) are not included in Airport Revenues, except for ground rent payments and management fees paid by such entities to the Authority which are included in Airport Revenues. Therefore, all MPC operating expenses and all MPC revenues not included in Airport Revenues have been excluded from the financial analysis in this Report.

L&B prepared the aviation activity and financial forecasts included in this Report along with underlying assumptions. 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.

The techniques and methodologies used in preparing this Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. Although L&B believes that the approach and assumptions used are reasonable and provide an appropriate basis for the financial forecasts, any forecast is subject to uncertainties. Inevitably, some assumptions used to derive the forecast contained herein will not be realized, and unforeseeable events may occur. The actual financial results achieved will vary from those forecast, and such variations could be material. We have no responsibility to update this Report for events and/or circumstances occurring after the date 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, in association with AVK Consulting, Inc. and Partners for Economic Solutions, appreciates this opportunity to serve as the Authority's Airport Consultant for this proposed financing.

Sincerely,

Landrum & Brown, Incorporated

Landrum & Brown, Incorporated

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1 Role of the Airport and Economic Base for Air Traffic

This Chapter introduces the Nashville International Airport (Airport) and summarizes the role the Airport serves in accommodating air traffic for the nation, the region, and as a focus city for both Southwest Airlines (Southwest) and Delta Air Lines (Delta). This Chapter also describes the Nashville metropolitan region's economic base and its ability to continue to support demand for air transportation.

1.1 Role of the Airport

The Airport serves as the principal commercial airline passenger airport for the Middle Tennessee area and portions of Southern Kentucky and Northern Alabama. Established in June 1937 as Berry Field on a 340-acre tract, the Airport has been expanded and developed over the years to meet increased aviation demand and accommodate the economic growth of the Middle Tennessee region. Today, the Airport covers 4,470 acres. It is located approximately six miles from downtown Nashville. The Airport is publicly owned and operated by the Metropolitan Nashville Airport Authority (Authority). The Authority was created on February 9, 1970, pursuant to The Metropolitan Airport Authority Act, Tenn. Code Ann. §§ 42-4-101 et seq., as amended (the Act), as a public and governmental body acting as an agency and instrumentality of The Metropolitan Government of Nashville and Davidson County, Tennessee (the Metropolitan Government). The Authority also owns and operates John C. Tune Airport, a general aviation reliever airport located in West Nashville (the Reliever Airport). It serves the needs of regional corporate and private aircraft in the region.

The principal purpose of the Authority is the management and operation of the Airport, the Reliever Airport (together, the Airport System) and other airports and auxiliary fields, either acquired or placed under its control. The Authority was a prototype organization in the aviation industry and continues to serve as a national model for other communities.[9] The next sections summarize the Airport's national role, regional role, and its role as a focus city for Southwest and Delta.

1.1.1 National Role

The Airport is classified by the Federal Aviation Administration (FAA) as a medium-hub airport[10] based upon its share of nationwide enplaned passengers.[11] According to data from the FAA, there was an increase of approximately 16.1% in enplaned passengers for calendar year (CY) 2018 as compared to CY 2017, and the Airport increased its ranking to 31st in the U.S. as the largest medium hub. The Airport had the highest increase of any of the top 35 airports in the U.S. based on enplaned passengers. **Table 1-1** presents the rankings of the top 35 U.S. airports in terms of total enplaned passengers per the FAA for CY 2018. **Figure 1-1** presents the growth in enplaned passengers for the 20 fastest growing airports among the top 35 largest airports in the U.S.

[9] Metropolitan Nashville Airport Authority, About: History, accessed at www.flynashville.com/about/Pages/bna-history.aspx on June 9, 2019.

[10] Federal Aviation Administration, Report to Congress: National Plan of Integrated Airport Systems (NPIAS) 2019-2023, September 26, 2018.

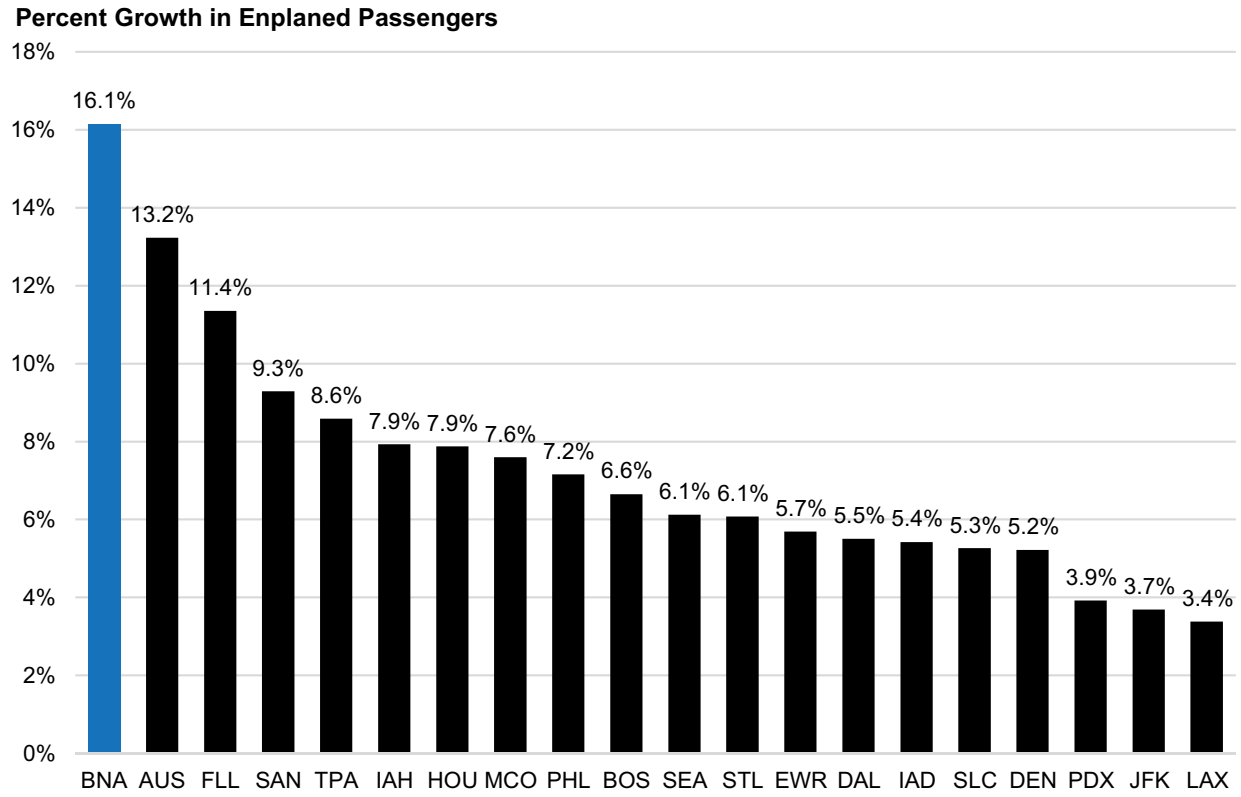
[11] To be classified as a medium-hub airport, the airport must have at least 0.25 percent but less than one percent of the national annual enplaned passengers.

Table 1-1 U.S. Airport Enplaned Passenger Rankings - Top 35 (CY 2018)

Rank	City	Airport	Code	Hub Type	Enplaned Passengers
1	Atlanta	Hartsfield-Jackson Atlanta International	ATL	Large	51,865,797
2	Los Angeles	Los Angeles International	LAX	Large	42,624,050
3	Chicago	Chicago O'Hare International	ORD	Large	39,873,927
4	Dallas-Fort Worth	Dallas-Fort Worth International	DFW	Large	32,821,799
5	Denver	Denver International	DEN	Large	31,362,941
6	New York	John F Kennedy International	JFK	Large	30,620,769
7	San Francisco	San Francisco International	SFO	Large	27,790,717
8	Seattle	Seattle-Tacoma International	SEA	Large	24,024,908
9	Las Vegas	McCarran International	LAS	Large	23,795,012
10	Orlando	Orlando International	MCO	Large	23,202,480
11	Newark	Newark Liberty International	EWR	Large	22,797,602
12	Charlotte	Charlotte/Douglas International	CLT	Large	22,281,949
13	Phoenix	Phoenix Sky Harbor International	PHX	Large	21,622,580
14	Houston	George Bush Intercontinental/Houston	IAH	Large	21,157,398
15	Miami	Miami International	MIA	Large	21,021,640
16	Boston	General Edward Lawrence Logan International	BOS	Large	20,006,521
17	Minneapolis	Minneapolis-St Paul International/Wold-Chamberlain	MSP	Large	18,361,942
18	Fort Lauderdale	Fort Lauderdale/Hollywood International	FLL	Large	17,612,331
19	Detroit	Detroit Metropolitan Wayne County	DTW	Large	17,436,837
20	Philadelphia	Philadelphia International	PHL	Large	15,292,670
21	New York	LaGuardia	LGA	Large	15,058,501
22	Baltimore	Baltimore/Washington International Thurgood Marshall	BWI	Large	13,371,816
23	Salt Lake City	Salt Lake City International	SLC	Large	12,226,730
24	San Diego	San Diego International	SAN	Large	12,174,224
25	Washington	Washington Dulles International	IAD	Large	11,621,623
26	Washington	Ronald Reagan Washington National	DCA	Large	11,366,771
27	Chicago	Chicago Midway International	MDW	Large	10,678,018
28	Tampa	Tampa International	TPA	Large	10,368,514
29	Honolulu	Daniel K Inouye International	HNL	Large	10,017,149
30	Portland	Portland International	PDX	Large	9,804,868
31	**Nashville**	**Nashville International**	**BNA**	**Medium**	**8,017,347**
32	Dallas	Dallas Love Field	DAL	Medium	8,011,221
33	Austin	Austin-Bergstrom International	AUS	Medium	7,714,479
34	St. Louis	St Louis Lambert International	STL	Medium	7,631,953
35	Houston	William P Hobby	HOU	Medium	7,053,886

Source: Federal Aviation Administration, Passenger Boarding (Enplanement) Data for U.S. Airports, accessed October 2019.

Figure 1-1 Top 20 Fastest Growing U.S. Airports of the 35 Largest U.S. Airports based on Enplaned Passengers (CY 2018 vs. CY 2017)



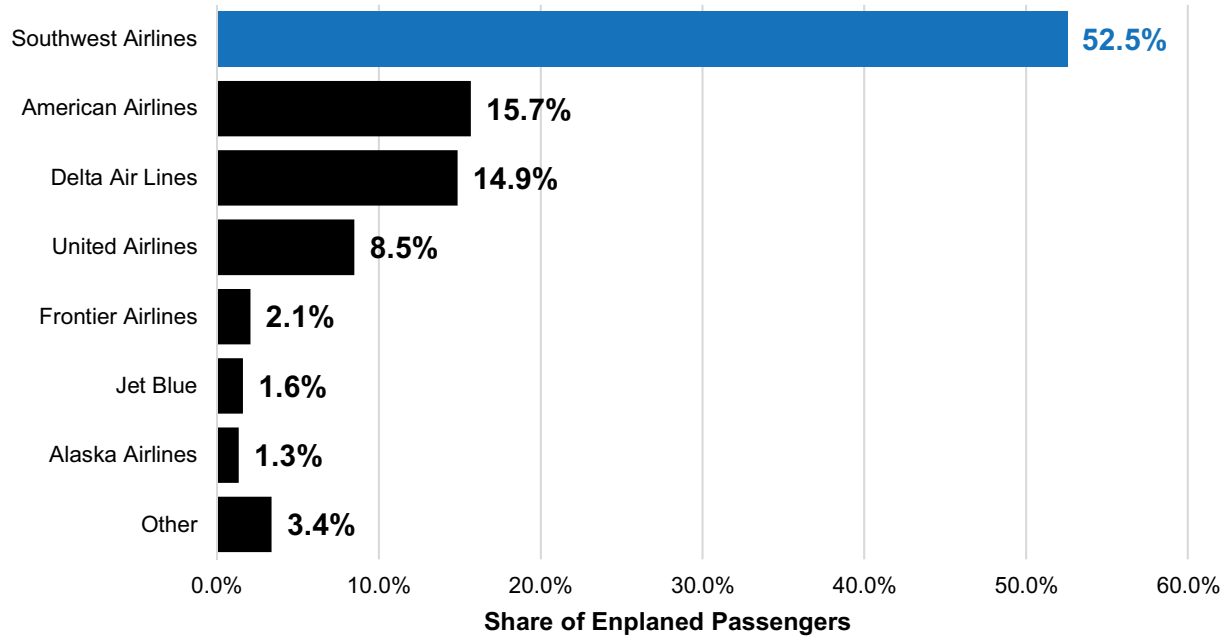
Source: Federal Aviation Administration, Passenger Boarding (Enplanement) Data for U.S. Airports, accessed October 2019.

The current U.S. passenger airline industry generally consists of three primary business models: network carriers, low-cost carriers (LCCs), and ultra-low-cost carriers (ULCCs). Network carriers are generally considered the major airline brands that have existed, in one form or another, since the deregulation of the airline industry in the late 1970s. Network airlines have extensive route networks and can operate with a “hub and spoke” system or maintain significant market share at focus cities, and generally cater more towards the business traveler segment. LCCs are generally defined as passenger airlines that focus on lower operating costs to be able to provide customers lower fares while still providing some amenities within the cost of the ticket. LCCs typically focus upon carrying point-to-point traffic at relatively lower airfares, while offering comparable (to network carriers) airfares for connecting passengers. However, as compared to network airlines, LCCs do not have an extensive route network. ULCCs are somewhat similar to LCCs, but generally, focus on the leisure traveler, offer the lowest airfares, and do not provide any amenities within the cost of the ticket. Thus, ULCCs will typically charge for everything outside of the ticket cost such as checked baggage, carry-on baggage, seat selection, etc. It should also be noted that network carriers and certain LCCs also charge separately for some of these items; however, also operate customer loyalty programs that offer frequent travelers various benefits.

The Airport has a diverse, stable base of air carriers. All the major U.S. network airlines along with selected LCCs and ULCCs operate at the Airport. Southwest is the dominant airline at the Airport with a 52.5% share of enplanements for Fiscal Year (FY) 2019.[12] Southwest and Delta operate the Airport as a focus city, described later in this Report.

Figure 1-2 presents the Airport's enplaned passenger market share for FY 2019.

Figure 1-2 Enplaned Passenger Market Share at the Airport (FY 2019)



Notes: Regional affiliates, as applicable, have been included with their appropriate network partner. Amounts may not add because of rounding.

Source: Metropolitan Nashville Airport Authority, Comprehensive Annual Financial Report. Metropolitan Nashville Airport Authority, Passenger Activity Report.

The Airport also has modest cargo operations. Approximately 51,400 tons of freight and mail were loaded and unloaded on and off aircraft in CY 2018. This ranks the Airport below the top 50 of North American airports in terms of cargo. Also, in CY 2018, ACI-NA data indicates the Airport had 218,539 aircraft movements or operations. As such, it ranked 46th in the U.S.

The Airport predominately serves domestic traffic, which comprised approximately 98.8% of the Airport's passenger traffic in FY 2019; therefore, international traffic is a relatively small component at approximately 1.2%. The Airport primarily serves origin-destination (O&D) traffic, as 80.9% of the Airport's passenger traffic in FY 2019 was O&D, with the remaining 19.1% connecting. Almost all of the Airport's connecting traffic is on Southwest.[13] More information regarding the Airport's air traffic is presented later in Chapter 2 of this Report.

[12] The Authority's Fiscal Year is the 12-month period ending June 30.

[13] Based from US DOT Report DB1A (accessed via Diio in October 2019), which may vary from data reported directly to the Authority by the airlines operating at the Airport.

1.1.2 Regional Role

As described above, the Airport primarily serves O&D air traffic. In terms of O&D passenger volume, the Airport had approximately 6.9 million O&D enplaned passengers for FY 2019, making it the 28th largest O&D market in the U.S. and the largest medium hub airport[14].

The Airport is the primary commercial air service facility serving the Nashville metropolitan area and the surrounding region and is relatively isolated from airport competition in the region. It is also the largest airport in the State of Tennessee and the only medium hub airport in the region. The geographical region that serves as an airport's primary air service catchment area can be referred to as its "air service area". For the purposes of this Report, the Airport's Air Service Area is defined as the Nashville-Davidson-Murfreesboro-Franklin, Tennessee Metropolitan Statistical Area (MSA) and includes the 14 counties in Middle Tennessee of Cannon, Cheatham, Davidson (Airport's location), Dickson, Hickman, Macon, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson Counties. The Nashville-Davidson-Murfreesboro-Franklin MSA is the 36th most populated MSA in the U.S., with approximately 1.9 million people. In many cases, an air service area can extend beyond the primary MSA depending on the location of other population centers and availability of other commercial service airports; however, it is generally the economic strength of the primary MSA that provides the principal demand for supporting O&D air travel. A map of the Nashville MSA is provided in **Figure 1-3**.
The Nashville metropolitan region is also a major destination draw for visitors and conventions, which is described later in this Chapter.

As indicated above, the Air Service Area is generally isolated from competing airport facilities and, hence, the Airport has limited competition for air service. Huntsville International Airport (HSV) is the closest commercial airport, about 125 (driving) miles from the Airport. The next closest airport is Chattanooga Metropolitan Airport (CHA) which is about 145 (driving) miles away. Louisville International Airport (SDF) and Knoxville McGee Tyson Airport (TYS) are about 175 (driving) miles from the Airport. Paducah Barkley Regional Airport (PAH) is a non-hub airport about 150 (driving) miles from the Airport with only Essential Air Service. Memphis International Airport (MEM) is a small hub airport about 220 (driving) miles from the Airport. **Figure 1-4** illustrates the Air Service Area and other commercial service airports in the general vicinity. As shown, other commercial service airports in the region are smaller facilities and the more comparable small hub airports are over 175 miles away. Other medium and large hub airports are over 250 miles from the Airport with Hartsfield-Jackson Atlanta International Airport (ATL) the nearest at approximately 255 (driving) miles.

The Airport typically has lower airfares as compared to other regional airports. **Figure 1-5** illustrates the average airfare paid from the Airport versus other regional airports. In quarter 4 of 2018, the Airport's airfares are below these other regional small hub airports, ranging from $33 less than SDF to $45 less than MEM and $209 less than HSV. These fare advantages allow the Airport to compete favorably for price-sensitive traffic across the region.

The Airport's fare advantage is generally most pronounced in Southwest nonstop markets. Southwest typically prices nonstop flight segments at lower fares as compared to connecting markets, particularly versus other network airlines such as American Airlines (American), United Airlines (United), and Delta. Given the large number of Southwest Airlines nonstop markets from the Airport (as presented later in this Report), a significant competitive advantage is inherent for the Airport from a regional perspective.

[14] According to US DOT data.

Figure 1-3 Air Service Area

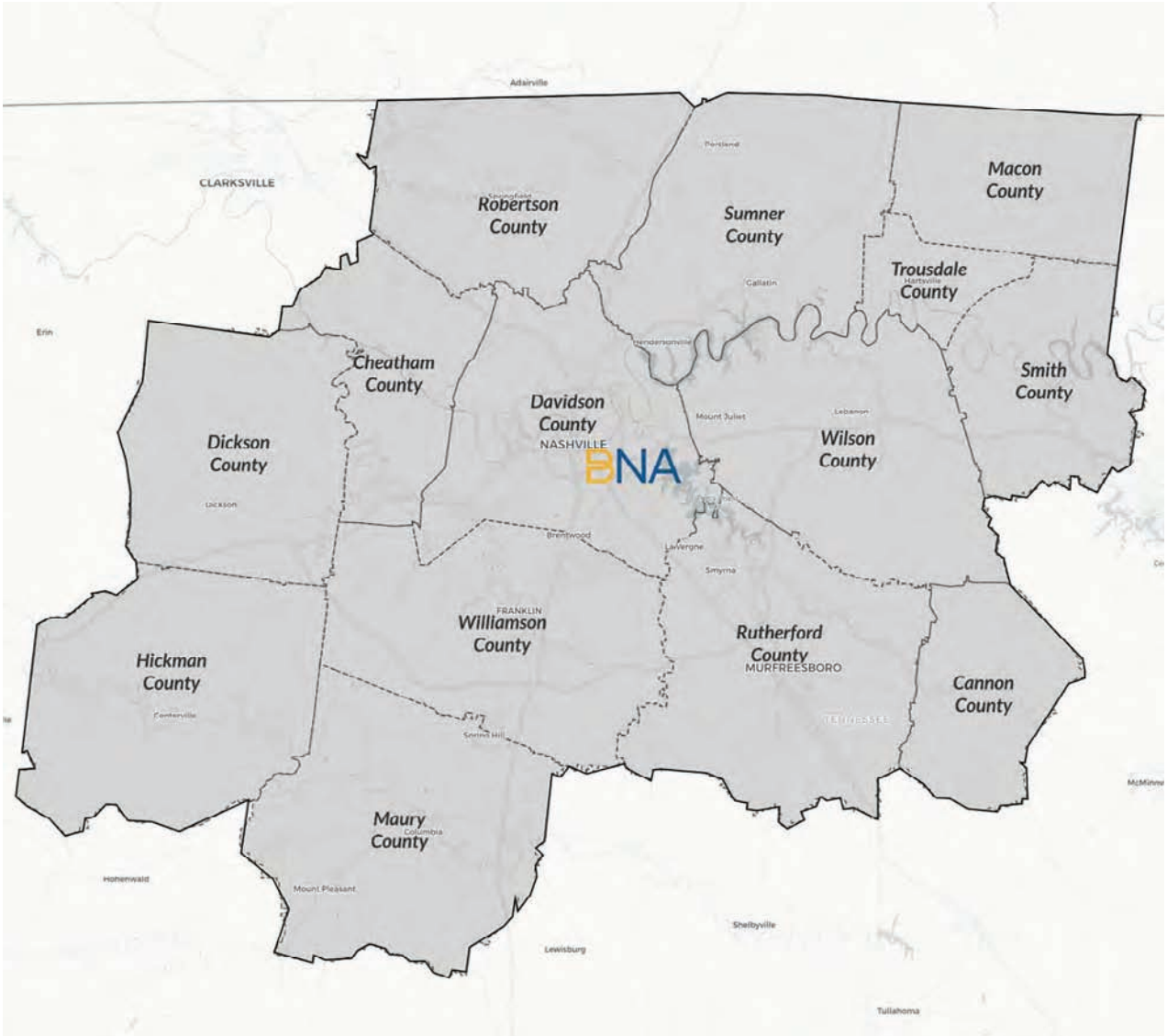
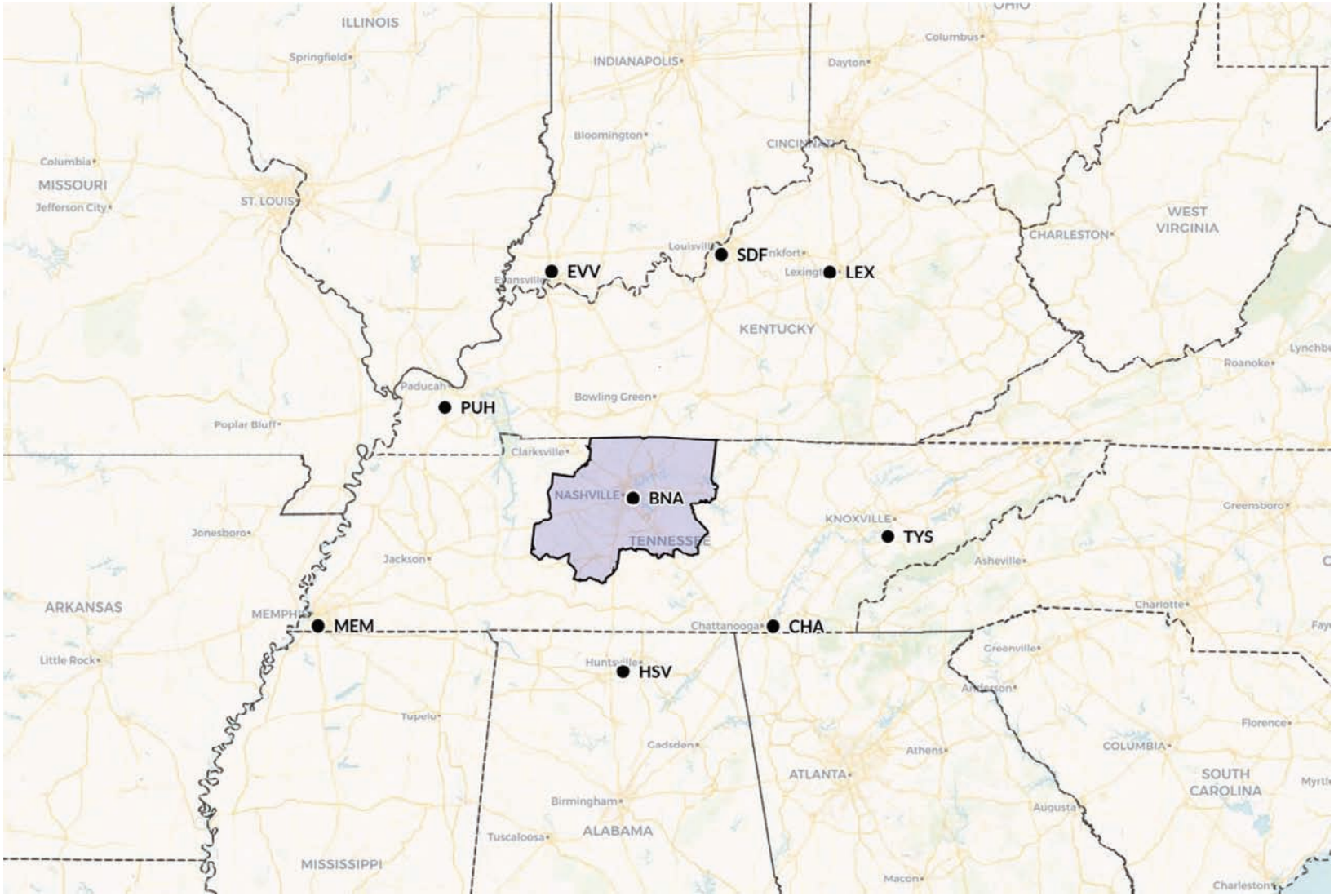


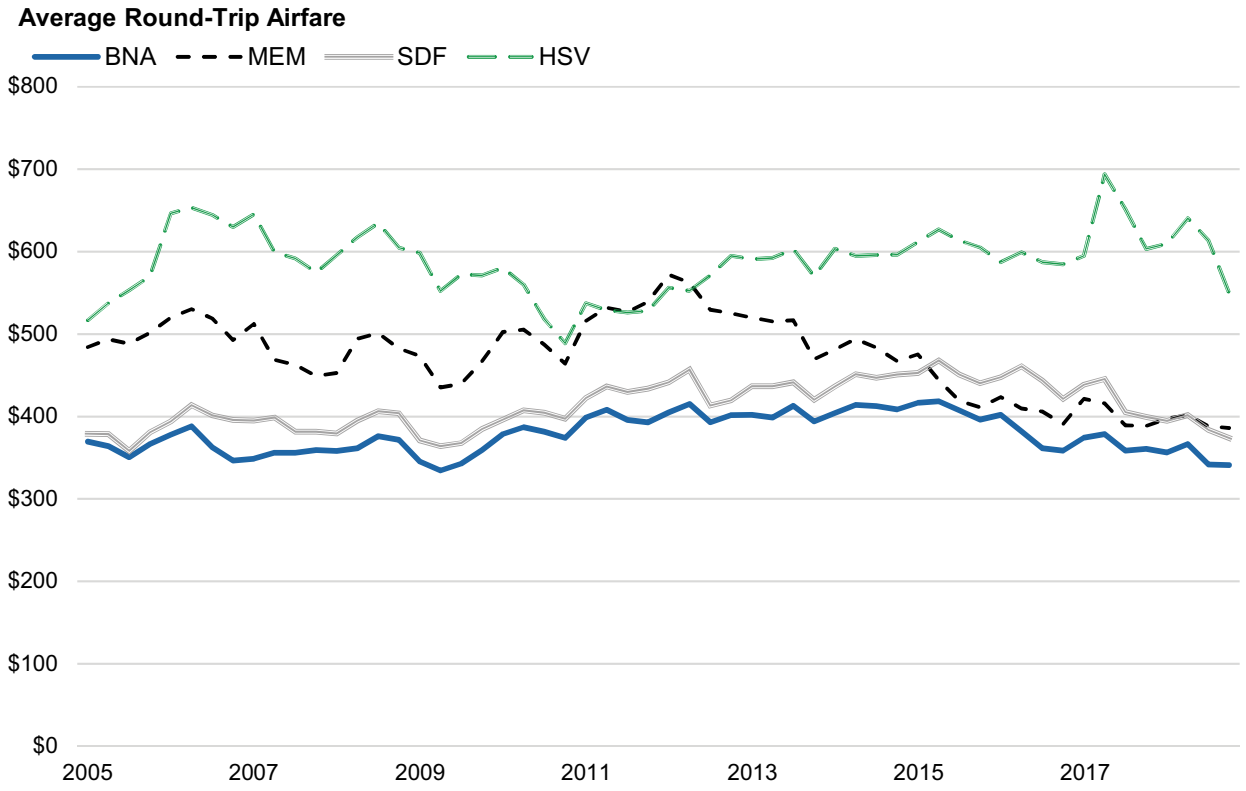
Figure 1-4 Air Service Competition



Airport	Code	Airport Hub Category	Driving Distance from BNA	CY 2018 Enplaned Passengers	Largest Carrier
Nashville International Airport	BNA	Medium	n.a.	7,910,343	Southwest
Huntsville International Airport	HSV	Small	125	576,879	Delta
Chattanooga Metropolitan Airport	CHA	Small	145	495,959	Delta
Paducah Barkley Regional Airport	PAH	Non-Hub	150	20,711	United
Evansville Regional Airport	EVV	Non-Hub	165	224,412	Delta
Knoxville McGhee Tyson Airport	TYS	Small	175	1,051,124	Delta
Louisville International Airport	SDF	Small	175	1,864,899	Southwest
Lexington Blue Grass Airport	LEX	Small	215	643,449	Delta
Memphis International Airport	MEM	Small	220	2,187,509	Delta

Source: Diio, US DOT Report T100, accessed June 2019.
Note: Largest carriers represent the carrier that handled the most enplaned passengers in CY 2018.

Figure 1-5 Regional Airport Airfare Comparison



Note: Source does not include CHA or TYS.
Source: U.S. Department of Transportation, Average Domestic Airline Itinerary Fares by Origin City. U.S. Department of Transportation, Air Passenger Origin-Destination Survey.

1.1.3 Role as a Focus City for Southwest Airlines

Southwest is the Airport's largest carrier in terms of passenger market share and operates the Airport as a focus city. As a focus city, Southwest emphasizes carrying O&D traffic, but due to the airline's size at the Airport, also carries connecting traffic. For example, in FY 2019 approximately 27.7% of the airline's traffic was connecting, and, therefore, approximately 72.3% was O&D traffic.[15] The Airport is the 9th busiest airport in terms of daily departures in Southwest's' system. As of May 14, 2019, the airline offers up to 138 departures a day to 46 cities.[16] Over its entire system, Southwest operates more than 4,000 flights a day during peak travel seasons, serving 100 destinations across the United States and ten additional countries.[17] Southwest enplaned approximately 4.5 million passengers at the Airport in FY 2019 for a 52.5% market share. In the first half of FY 2020, Southwest is scheduled to increase seating capacity by 15.3% compared to the first half of FY 2019. Southwest traffic impact on the Airport will be further analyzed in Chapter 2 of this Report.

1.2 Economic Base for Air Traffic

Air travel demand is largely correlated with a region's demographic and economic characteristics. 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 activity. The next sections review current economic trends and conditions in the Airport's Air Service Area and present data indicative of the Air Service Area's capability to generate a growing demand for air transportation throughout the next several years.

1.2.1 Socio-Economic Trends

Data for population, age distribution, educational attainment, income, and gross regional product for the Air Service Area are discussed below and are presented in Tables 1-2 through 1-10 herein. Parallel data for Tennessee and the United States is also shown to provide a basis of comparison for trends in the Air Service Area. Where available, historical data is presented for the 2008-2018 period, which is representative of longer-term trends and the most recent 10 years of historical data available. Also, where available, projected data will be presented through 2028 to be consistent with air traffic and financial forecasts presented later in this Report.

[15] Based from US DOT Report DB1A (accessed via Diio in October 2019), which may vary from data reported directly to the Authority by the airlines operating at the Airport.
[16] Southwest Airlines, City Facts: Nashville.
[17] Southwest Airlines, Southwest Corporate Fact Sheet.

1.2.1.1 Historical and Projected Population

Population is a significant source of demand for air travel. **Table 1-2** includes 2008 and 2018 population data and provides population trends in the Air Service Area, Tennessee, and the U.S. during this period. Data projections for 2028 are also included. Between 2008 and 2018, the population in the Air Service Area increased by 18.9% from 1,602,302 to 1,905,887. During the same period, Tennessee's population increased by 8.4% and the U.S. population increased by 7.9%.

The Air Service Area added approximately 303,000 to its population between 2008 and 2018 (or approximately 30,000 per year). The Air Service Area's population between 2008 and 2018 increased at a compound annual growth rate (CAGR) of 1.8%—higher than that of both Tennessee and the U.S. (0.8% each). In 2018, the Air Service Area accounted for approximately 28% of Tennessee's population. Nashville surpassed Memphis as the largest city in Tennessee in 2017.[18] The Air Service Area's projected population increase for the period 2018 to 2028 reflects a CAGR of 1.4% and is higher than the projected CAGR for both Tennessee and the U.S. during the same period (0.8% and 0.7%, respectively). The increase in new residents in the Air Service Area (approximately 284,000 between 2018 and 2028) is expected to generate additional demand for air service at the Airport.

Table 1-2 Historical and Projected Population (2008-2028)

Region	Population			Percent Change	CAGR[1]	
	Historical		Forecast			
	2008	2018	2028	2008-2018	2008-2018	2018-2028
Air Service Area	**1,602,302**	**1,905,887**	**2,190,760**	**18.9%**	**1.8%**	**1.4%**
Tennessee	6,247,411	6,771,306	7,309,970	8.4%	0.8%	0.8%
United States	304,093,926	328,094,150	351,209,902	7.9%	0.8%	0.7%

[1] Compound annual growth rate.
Source: Woods & Poole Economics, Inc., Complete Economic and Demographic Data Source, May 2019
Compiled by Partners for Economic Solutions, July 2019

[18] "It's Official: Nashville Now Bigger Than Memphis," May 25, 2017, *Nashville Business Journal*, https://www.bizjournals.com/ Nashville/news/2017/05/25/it-s-official-nashville-now-bigger-than-memphis.html, accessed July 2019.

1.2.1.2 Age Distribution

Table 1-3 presents 2018 age data for the Air Service Area, Tennessee, and the U.S. The median age in the Air Service Area is 36.6 years, compared to 38.9 years in Tennessee and 38.2 years in the U.S. overall. Demand for air travel varies by age group. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, persons between the ages of 35 and 54 account for 44% of expenditures on airline fares.[19]

Table 1-3 shows that in 2018, residents in the Air Service Area aged 35 to 54 made up 26.8% of the population, compared with 25.4% of the population in Tennessee, and 25.5% in the U.S. This is the age group that generates the most expenditures on airline fares, and it makes up a higher percentage of the population in the Air Service Area compared to Tennessee and the U.S.

Table 1-3 Age Distribution (2018)

	Air Service Area	Tennessee	United States
Total Population	1,602,302	1,905,887	2,190,760
Age Range			
19 and under	25.8%	24.8%	25.3%
20 to 24 years	6.6%	6.5%	6.8%
25 to 34 years	15.3%	13.7%	13.9%
35 to 44 years	13.7%	12.4%	12.5%
45 to 54 years	13.1%	13.0%	13.0%
55 to 64	12.3%	13.1%	12.9%
65 and above	13.3%	16.4%	15.6%
Total	**100.0%**	**100.0%**	**100.0%**
Median Age	**36.6 years**	**38.9 years**	**38.2 years**

Source: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source*, May 2019
Compiled by Partners for Economic Solutions, July 2019

[19] *Who's Buying for Travel*, 12th Edition, 2018, New Strategist Publications. Data in *Who's Buying for Travel* are based on the U.S. Bureau of Labor Statistics' Consumer Expenditure Survey, a nationwide survey of household spending.

1.2.1.3 Educational Attainment

Table 1-4 presents 2018 educational attainment data for the Air Service Area, Tennessee, and the U.S. The launch of the Tennessee's Promise scholarship program in 2014, a nationally recognized program that provides tuition-free attendance at community colleges or technical colleges in Tennessee, has bolstered higher education in the Air Service Area.

According to data shown in Table 1-4, more than 614,000 people, or nearly 48% of the Air Service Area's population over the age of 25, have a post-secondary degree (associate, bachelor's, or graduate). This percentage is higher than that of both Tennessee and the U.S. where, respectively, 33.9% and 40.3% of the population over the age of 25 have a post-secondary degree.

According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, persons with a college degree generate a high percentage of expenditures on air travel.[20] Data indicate that 74% of airline fares are purchased by college graduates, while 18% of airline fares are purchased by consumers who have had some college or have earned an associate degree and the remaining 8% percent of airline fares are purchased by consumers who never attended college.

In addition to having a highly educated population, the Air Service Area is also home to more than 21 colleges and universities with total enrollment of approximately 123,000 students. An estimated 60% of these students choose to remain in the Air Service Area after graduation.[21] The Air Service Area's colleges and universities generate demand for airline service through academic meetings and conferences, visiting professorships, study abroad programs, and individual student and faculty travel.

Table 1-4 Educational Attainment (2018)

	Air Service Area	Tennessee	United States
Population 25 years and over	1,288,689	4,652,318	238,564,800
Less than 9th Grade	3.3%	4.5%	5.2%
9th - 12th Grade, No Diploma	5.0%	8.0%	7.1%
High School Graduate	16.0%	26.3%	22.9%
GED/Alternative Credential	3.6%	5.8%	4.0%
Some College, No Degree	24.4%	21.5%	20.5%
Post-Secondary Degree	47.7%	33.9%	40.3%
Associate Degree	*8.8%*	*7.5%*	*8.5%*
Bachelor's Degree	*23.9%*	*16.9%*	*19.6%*
Master's Degree or Doctorate	*15.0%*	*9.5%*	*12.2%*
Total	**100.0%**	**100.0%**	**100.0%**

Sources: Woods & Poole Economics, Inc., *2019 Complete Economic* and *Demographic Data Source*, May 2019; Esri Market Profiles for Air Service Area, Tennessee, and U.S., June 2019
Compiled by Partners for Economic Solutions, July 2019

[20] *Who's Buying for Travel*, 12th Edition, 2018, New Strategist Publications.
[21] *Nashville Regional Economic Development Guide*, June 2019, Nashville Area Chamber of Commerce, https://s3.amazonaws.com/ nashvillechamber.com/PDFs/ECD_Final.pdf, accessed July 2019.

1.2.1.4 Household Income

Table 1-5 provides 2018 and 2028 median household income data for the Air Service Area, Tennessee, and the U.S. The Air Service Area's estimated 2018 median household income was higher than that of Tennessee and lower than that of the U.S. Table 1-5 shows that in 2018, the Air Service Area's median household income of $57,615 was 15.7% above Tennessee's ($49,776) and 0.8% lower than that of the U.S. ($58,100). Forecasts suggest that this trend is expected to continue as the Air Service Area is expected to reach a median household income level of $71,040 in 2028, compared to $60,192 in Tennessee and $74,364 in the U.S. Because of the Air Service Area's below average living expenses and the absence of state income tax, median household income in the Air Service Area has greater consumer buying power compared to many other regions in the U.S.

Table 1-5 Median Household Income and Income Distribution (2018-2028)

	Air Service Area	Tennessee	United States
2018 Median Household Income	$57,615	$49,776	$58,100
2028 Median Household Income	$71,040	$60,192	$74,364
Household Income Distribution (Percent)			
2018 Household Income			
Less than $24,999	18.4%	24.4%	20.6%
$25,000 to $49,999	24.1%	25.9%	22.1%
$50,000 - $74,999	19.0%	18.5%	17.6%
$75,000 - $99,999	13.5%	11.9%	12.6%
$100,000 - $199,999	19.5%	15.4%	20.4%
$200,000 or more	5.5%	3.9%	6.7%
Total	**100.0%**	**100.0%**	**100.0%**
2028 Household Income			
Less than $24,999	12.6%	17.1%	15.0%
$25,000 to $49,999	20.2%	22.7%	18.2%
$50,000 - $74,999	19.3%	19.5%	16.7%
$75,000 - $99,999	14.6%	13.5%	13.3%
$100,000 - $199,999	25.3%	21.1%	27.1%
$200,000 or more	8.0%	6.1%	9.7%
Total	**100.0%**	**100.0%**	**100.0%**

Notes: Amounts are shown in current dollars, i.e., 2018 data are shown in 2018 dollars and 2028 data are shown in 2028 dollars. Calculations of 2018 and 2028 median income and household income distribution are based on 2018 and 2023 forecasts from Esri.

Source: Esri Market Profiles for Air Service Area, Tennessee, and U.S., June 2019

Compiled by Partners for Economic Solutions, July 2019

The percentage of higher income households (defined as those earning $100,000 or more annually) within the Air Service Area is another key indicator of potential demand for air travel services. In 2018, approximately 186,600 Air Service Area households had an income of $100,000 or more. This is equal to approximately 25% of all Air Service Area households. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, 55% of airline fare expenditures are made by households with annual income of $100,000 or more. As shown in **Table 1-6,** the number of households with income greater than $100,000 in the Air Service Area is projected to increase by approximately 109,000 between 2018 and 2028, representing a CAGR of 4.7%, higher than the CAGR in Tennessee (4.4%) and the U.S. (3.9%).

Table 1-6 Households with Income Of $100,000 and Above (2018-2028)

	Air Service Area	Tennessee	United States
Total Households			
2018 Estimate	746,476	2,670,979	124,108,365
2028 Forecast	889,216	2,912,301	134,239,144
Increase in Households	142,740	241,322	10,130,779
CAGR 2018-2028[1]	1.8%	0.9%	0.8%
Households with Income of $100,000 and Above[2]			
2018 Estimate	186,619	515,499	33,633,367
2028 Forecast	296,109	792,146	49,400,005
Increase in Households with Income of $100,000 and Above	109,490	276,647	15,766,638
CAGR 2018-2028	4.7%	4.4%	3.9%
% of Households with Income of $100,000 and Above[2]			
2018 Estimate	25.0%	19.3%	27.1%
2028 Forecast	33.3%	27.2%	36.8%

[1] Compound annual growth rate.
[2] In current dollars.
Source: Esri Market Profiles for Air Service Area, Tennessee, and U.S., June 2019
Compiled by Partners for Economic Solutions, July 2019

1.2.1.5 Per Capita Personal Income

Personal income is a key indicator of a region's demand for air travel and includes the sum of wages and salaries, other labor income, proprietors' income, rental income of persons, dividend income, personal interest income, and transfer payments less personal contributions for government social insurance. Per capita personal income is a measure of the relative affluence of a region's residents and, consequently, of their ability to afford air travel.

Table 1-7 shows annual per capita income between 2008 and 2018 for the Air Service Area, Tennessee, and the U.S. From 2008 to 2018, per capita personal income in the Air Service Area was higher than that of Tennessee by an average of 19%. Between 2004 and 2014, per capita personal income in the Air Service Area was above that of the U.S. by an average of 5%.

Per capita personal income for the Air Service Area increased at a CAGR of 2.2% between 2008 and 2018, higher than the CAGR for both Tennessee and the U.S. (1.6% and 1.3%, respectively).

Projections for 2028 in Table 1-7 show that per capita income in the Air Service Area is projected to increase from $58,253 in 2018 to $68,590 in 2028. This increase represents a CAGR of 1.6% for the Air Service Area and is equal to the CAGR for Tennessee and slightly above that of the U.S. (1.5%) between 2018 and 2028.

Table 1-7 Historical and Projected Per Capita Personal Income (2008-2028)

Per Capita Personal Income (in 2018 Dollars)			
Year	**Air Service Area**	**Tennessee**	**United States**
2008	$46,644	$40,244	$47,005
2009	$46,226	$39,639	$45,186
2010	$47,478	$40,525	$45,851
2011	$48,754	$41,688	$47,123
2012	$50,460	$42,685	$48,251
2013	$49,961	$42,236	$47,871
2014	$52,007	$43,112	$49,476
2015	$54,680	$44,928	$51,362
2016	$55,957	$45,616	$51,740
2017	$57,413	$46,443	$52,691
2018	$58,253	$47,271	$53,518
Projected			
2028	$68,590	$55,403	$61,934
CAGR[1]			
2008-2018	2.2%	1.6%	1.3%
2018-2028	1.6%	1.6%	1.5%

[1] Compound annual growth rate.
Source: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source*, May 2019
Compiled by Partners for Economic Solutions, July 2019

1.2.1.6 Per Capita Gross Regional Product / Gross Domestic Product

Per capita gross domestic product (national level) and per capita gross regional product (state- and county-level) are measures of the value of all final goods and services produced within a geographic area, divided by the total population. These per capita measures are general indicators of the economic health of a geographic area and, consequently, of the area's potential demand for air transportation services.

Table 1-8 shows the per capita gross regional product for the Air Service Area and Tennessee, and per capita gross domestic product data for the U.S. from 2008 through 2018. Table 1-8 shows that the Air Service Area's per capita gross regional product increased from $57,998 in 2008 to $73,565 in 2018. Table 1-8 also indicates that per capita gross regional product for the Air Service Area increased at a CAGR of 2.4% between 2008 and 2018, significantly higher than that of Tennessee (1.5%) and the U.S. (1.1%) during the same period.

Per capita gross regional product for the Air Service Area is projected to increase from $73,565 in 2018 to $78,426 in 2028. This increase represents a CAGR of 0.6% for the Air Service Area and is lower than the CAGR for Tennessee and the U.S. (0.8% and 1.2%, respectively). Although the Air Service Area has higher per capita GRP than Tennessee or the U.S., its CAGR between 2018 and 2028 will be lower because of the Air Service Area's higher rate of population growth.

Table 1-8 Historical and Projected Per Capita Gross Regional and Gross Domestic Product (2008-2028)

Per Capita Gross Regional & Gross Domestic Product (in 2018 Dollars)			
Year	**Air Service Area**	**Tennessee**	**United States**
2008	$57,998	$46,282	$55,255
2009	$56,736	$45,700	$53,808
2010	$56,650	$45,537	$54,428
2011	$58,050	$46,153	$54,612
2012	$61,538	$47,603	$55,439
2013	$62,900	$48,175	$56,300
2014	$64,813	$48,930	$57,483
2015	$69,268	$51,417	$59,193
2016	$71,210	$52,252	$59,698
2017	$72,868	$53,109	$60,685
2018	$73,565	$53,714	$61,513
Projected			
2028	$78,426	$57,953	$68,968
CAGR[1]			
2008-2018	2.4%	1.5%	1.1%
2018-2028	0.6%	0.8%	1.2%

[1] Compound annual growth rate.
Source: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source*, May 2019
Compiled by Partners for Economic Solutions, July 2019

1.2.2 Labor Market Trends

Civilian labor force data, unemployment rates, and employment by industry data for the Air Service Area are discussed below and are presented in **Tables 1-9** and **1-10**. Parallel data for Tennessee and the U.S. is also shown to provide a basis of comparison for trends in the Air Service Area.

1.2.2.1 Labor Force and Unemployment Trends

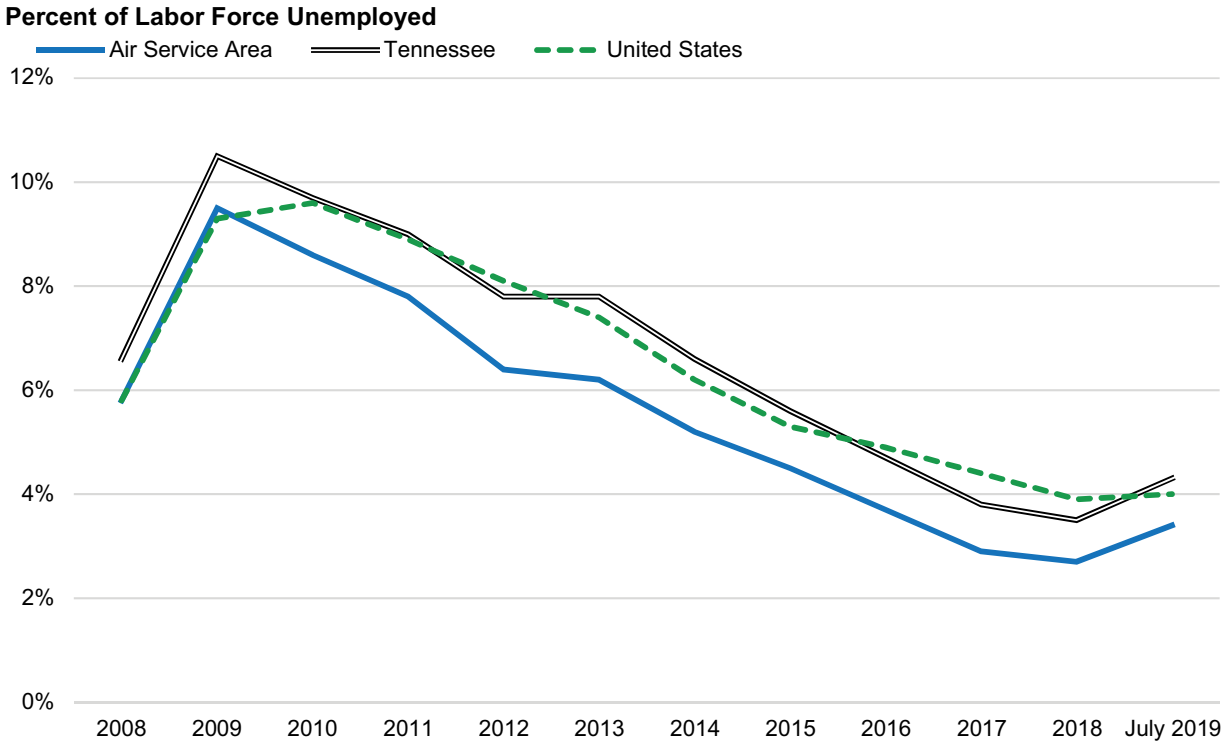
Table 1-9 presents annual civilian labor force and unemployment data from 2008 through 2018 for the Air Service Area, Tennessee, and the U.S. Between 2008 and 2018, the Air Service Area labor force grew at a CAGR of 2.2%—significantly higher than the CAGR in both Tennessee (0.6%), and the U.S. (0.5%). In absolute terms, the labor force in the Air Service Area increased by approximately 202,000 workers between 2008 and 2018.

The Air Service Area's annual unemployment rate was lower than Tennessee's in all years from 2008 through 2018. The annual unemployment rate in the Air Service Area was below that of the U.S. from 2010 through 2018. In 2008 and 2009, the Air Service Area unemployment rate was equal to or slightly higher than the U.S. rate.

As shown in Table 1-9, the unemployment rate in the Air Service Area was 3.4% (non-seasonally adjusted) in July 2019.[22] The Air Service Area's July 2019 unemployment rate was lower than the non-seasonally adjusted rate in the U.S. (4.0%) and in Tennessee (4.3%).[23]

[22] Monthly civilian labor force data published for the Air Service Area are not seasonally adjusted.
[23] In July 2019 the seasonally adjusted unemployment rate was 3.5% in Tennessee and 3.7% in the U.S.

Table 1-9 Civilian Labor Force and Unemployment Rate (2008-July 2019)



Year	Civilian Labor Force			Unemployment Rate		
	Air Service Area	Tennessee	United States	Air Service Area	Tennessee	United States
2008	840,352	3,054,785	154,287,000	5.8%	6.6%	5.8%
2009	843,606	3,052,678	154,142,000	9.5%	10.5%	9.3%
2010	878,271	3,090,795	153,889,000	8.6%	9.7%	9.6%
2011	896,649	3,125,307	153,617,000	7.8%	9.0%	8.9%
2012	901,255	3,100,671	154,975,000	6.4%	7.8%	8.1%
2013	905,781	3,067,431	155,389,000	6.2%	7.8%	7.4%
2014	910,839	3,024,186	155,922,000	5.2%	6.6%	6.2%
2015	937,044	3,061,506	157,130,000	4.5%	5.6%	5.3%
2016	972,731	3,128,882	159,187,000	3.7%	4.7%	4.9%
2017	1,011,209	3,190,166	160,320,000	2.9%	3.8%	4.4%
2018	1,042,993	3,244,921	162,075,000	2.7%	3.5%	3.9%
July 2019[1]	1,097,192	3,403,370	164,941,000	3.4%	4.3%	4.0%
CAGR[2]						
2008-2018	2.2%	0.6%	0.5%			

[1] July 2019 data are not seasonally adjusted. In July 2019, the seasonally adjusted unemployment rate was 3.5% in Tennessee and 3.7% in the U.S. Seasonally adjusted civilian labor force data are not available for the Air Service Area.
[2] Compound annual growth rate.
Source: Bureau of Labor Statistics, U.S. Department of Labor; September 2019
Compiled by Partners for Economic Solutions, October 2019

1.2.2.2 Employment by Industry

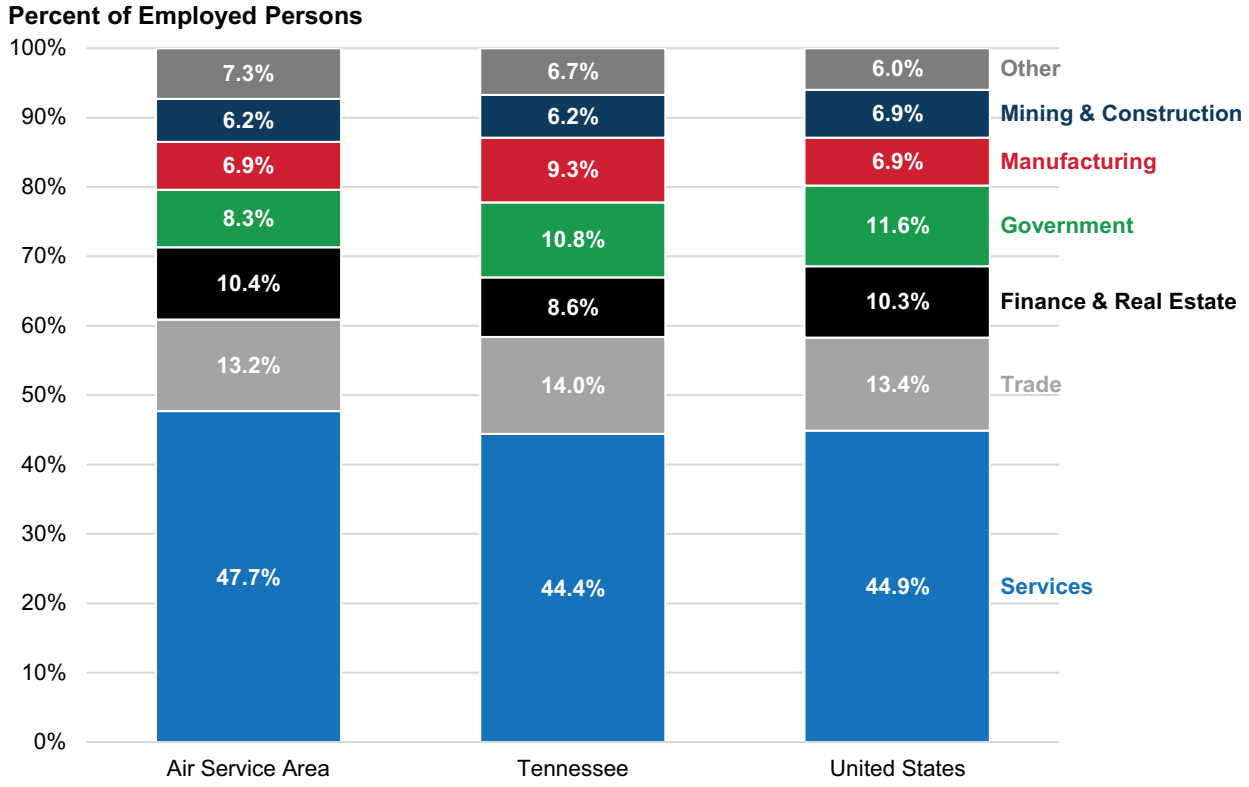
Figure 1-6 and **Table 1-10** presents the percentage of jobs by major industry sector in the Air Service Area, Tennessee, and the U.S. in 2008, 2018 and 2028. Non-agricultural employment in the Air Service Area increased from approximately 1,045,134 jobs in 2008 to approximately 1,318,433 jobs in 2018. The majority of Air Service Area jobs are in the service sector (47.7% in 2018), followed by wholesale/retail trade (13.2%), finance/insurance/real estate (10.4%), government (8.3%), manufacturing (6.9%), construction (6.2%), transportation/utilities (5.1%), and information (2.2%).

Compared to the U.S. overall, in 2018 the Air Service Area had an equal or higher percentage of jobs in services, finance/insurance/real estate, manufacturing, transportation/utilities, and information. In all other sectors (wholesale/retail trade, government, and construction) the Air Service Area had a lower proportion of employment compared to the U.S.

Between 2018 and 2028, approximately 259,000 new jobs are expected to be added to the Air Service Area economy. The greatest job gains are projected in services, finance/insurance/real estate, and transportation/ utilities.

The Air Service Area has a diversified employment base that is expected to provide the region with significant support for increased air travel demand and with a foundation for recovery following periodic downturns in the business cycle.

Figure 1-6 Employment by Industry (2018)



Source: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source*, May 2019

Table 1-10 Historical and Projected Employment by Industry (2008-2028)

Industry[1]	Air Service Area			Tennessee			United States		
	2008	2018	2028	2008	2018	2028	2008	2018	2028
Jobs									
Total	1,045,134	1,318,433	1,577,833	3,573,805	3,981,239	4,519,281	174,505,862	194,836,210	220,781,526
Share of Jobs									
Services	44.2%	47.7%	51.6%	40.4%	44.3%	48.2%	42.1%	44.8%	47.3%
Wholesale/Retail Trade	15.0%	13.2%	12.1%	15.3%	14.0%	12.9%	14.4%	13.4%	12.6%
Fin/Ins/Real Estate	9.5%	10.4%	10.5%	8.2%	8.6%	8.8%	9.6%	10.3%	10.9%
Government	10.0%	8.3%	7.7%	12.0%	10.8%	10.0%	12.9%	11.6%	10.9%
Manufacturing	7.9%	6.9%	5.6%	10.4%	9.3%	7.9%	8.0%	6.9%	6.0%
Construction[2]	7.0%	6.2%	5.5%	7.1%	6.2%	5.7%	7.4%	6.9%	6.5%
Transportation/Utilities	3.8%	5.1%	5.2%	4.9%	5.3%	5.2%	3.7%	4.3%	4.2%
Information	2.5%	2.2%	2.0%	1.7%	1.4%	1.3%	2.0%	1.7%	1.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[1] Non-agricultural employment only.
[2] Includes mining and forestry employment.
Source: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source*, May 2019
Compiled by Partners for Economic Solutions, July 2019

1.2.3 Regional Economic Profile

This section discusses the Air Service Area's business climate, major employers, business attraction and retention initiatives, tourism industry, and convention business.

1.2.3.1 Business Climate

The positive business climate in the Air Service Area is supported by a favorable tax structure, below average costs of doing business, below average living expenses, and recent legislation supporting workforce training and telecommunications infrastructure. With state tax incentives to encourage investment and no state income tax, the cost of doing business in the Air Service Area is approximately 10% lower than other metro areas in the U.S.[24] In addition, the Air Service Area has below average costs of living compared with other U.S. metro areas.[25]

Incentives available to new and expanding businesses in the Air Service Area include job training grants and infrastructure improvement grants for water, sewer, rail, gas, electricity, roadways, and telecommunications. Other incentives include: export assistance, job tax credits, industrial machinery tax credits, and sales and use tax exemptions.[26]

In 2018, the Tennessee legislature approved legislation to expand apprenticeship programs, provide better cellular infrastructure statewide, authorize the use of blockchain technology to secure contracts, and improve broadband service in rural areas. These measures were supported by the Nashville Area Chamber of Commerce to support the competitiveness of existing businesses and attract new companies to the Air Service Area.[27]

As a result of these proactive economic development initiatives, the Air Service Area's business-friendly environment is frequently cited by publications such as *Forbes*, *Site Selection* magazine, *Business Facilities* magazine, *INC.* magazine, *U.S. News & World Report*, *Money* magazine, and others.[28]

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24 Nashville Area Chamber of Commerce, Relocate or Expand, https://www.nashvillechamber.com/economic-development/relocate-or-expand, accessed July 2019.

25 2018 Cost of Living Annual Average Data, January 2019, Council for Community and Economic Research, accessed July 2019.

26 Incentives & Grants, Tennessee Department of Economic and Community Development, IncentiveFactSheet.pdf, https://tnecd.com/ advantages/incentives-grants, accessed July 2019.

27 Nashville Area Chamber of Commerce, Legislative Priorities, https://www.nashvillechamber.com/public-policy/legislative-priorities, https://s3.amazonaws.com/nashvillechamber.com/PDFs/2018_metro_legislative_scorecard.pdf, accessed July 2019.

28 Rankings, Nashville Area Chamber of Commerce, https://www.nashvillechamber.com/rankings, accessed July 2019.

1.2.3.2 Major Employers

Fortune magazine publishes a yearly list of the top 1,000 publicly traded companies in the U.S., ranked by annual revenue. **Table 1-11** shows that among the 10 Fortune 1000 corporations headquartered in the Air Service Area are firms such as HCA Healthcare (ranked 67th); Dollar General (119th); Tractor Supply (388th); Brookdale Senior Living (573rd); Cracker Barrel Old Country Store (761st); and Louisiana-Pacific (794th). The 10 Fortune 1000 companies headquartered in the Air Service Area have combined revenue of approximately $120 billion annually.

Table 1-11 Air Service Area Fortune 1000 Company Headquarters (2019)[1]

Company	Fortune 1000 Rank	2018 Revenue ($ billions)	Industry
HCA Healthcare*	67	$46.7	Health Care
Dollar General*	119	$25.6	Retail
Community Health Systems	223	$14.2	Health Care
Delek U.S. Holdings	307	$10.3	Petroleum Refining
Tractor Supply*	388	$7.9	Retail
Brookdale Senior Living*	573	$4.5	Health Care
Cracker Barrel Old Country Store*	761	$3.0	Restaurant
Acadia Healthcare	763	$3.0	Health Care
Genesco	781	$2.9	Retail
Louisiana-Pacific*	794	$2.8	Wood Products

[1] Based on 2018 revenue.
* Denotes corporate headquarters in the Air Service Area.
Source: "2019 Fortune 500," *Fortune*, June 2019; Fortune 1000 companies in Tennessee, https://fortune.com/fortune500/2019/search/?hqstate=TN, accessed July 2019
Compiled by Partners for Economic Solutions, July 2019

The health care industry plays a central role in the Air Service Area's economy. A recent study prepared for the Nashville Health Care Council found that in 2018 the Air Service Area was home to more than 900 health care companies.[29] In terms of economic impact, the health care industry contributes approximately 121,000 direct jobs and approximately $23.0 billion in direct revenue to the Air Service Area's economy.[30] The Nashville Health Care Council also reports that the Air Service Area's 18 publicly traded health care companies employ more than 504,000 people globally. These 18 companies have combined annual revenue of approximately $73.4 billion and represent diverse sub-sectors such as behavioral health, hospital management, health information technology, advanced life sciences research, and clinical providers (ambulatory services, hospitals, nursing and residential care facilities).[31]

In addition, Air Service Area-based health care firms operate approximately 3,100 facilities in 49 states. Links to the international health care industry are also strong. With more than 20 trade delegations to countries in Europe, Asia, and Latin America since 1999, the Air Service Area's health care community is focused on developing business opportunities in foreign countries. Currently, Air Service Area health care firms operate facilities in Canada, the United Kingdom, Ireland, Australia, New Zealand, Israel, the Philippines, and South Korea.[32]

Other major employers in the Air Service Area are shown in **Table 1-12**. These companies and institutions represent a variety of industries including: health care (Vanderbilt University Medical Center, HCA Healthcare Inc., Community Health Systems, UnitedHealth Group); education (Vanderbilt University, Middle Tennessee State University); automotive (Nissan North America, Bridgestone Americas); appliances (Electrolux); human resources services (Randstad); retail (Amazon, Lowe's, The Kroger Co.); restaurants (Cracker Barrel Old Country Store, Shoney's); telecommunications (AT&T Inc., Verizon Wireless); and insurance (Asurion). In addition to contributing to the Air Service Area's diverse economic base, the region's top employers depend on air passenger and freight service for the continued health and expansion of their business enterprises.

[29] Annual Report, September 2018, Nashville Health Care Council, https://healthcarecouncil.com/wp-content/uploads/2018/09/2018-Annual-Report_with-cover.pdf, accessed July 2019.

[30] Nashville Health Sector Research, June 2018, Nashville Chamber of Commerce, https://healthcarecouncil.com/wp-content/uploads/ 2018/09/FULL-STUDY-2018-Nashville-Health-Care-Sector-Research.pdf, accessed July 2019.

[31] Publicly Traded Health Care Companies, Nashville Health Care Council, http://healthcarecouncil.com/nashville-health-care-industry/ industry-research/public-health-care-companies, accessed July 2019.

[32] Nashville Health Sector Research, June 2018, Nashville Chamber of Commerce, https://healthcarecouncil.com/wp-content/uploads/ 2018/09/FULL-STUDY-2018-Nashville-Health-Care-Sector-Research.pdf, accessed July 2019.

Table 1-12 Top 25 Air Service Area Employers

Company	Local Employees	Industry
Vanderbilt University Medical Center	18,600	Health Care
Nissan North America	16,139	Automotive
HCA Healthcare Inc. (#67)[1]	14,963	Health Care
Vanderbilt University	11,898	Education
Saint Thomas Health	10,813	Health Care
Community Health Systems (#223)	8,700	Health Care
Randstad	8,500	Human Resources Services
Asurion	6,135	Insurance
The Kroger Co.	5,995	Retail
National HealthCare Corp.	5,481	Health Care
Shoney's	4,637	Restaurant
Electrolux Home Products	4,527	Appliances
Bridgestone Americas	4,446	Automotive
Lowe's	3,906	Retail
Cracker Barrel Old Country Store (#761)	3,757	Restaurant
Amazon.com	3,533	Online Services and Retail
Gaylord Opryland Resort	3,418	Hospitality
AT&T Inc.	3,378	Telecommunications
Dollar General Corp. (#119)	3,300	Retail
Middle Tennessee State University	3,292	Education
UnitedHealthcare	3,000	Health Care
Goodwill Industries of Middle TN	3,000	Non-Profit
Verizon Wireless	2,946	Telecommunications
Ingram Content Group Inc.	2,674	Digital Publishing
A.O. Smith Corp.	2,645	Water Heater Manufacturing

[1] Number indicates ranking within 2019 Fortune 1000.
Source: Major Employers, Nashville Chamber of Commerce, https://www.nashvillechamber.com/explore/work/major-employers, accessed July 2019
Compiled by Partners for Economic Solutions, July 2019

1.2.3.3 Business Attraction and Retention

Business attraction and retention initiatives in the Air Service Area are led by the Mayor's Office of Economic and Community Development and the Nashville Area Chamber of Commerce. Services include job training assistance, job grants for small businesses, incentives for improvements to historical buildings and blighted properties for commercial use, property tax reduction for projects involving large capital investment, fast track permitting, and one-stop business assistance to expedite regulatory processes for existing and relocating businesses.[33]

Tennessee's nationally recognized higher education reforms and workforce training programs provide additional incentives for business relocation. The goal of the Drive to 55 initiative[34] is to increase the percentage of Tennessee workers with an associate, bachelor's, or graduate degree to 55% by 2025.[35] Tennessee was the first U.S. state to allow high school graduates to attend a community college or technical college free of tuition and fees. Launched in 2014, the Tennessee Promise scholarship program has experienced record enrollment and retention rates.[36] Other skills-oriented education reforms in Tennessee include Tennessee Reconnect (tuition-free community college for adults who do not have a degree), and Tennessee Reconnect TCAT (tuition free attendance at Tennessee College of Applied Technology for adults).[37] In addition, the state also provides academically challenging dual-credit programs that give high school students the opportunity to earn college credit in courses such as calculus, statistics, business, and communications.[38]

In November 2018, Amazon announced plans to build a 20-floor office tower in downtown Nashville for approximately 5,000 workers.[39] Amazon's new "Operations Center of Excellence" will include technology and management functions of its retail division with jobs in customer service, order fulfillment, and transportation and supply chain management. The facility will serve as the executive offices of Amazon's nationwide logistics business. Amazon currently employs 3,000 workers at four distribution facilities in the Air Service Area, with another 500 jobs planned at a fifth distribution center north of downtown Nashville.[40]

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33 Nashville Area Chamber of Commerce, Taxes & Incentives, https://www.nashville chamber.com/economic-development/relocate-or-expand/taxes-incentives; Mayor's Office of Economic & Community Development, Business Incentives, https://www.nashville.gov/Mayors -Office/Economic-and-Community-Development/Incentives.aspx, accessed July 2019.

34 Drive to 55 Alliance, driveto55.org, accessed July 2019.

35 In 2018, approximately 48% of Air Service Area residents aged 25 and above held an associate, bachelor's, or graduate degree, see Table 1-4.

36 Tennessee Promise, driveto55.org/initiatives/tennessee-promise, accessed July 2019.

37 Postsecondary Education Attainment Initiatives in Tennessee, Nashville Region's 2018 Vital Signs, Nashville Area Chamber of Commerce, https://s3.amazonaws.com/nashvillechamber.com/PDFs/VS_2018_LM_FINAL.pdf, accessed July 2019.

38 Statewide Dual Credit, Tennessee Department of Education, https://www.tn.gov/education/early-postsecondary/dual-credit.html, accessed July 2019.

39 "Here's how many people Amazon plans to hire in Nashville this year," 3 January 2019, *Nashville Business Journal*, https://www. bizjournals.com/nashville/news/2019/01/03/heres-how-many-people-amazon-plans-to-hire-in.html, accessed July 2019.

40 "Amazon to add 5,000 jobs in Nashville," November 13, 2018, *Nashville Business Journal*, https://www.bizjournals.com/nashville/ news/2018/11/13/report-amazon-to-add-5-000-jobs-in-nashville.html, accessed July 2019.

In addition, global money manager AllianceBernstein is moving its corporate headquarters from New York City to downtown Nashville, bringing an estimated 1,050 jobs. Automaker Mitsubishi Motors will relocate its North American headquarters from California to Franklin (200 jobs), professional services firm Ernst & Young announced a 600-job expansion in downtown Nashville, and frozen drink brand The Icee Company will move its headquarters from California to La Vergne (200 jobs).[41]

Other recent business relocations or expansions in the Air Service Area in recent months include Advanced Plating, Arcosa Marine, Asurion, Caymas Boats, CKE Restaurants, Clayton Homes, Corsair Distillery, Dorman Products, Faurecia Interior Systems, Fuel Total Systems, i3 Verticals, KeepTruckin Inc., Maplehurst Bakeries, Medacta, Military Systems Group, NomNomNow, Pilot.com, Quore, Rooms To Go, SmileDirectClub, Specialty Care Inc., Sports Endurance, Tate Ornamental, The Buntin Group, Toto North America, Tru Form Manufacturing, Western Express, and Xtend Healthcare.[42] Factors cited in these expansions and relocations include Tennessee's positive business climate, skilled workforce, transportation links, expanding housing supply, urban amenities, and quality of life.[43]

Site selection and business relocation experts underscore the importance of air service and the impression a region's airport facilities give to business and leisure travelers.[44] Because access to domestic and international markets is a major factor in the site selection process, the Airport plays a significant role in business attraction and expansion in the Air Service Area.

In addition, operations at the Airport itself make an important contribution to the regional economy. A recent economic impact study found that the passenger and air cargo activity at Nashville International Airport generate approximately 7,600 direct jobs, $330 million in direct personal income, $3.0 billion in direct business revenue, $66 million in state and local taxes, and $224 million in federal aviation taxes.[45]

With 5,000 professional musicians and 190 recording studios, the concentration of musicians and music businesses in the Air Service Area is the highest in the nation. The Air Service Area has generated creative talent since the 1930s and is home to many top musicians, songwriters, and actors such as Taylor Swift, Tim McGraw, Faith Hill, Justin Timberlake, Jack White, Sheryl Crow, The Black Keys, Paramore, Kings of Leon, Keith Urban, Nicole Kidman, and Reese Witherspoon, among others.

Leading music and entertainment employers in the Air Service Area include Apple Music, Big Machine Records, Billboard, BMG/Chrysalis Publishing, BMI, Broken Bow, Creative Artists Agency, Capitol Records, CMT (Country Music Television), Country Music Hall of Fame & Museum, Curb Records, GAC (Great American Country TV), Gibson Guitar Corporation, LiveNation, Musicians Hall of Fame & Museum, Ryman Hospitality Properties, Sony Entertainment, Sony/ATV Music Publishing, St. Jude Country Cares, Third Man Records, Universal Music Group, Vector Management, Viacom, Warner Music Nashville, and William Morris Agency.

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41 Newsroom, Tennessee Department of Economic and Community Development, https://tnecd.com/media/newsroom/?_sf_s=economic% 20development&_sft_category=press, accessed July 2019.

42 Newsroom, Tennessee Department of Economic and Community Development, https://tnecd.com/media/newsroom/?_sf_s=economic% 20development&_sft_category=press, accessed July 2019.

43 *Nashville Regional Economic Development Guide*, June 2019, Nashville Area Chamber of Commerce, https://s3.amazonaws.com/ nashvillechamber.com/PDFs/ECD_Final.pdf, accessed July 2019.

44 "Ceiling Unlimited: A Blueprint for Airport & Regional Growth," January 2019, Site Selection, https://siteselection.com/issues/2019/jan/ nashville-international-airport-ceiling-unlimited.cfm, accessed July 2019.

45 The Economic Impact of Nashville International and John C. Tune Airports, 10 June 2019, Martin Associates, https://www.flynash ville.com/about/Documents/Economic%20Impact%20Study%202019/FullReport.pdf, accessed July 2019.

Music and entertainment associations with headquarters in the Air Service Area include ASCAP (American Society of Composers, Authors and Publishers), Americana Music Association, Academy of Country Music, Barbershop Harmony Society, Country Music Association, Country Radio Broadcasters, Gospel Music Association, International Bluegrass Music Association, National Museum of African American Music, Nashville Songwriters Association International, and SESAC (Society of European Stage Authors and Composers).

Nashville's diverse music and entertainment industry account for approximately 56,000 jobs in the region and contribute approximately $5.5 billion to the Air Service Economy.[46] With London, New York, and Los Angeles, Nashville is among the top four global locations for the music industry. Travel requirements for industry executives, performers, and support staff are an important source of demand for air service at the Airport.

Recognizing the music industry's importance as an economic engine in the region, the Nashville Mayor's Office, the Nashville Area Chamber of Commerce, and the Nashville Convention & Visitors Corp formed the Music City Music Council (MC2). The MC2 partnership works to support and facilitate the advancement of music industry technology, publishing, artist development, creative enterprises, and support/logistics in the Air Service Area.[47]

1.2.3.4 Tourism Industry

An estimated 15.8 million people traveled to the Air Service Area in 2018, approximately 5% more than in 2017 (14.5 million visitors).[48] Annually, Air Service Area visitors generate approximately $7.0 billion in direct spending $522 million in state and local tax revenue.[49]

The Air Service Area is home to a rich variety of cultural attractions and entertainment venues such as the Tennessee Performing Arts Center, Ryman Auditorium, Schermerhorn Symphony Center, Nashville Municipal Auditorium, War Memorial Auditorium, OZ Arts Nashville, Ascend Amphitheater, and others. Among the Air Service Area's nationally acclaimed performing arts companies are the Nashville Ballet, Nashville Symphony, Nashville Opera, Nashville Repertory Theatre, and Nashville Children's Theatre.

Other cultural and educational attractions include the Frist Center for the Visual Arts, The Parthenon, Tennessee State Museum, Nashville Zoo, Adventure Science Center, Madam Tussauds (wax museum), Patsy Cline Museum, Sudekum Planetarium, Cumberland Caverns, and Cheekwood Botanical Garden and Museum of Art.

Historic sites and recreational attractions include the Tennessee State Capitol, The Hermitage (home of President Andrew Jackson and a National Historic Site), Belle Meade Plantation, Fort Nashborough, Fort Negley, and Bicentennial Capitol Mall State Park.

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46 Nashville Regional Economic Development Guide, June 2019, https://s3.amazonaws.com/nashvillechamber.com/PDFs/ECD_Final.pdf, accessed July 2019.

47 Mayor's Office of Economic & Community Development, Music City Music Council, https://www.nashvilleNashville.gov/Mayors-Office/Priorities/Economic-Development/Programs-and-Community-DevelopmentServices/Music-City-Music-Council.aspx, accessed July 2019October 2015.

48 Research & Hospitality Statistics, Nashville Convention & Visitors Corp., https://www.visitmusiccity.com/research, accessed July 2019.

49 Nashville Tourism & Hospitality, Nashville Convention & Visitors Corp., https://www.visitmusiccity.com/sites/www/files/2019-08/Hospitality Stats.pdf, accessed September 2019.

The Grand Ole Opry House, home of Grand Ole Opry radio broadcasts since 1974, has completed a $12 million expansion providing additional retail space, 1,300 parking spaces, and upgraded backstage facilities. The Country Music Hall of Fame and Museum, Grammy Museum Gallery, Music City Walk of Fame Park, Musicians Hall of Fame and Museum, Historic RCA Studio B, The Johnny Cash Museum, Fontanel Mansion (home of Barbara Mandrell), Loretta Lynn's Ranch, Willie Nelson and Friends Museum, and other attractions also play an important role in celebrating the Air Service Area's prominence in the history and development of country music. Visitors are also attracted by performances at the Air Service Area's 160 live music venues and by annual events such as the CMA Awards, CMA Music Festival, Bonnaroo Music Festival, Jack Daniel's® New Year's Eve Bash on Broadway, and Music City July 4th: "Let Freedom Sing!" celebration (an award-winning fireworks display that attracted approximately 343,000 attendees in 2019, a new record)[50].

Opening in downtown Nashville in 2020, the National Museum of African American Music (NMAAM) will be a 56,000 square-foot facility dedicated to preserving the legacy of music genres created and influenced by generations of African Americans. NMAAM will combine historical exhibits and artifacts with interactive technology, allowing visitors to explore over 50 music genres and subgenres and discover the history and connections between classical, jazz, country, hip hop and other musical forms.[51]

The NFL Draft was held in Nashville for the first time in April 2018, attracting 600,000 visitors and generating a record breaking $133 million in direct spending. Live video of the draft was transmitted to 115 countries and drew 47.5 million viewers. The two-day event had the highest attendance and viewership in NFL Draft history.[52]

Professional sports teams based in the Air Service Area include football (Tennessee Titans), hockey (Nashville Predators), and Triple-A baseball (Nashville Sounds). A Nashville holiday tradition, the annual Music City Bowl is a post-season collegiate bowl featuring the Atlantic Coast and Southeastern Conferences that is televised nationally to millions of viewers.

Professional soccer team Nashville SC (Nashville Soccer Club) was founded in 2016 and will begin competition as a Major League Soccer franchise in 2020. A new, $250 million, 27,500-seat dedicated soccer stadium will open in 2022 at the historic Nashville Fairgrounds, approximately 2.5 miles from downtown Nashville. The team will play its first two years at Nissan Stadium, home of the Tennessee Titans.[53]

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50 "It's a Bash-Hit: Record Crowd Packs Downtown for Fireworks," Nashville Business Journal, 5 July 2019, https://www.bizjournals.com/ nashville/news/2019/07/05/its-a-bash-hit-record-crowd-packs-downtown-for.html, accessed September 2019.

51 National Museum of African American Music, https://nmaam.org, accessed July 2019.

52 NFL Draft Generates Record Direct Spending in Nashville of $133 Million, 22 May 2019, Nashville Convention & Visitors Corp., https:// www.visitmusiccity.com/media/press-release/2019/nfl-draft-direct-spending, accessed July 2019.

53 "Nashville SC: MLS team moving to stadium at The Fairgrounds in 2022," 19 March 2019, *The Tennessean*, https://www.tennessean. com/story/sports/nashvillesc/2019/03/21/nashville-sc-mls-stadium-ian-ayre-fairgrounds/3235867002; "Nashville MLS team: Stadium deal done, pro soccer in Music City," 6 September 6 2018, *The Tennessean*, https://www.tennessean.com/story/sports/2018/09/05/nashville-mls-stadium-pro-soccer-team/1200230002, accessed July 2019.

Nashville, an award-winning prime time television drama, has been credited with boosting tourism to the Air Service Area and filmed 124 episodes before its sixth and final season in 2018. Other television programs and reality TV series filmed in the Air Service Area (i.e., *Flip or Flop Nashville*, *American Pickers*, *Chasing Nashville*, *The Willis Family*, *Music City*, etc.) have similarly brought exposure to the Air Service Area and have given a national stage to local country music performers. In addition, numerous travel magazines and websites such as *Travel + Leisure*, *Forbes*, TripAdvisor.com, Thrillist.com, *Condé Nast Traveler*, *AFAR*, *Fodor's Travel*, and *Lonely Planet* regularly name Nashville a top travel destination.[54]

Nashville has also been cited as a top location for restaurants, live music, historical attractions, urban green spaces, and a vibrant arts community by publications and websites including *Zagat*, OpenTable.com, *USA Today*, *Rolling Stone*, *The New York Times*, *Southern Living*, *Esquire*, and *National Geographic*. In addition, the Nashville Convention & Visitors Corp is a 16-time winner of the Pinnacle Award from *Successful Meetings* magazine in recognition of its meeting planning services.[55]

The region's wide array of cultural choices and entertainment options is an important factor supporting repeat visitation. The ability to see attractions or undertake activities that were missed on a previous visit has been cited as a significant element in a visitor's intent to return to a travel destination.[56]

1.2.3.5 Convention Business

Music City Center (MCC), Nashville's new downtown convention center, opened in 2013 with 1.2 million square feet of public space including 353,000 square feet of exhibit space, two ballrooms, 60 meeting rooms, a business center, and a parking garage with 1,800 spaces. Reflecting Nashville's dedication to sustainability, MCC was awarded LEED Gold Certification from the U.S. Green Building Council. Solar panels, a rainwater collection system, and a four-acre green roof are among MCC's numerous environmentally sustainable features.[57] Located on 16 acres in the heart of downtown Nashville, MCC was built to allow Nashville to host large conventions and is among the top 40 largest convention centers in the U.S. MCC's extensive facilities and state-of-the-art exhibit space improve Nashville's competitive position relative to facilities in Indianapolis, Charlotte, Austin, Raleigh, Jacksonville, Tampa, Louisville, and other major convention cities. On average, MCC hosts 250-275 events throughout the year with a total of 500,000 attendees. Nashville's popularity as a convention destination continues to grow and MCC has contracts booked as far in advance as 2033.[58]

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54 Accolades & Honors, Nashville Convention & Visitors Corp., https://www.visitmusiccity.com/accolades-honors, accessed July 2019.

55 Pinnacle Winners, Successful Meetings, http://www.successfulmeetings.com/Content/Pinnacle/winner.aspx?id=26934&t=CVB&r=SE, accessed July 2019.

56 Jeffrey M. Caneen, "Cultural Determinants of Tourist Intention to Return," published in *Consumer Psychology of Tourism, Hospitality and Leisure*, CABI Publishing, 2004.

57 Music City Center Fun Facts, Nashville Convention & Visitors Corp., https, http://www.visitmusiccity.com/meetings/music-city-center mccfunfacts, accessed July 2019.

58 Music City Center, Sales & Marketing Department, e-mail correspondence, September 2019.

The high number of meeting rooms at MCC, 60 in total, makes the facility especially attractive to meeting planners since an increasing number of organizations prefer small meeting rooms with top quality amenities for use as break-out rooms or educational events. Many older, larger convention facilities in the U.S. were built in an era when expansive exhibit space was more popular, and they lack the number of meeting rooms offered by MCC. In addition, the Air Service Area contains approximately 45,660 hotel rooms, a 19% increase since 2014. Another 15 hotels with 3,900 rooms are planned to open in the Air Service Area by 2022.[59] This ample lodging supply allows meeting planners the capacity to reserve blocks of thousands of rooms that are needed to accommodate large conventions. The combination of extensive convention facilities at MCC along with a growing supply of hotel rooms give Nashville to ability to host 75 % of the conventions held in the U.S.

Gaylord Opryland Resort & Convention Center, located east of downtown Nashville in Music Valley, is one of the largest non-gaming hotel properties in the United States. The complex includes 2,888 hotel rooms, 760,000 square feet of meeting space, six ballrooms, and 86 meeting rooms. Amenities include three swimming pools, fitness center, golf course, 20,000-square-foot spa, nine acres of indoor gardens and waterfalls, and dozens of shops, restaurants, and clubs.[60] The resort recently completed a $16 million renovation of guest rooms, meetings rooms, and a ballroom.[61]

Many of the Air Service Area's iconic sites are also available as meeting, reception, and banqueting spaces such as the Country Music Museum and Hall of Fame, Adventure Science Center, Grand Ole Opry House, Frist Center for the Visual Arts, General Jackson Showboat, The Johnny Cash Museum, Musicians Hall of Fame and Museum, Nashville Zoo, The Parthenon, Schermerhorn Symphony Center, and the Tennessee Performing Arts Center.

The business community and government, at both the state and local level, place a high priority on promoting the Air Service Area and Tennessee to vacationers, conventions and meeting planners, business travelers, and international visitors.[62]. Since 2014, the Tennessee Department of Tourist Development has run "The Soundtrack of America: Made in Tennessee" national and international marketing campaign with an annual budget of $11 million. The campaign promotes Tennessee as a convention and tourist destination through television commercials, online YouTube videos, online display ads, and social media outlets such as Facebook, Twitter, Pinterest, and Instagram.[63]

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59 Developments & Renovations, Nashville Convention & Visitors Corp., https://www.visitmusiccity.com/developments-renovations, accessed July 2019.

60 Gaylord Opryland Resort & Convention Center, https://www.marriott.com/hotels/fact-sheet/travel/bnago-gaylord-opryland-resort-and-convention-center, accessed July 2019.

61 Developments & Renovations, Nashville Convention & Visitors Corp., https://www.visitmusiccity.com/developments-renovations, accessed July 2019.

62 About the Department, Tennessee Department of Tourist Development, https://www.tn.gov/tourism/about-the-department.html, accessed July 2019.

63 "Sights & Sounds of Tennessee," Tennessee Department of Tourist Development, https://www.tn.gov/tourism/news/2018/6/14/-sights---sounds-of-tennessee--fill-london-s-waterloo-station-launching-month-long-campaign-to-drive-uk-visitors-to-tennessee.html, accessed July 2019.

The Tennessee Department of Tourist Development and the Metropolitan Government of Nashville were sponsors of the PBS series "Country Music" from world-renowned documentary filmmaker Ken Burns. The series chronicles the evolution of country music in the 20th century in eight two-hour episodes and attracted approximately 40 million viewers.[64] Portions of the documentary were filmed in Nashville, Knoxville, Memphis and Bristol, and over 100 recorded interviews with artists such as Dolly Parton, Loretta Lynn, Merle Haggard, Willie Nelson, and Roseanne Cash will be donated to the Country Music Hall of Fame in Nashville. In March 2019, Ken Burns and several musical artists featured in the film traveled with state officials on a promotional tour for the series which was broadcasted in September 2019.[65]

In the Air Service Area, the Convention Services Department of the Nashville Convention & Visitors Corp (NCVC) has dedicated staff who assist meeting and convention planners. The NCVC's Convention Services Department has a City Services Liaison to coordinate with Air Service Area government offices to facilitate permits, approvals, street closures, security for off-site functions, letters of welcome from public officials, pole banner reservations, city park reservations and airport welcome messages.[66] In order to serve meeting professionals and other clients in the U.S. and international markets, the NCVC has regional offices in Atlanta, Chicago, Dallas, Denver, Los Angeles, Philadelphia, Washington, D.C., Germany, and the United Kingdom.[67]

1.2.4 Economic Outlook

U.S. GDP growth from FY 2020 through FY 2028, referred to in this Report as the forecast period, is expected to be supported by a strong job market, low unemployment rates, moderate wage gains, low inflation,[68] and moderate gains in real disposable personal income[69] and household net worth.[70] However, concerns about trade tensions and slowing global growth are reflected in a drop in business confidence and decelerating business investment.[71] The most recently published forecast by business economists from the National Association for Business Economics (NABE) indicates consensus for annual real U.S. GDP growth of 2.6% in 2019 and 2.1% in 2020. The NABE forecast also estimates an average annual U.S. unemployment rate of 3.7% in 2019 and 3.6% in 2020.[72]

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64 "Tennessee plans $1 million for Ken Burns country music documentary," 28 January 2019, https://www.timesfreepress.com/news/ breakingnews/story/2019/jan/28/tennessee-plans-1-million-ken-burns-country-music-documentary/487558, accessed July 2019.

65 "Ken Burns Hits the Road to Promote New 'Country Music' Doc," 28 March 2019, U.S. News & World Report, https://www.usnews.com/ news/best-states/tennessee/articles/2019-03-28/ken-burns-hits-the-road-to-promote-new-country-music-doc, accessed July 2019.

66 Our Services, Nashville Convention & Visitors Corp.,https://www.visitmusiccity.com/meetings/convention-services/our-services, accessed July 2019.

67 NCVC Sales Staff Contacts, Nashville Convention & Visitors Corp.,https://www.visitmusiccity.com/ncvc-tourism-sales-staff-contacts, accessed July 2019.

68 Monetary Policy Report July 2019, Board of Governors of the Federal Reserve System, https://www.federal reserve.gov/ monetary policy/2019-07-mpr-summary.htm, accessed September 2019.

69 Bureau of Economic Analysis, News Release, Personal Income and Outlays: June 2019, Personal Income and Outlays: June 2019, https://www.bea.gov/system/files/2019-07/pi0619.pdf, accessed September 2019.

70 Bureau of Economic Analysis, Integrated Macroeconomic Accounts for the United States, Table S.3.a Households and Nonprofit Institutions Serving Households, Revised 21 June 2019, https://apps.bea.gov/itable/itable.cfm?reqid =14&step=1, accessed September 2019.

71 Semiannual Monetary Policy Report to the Congress, Testimony before the Committee on Financial Services, U.S. House of Repre-sentatives, Washington, D.C., 10 July 2019, Federal Reserve Chair Jerome H. Powell, https://www. federalreserve.gov/newsagents/ testimony/powell20190710a.htm, accessed September 2019.

72 National Association for Business Economics, *NABE Outlook*, June 2019.

According to the University of Tennessee's Center for Business and Economic Research, there will be continued growth in the state's economy in between 2019 and 2028, led by above-average growth in the information, professional and business services, durable goods manufacturing, wholesale trade, education, and health industries.[73]

Table 1-13 presents a summary of 2018 and 2028 economic variables for the Air Service Area and for the U.S. including population, employment, personal income, and gross regional and domestic product. Growth expectations for these variables are generally higher in the Air Service Area than in the U.S. Notably, personal income, population, and employment are projected to have relatively stronger growth rates in the Air Service Area, thus indicating the ongoing capacity of the Air Service Area to continue to generate demand for air travel services during the forecast period.

Table 1-13 Passenger Demand Forecast Variables (2018-2028)

Variable[1]	2018	2028	CAGR[2] 2018-2028
Air Service Area Population	1,905,887	2,190,760	1.4%
U.S. Population	328,094,150	351,209,902	0.7%
Air Service Area Total Employment	1,318,433	1,577,833	1.8%
U.S. Total Employment	194,836,210	220,781,526	1.3%
Air Service Area Total Personal Income ($ billion)	$111.0	$150.3	3.1%
U.S. Total Personal Income ($ billion)	$17,559	$21,752	2.2%
Air Service Area Per Capita Personal Income	$58,253	$68,590	1.6%
U.S. Per Capita Personal Income	$53,518	$61,934	1.5%
Air Service Area Gross Regional Product ($ billion)	$140.2	$171.8	2.1%
U.S. Gross Domestic Product ($ billion)	$20,182	$24,222	1.8%
Air Service Area Per Capita GRP	$73,565	$78,426	0.6%
U.S. Per Capita GDP	$61,513	$68,968	1.2%

[1] All dollar amounts are in 2018 dollars.
[2] CAGR = Compound annual growth rate.
Source: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source*, May 2019
Compiled by Partners for Economic Solutions, July 2019

[73] An Economic Report to the Governor of the State of Tennessee, January 2019, Boyd Center for Business and Economic Research, The University of Tennessee, http://cber.haslam.utk.edu/erg/erg2019.pdf, accessed July 2019.

2 Air Service and Traffic Analysis

This Chapter describes and evaluates the current 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 the forecast 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. Airline performance is analyzed from an economic perspective by evaluating carrier revenue, yield, and load factor in total from the Airport and, in some cases, at the route level to generally ascertain current airline profitability. The Airport's overall O&D market is assessed at the market level, comparing performance with prior years.

2.1.1 Airlines Operating at the Airport

The Airport is supported by a portfolio of stable air service from the largest U.S. airlines in the industry. As of October 2019, the Airport had scheduled passenger service by 24 U.S. airlines and seven foreign flag carriers. In addition, there was cargo service provided by six all-cargo airlines. **Table 2-1** lists the passenger and cargo airlines that served the Airport as of October 2019.

To illustrate the recent specific trends in changes to the passenger market share, **Table 2-2** provides the enplaned passengers by airline with the associated market share at the Airport from FY 2014 through FY 2019. Factoring in airline mergers, the top four passenger airlines serving the Airport, which comprised 91.6% of the Airport's enplaned passenger market share in FY 2019, are Southwest, American, United, and Delta. Over the last few years, several new airlines, particularly LCCs and ULCCs such as JetBlue Airlines (JetBlue), Allegiant Air (Allegiant), Sun Country Airlines (Sun Country), and most recently Spirit Airlines (Spirit), have begun or announced service at the Airport.

Table 2-3 compares key airline revenue metrics of each major airline, specific to their performance at the Airport, for CY 2018 versus CY 2007. This comparison period was chosen because CY 2018 is the latest full CY for which data are available and CY 2007 is the latest full CY representative of the prior peak before the U.S. economic recession. It should be noted, that the revenue data presented does not include airline ancillary fees for items such as ticket changes, checked bags, priority seating, etc. In recent years, U.S. airlines have realized significant revenues from these ancillary fees. In CY 2018, U.S. airlines had approximately $4.8 billion in baggage fee revenues and approximately $2.7 billion in reservation cancellation/change fee revenues.[74]

[74] U.S. Department of Transportation, Bureau of Transportation Statistics, Schedule P-1.2, accessed July 2019

Table 2-1 Airlines Serving the Airport (as of October 2019)

Passenger Airlines			Cargo Carriers	
Signatory	**Regional Affiliates**	**Non-Signatory**	**Signatory**	**Non-Signatory**
Alaska Airlines	Air Wisconsin[1]	AeroMexico	Federal Express	Air General, Inc
Allegiant Air	Endeavor Air[2]	Air Georgian		Air Transport International
American Airlines	Envoy[3]	Boutique Air		Airborne Express
Delta Air Lines	ExpressJet[4]	British Airways		CSA
Frontier Airlines	GoJet Airlines[2]	Contour Airlines		Mountain Air Cargo
JetBlue	Mesa Airlines[3]	Sun Country		
Southwest Airlines	Republic Airways[1]	Sunwing		
United Airlines	Shuttle America[5]	Swift Air		
Spirit Airlines	SkyWest Airlines[5]	VivaAerobus		
	TransStates Airlines[4]	WestJet		
		WestJet Encore		
		Xtra Airways		

[1] Doing business as American Airlines and United Airlines.
[2] Doing business as Delta Air Lines.
[3] Doing business as American Airlines.
[4] Doing business as United Airlines.
[5] Doing business as Delta Air Lines and United Airlines
Source: Metropolitan Nashville Airport Authority, Passenger Activity Report.

Table 2-2 Airport Enplaned Passenger Market Share

Airline	Enplaned Passengers						Market Share					
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Southwest Airlines	2,879,200	3,114,815	3,426,391	3,655,441	4,009,180	4,517,284	54.2%	55.6%	55.8%	53.8%	53.7%	52.5%
American Airlines	1,108,415	1,133,316	1,156,141	1,176,043	1,235,501	1,348,801	20.9%	20.2%	18.8%	17.3%	16.5%	15.7%
Delta Air Lines	860,356	884,358	926,454	988,137	1,138,922	1,278,183	16.2%	15.8%	15.1%	14.6%	15.3%	14.9%
United Airlines	338,768	349,673	448,396	543,704	600,988	730,243	6.4%	6.2%	7.3%	8.0%	8.0%	8.5%
Frontier Airlines	94,385	81,596	71,840	140,428	146,184	177,341	1.8%	1.5%	1.2%	2.1%	2.0%	2.1%
JetBlue	-	-	22,570	138,985	130,541	138,189	0.0%	0.0%	0.4%	2.0%	1.7%	1.6%
Alaska Airlines	-	-	41,233	58,533	87,309	115,960	0.0%	0.0%	0.7%	0.9%	1.2%	1.3%
Others	30,897	40,390	48,067	88,828	117,707	290,306	0.6%	0.7%	0.8%	1.3%	1.6%	3.4%
Total	**5,312,021**	**5,604,148**	**6,141,092**	**6,790,099**	**7,466,332**	**8,596,307**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: Percents may not add due to rounding.
Source: Metropolitan Nashville Airport Authority records, accessed July 2019.

Table 2-3 Key Airline Revenue Metrics at the Airport (CY 2018 VS. CY 2007)

Airline	SLA RASM			Load Factor			SLA Yield			Stage Length (miles)		
	CY 2007	CY 2018	% Change	CY 2007	CY 2018	Points Change	CY 2007	CY 2018	% Change	CY 2007	CY 2018	Miles Change
Southwest Airlines	7.4¢	11.2¢	51.4%	71.6%	83.0%	11.5%	10.4¢	13.6¢	30.8%	776	708	(68)
American Airlines	10.2¢	15.0¢	47.1%	74.2%	79.3%	5.1%	17.4¢	18.8¢	8.0%	537	626	89
Delta Air Lines	11.3¢	15.0¢	32.7%	78.8%	83.7%	5.0%	14.5¢	17.9¢	23.4%	434	635	201
United Airlines	12.3¢	15.0¢	22.0%	84.2%	82.1%	(2.1%)	14.7¢	18.3¢	24.5%	582	732	150
National Average	***10.1¢***	***12.3¢***	***21.8%***	***79.6%***	***83.1%***	***3.6%***	***12.8¢***	***13.8¢***	***7.8%***	***795***	***980***	***185***

Notes: Data includes regional affiliates, as applicable, and do not include airline ancillary fees such as ticket changes, checked bags, etc.
SLA-RASM = Stage Length Adjusted Revenue Per Available Seat Mile
SLA-Yield = Stage Length Adjusted Yield
SLA Value = Value * ((observed length of haul/1,000)^0.5)

Source: Diio, US DOT Reports DB1A and T100, accessed June 2019.

Key airline revenue metrics include stage length adjusted (SLA)[75] revenue per available seat mile (RASM), load factor, and SLA-yield. RASM is the unit used by airlines, as expressed in cents, to measure revenue received for each available seat mile (ASM). ASMs are measured by airlines for determining capacity and an ASM unit is one seat flying one mile. For example, a 100-seat aircraft operating on a route of 1,000 miles would equate to 100,000 ASMs. For the purpose of this analysis, RASM only measures passenger revenue and does not include other operating revenue received by airlines such as baggage fees. Load factors measure how an airline is performing on a specific route or in aggregate in terms of filling available capacity. Load factors are calculated by dividing revenue passenger miles (RPMs) divided by ASMs. RPMs are the general airline metric for traffic. For example, a revenue passenger flying one mile equates to one RPM. The last measure is airline yield or revenue per passenger mile. While RASM measures revenue on an ASM basis, yield measures it on an RPM basis. In other words, yield measures revenue for each unit sold whereas RASM measures revenue for each unit available to be sold. Yield is the industry measurement for price, while the load factor is a volume-related measurement. RASM factors in both and is considered the key revenue metric.

An important note regarding RASM and yield is that these measures tend to decrease as stage length increases. In theory, the higher the RASM or yield, the more profitable airlines should be. However, this assumes that costs per ASM (CASM) remain constant. Therefore, if an airline increases its overall stage length, it could be expected that RASM and yield would decrease, as would its CASM. In order 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 SLA values are expressed in a base of 1,000 miles.

As illustrated in Table 2-3, airline revenue performance has improved significantly since the last industry traffic peak in 2007. All airlines reported double-digit SLA-RASM increases. While most of the improvement was yield-driven, load factors were also higher on average, Southwest's metrics were significantly better. Southwest was able to generate higher load factors, while significantly improving yields. Southwest was able to accomplish this by sustaining higher airfares and carrying a higher mix of local O&D traffic (less connecting traffic). American, Delta, and United have also significantly improved revenue metrics from the Airport. The next sections analyze performance for the Airport's three largest airlines: Southwest, American, and Delta.

[75] 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).

2.1.1.1 Southwest Airlines

The Airport serves as a focus city for Southwest and was the 14th largest airport in the airline's system based on departing seats for the period of FY 2019,[76] as reflected in **Table 2-4**, which also presents the change in departing seats since FY 2013 for Southwest's largest airports. FY 2013 was selected for comparison as it represents an inflection point to when passenger traffic began to grow at an accelerated rate at the Airport. As shown, the Airport has experienced an increase in seats of approximately 51.7%, which is the fifth largest percentage increase among these airports of strategic importance for Southwest.

Table 2-4 Top 20 Southwest Airlines Airports Ranked by Departing Seats (FY 2019 vs. FY 2013)

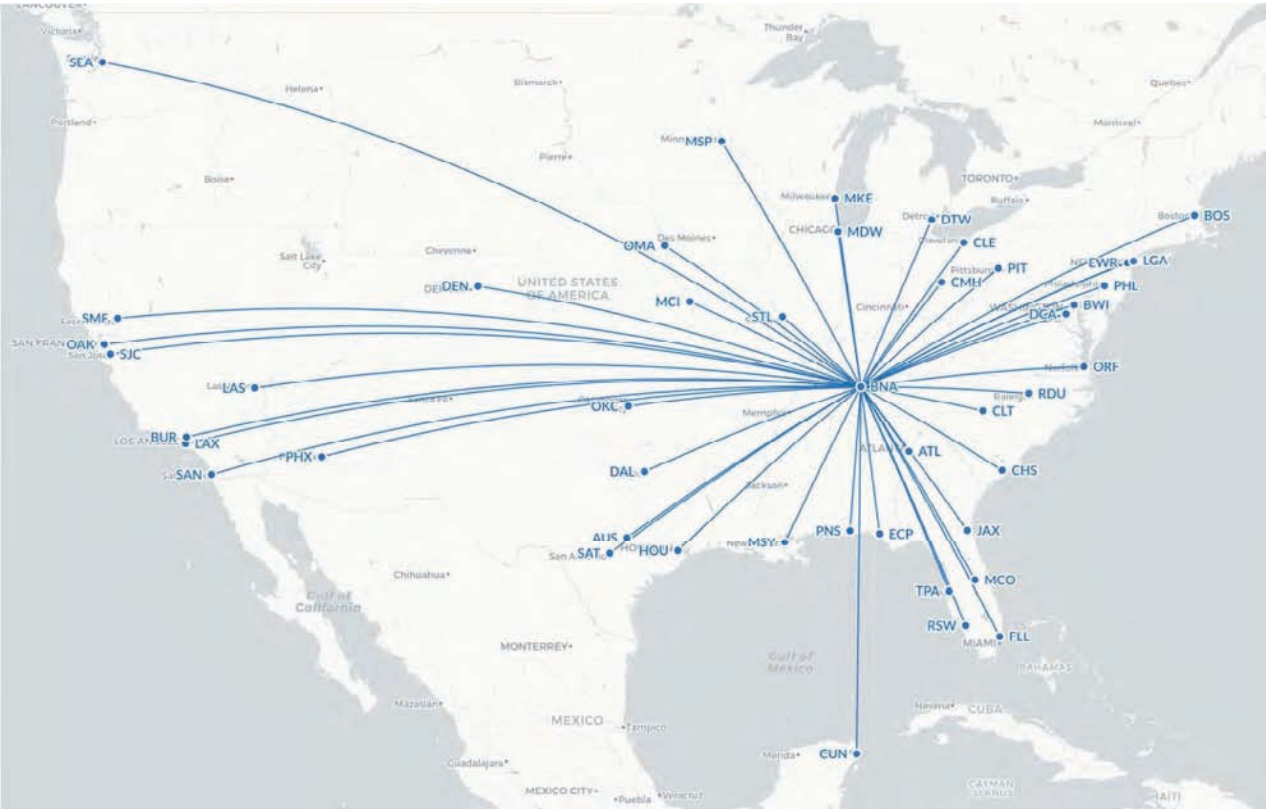
Rank	Airport	FY 2013		FY 2019		Percent Change	
		Daily Departures	Daily Seats	Daily Departures	Daily Seats	Daily Departures	Daily Seats
1	MDW	216	31,037	224	34,190	3.6%	10.2%
2	LAS	207	29,690	200	30,518	-3.2%	2.8%
3	BWI	171	24,126	199	30,462	16.5%	26.3%
4	DEN	156	22,135	194	29,880	24.2%	35.0%
5	DAL	116	15,726	180	27,062	54.8%	72.1%
6	PHX	163	22,960	170	26,017	4.5%	13.3%
7	HOU	134	18,349	159	24,065	18.2%	31.2%
8	LAX	103	14,533	119	17,738	15.4%	22.1%
9	MCO	82	11,701	115	17,670	39.5%	51.0%
10	ATL	27	3,781	117	17,521	332.5%	363.5%
11	OAK	96	13,374	115	17,308	20.4%	29.4%
12	STL	86	12,017	110	16,629	27.9%	38.4%
13	SAN	87	12,240	110	16,603	26.7%	35.6%
14	**BNA**	**74**	**10,339**	**105**	**15,687**	**41.2%**	**51.7%**
15	SJC	63	8,794	90	13,458	43.9%	53.0%
16	FLL	41	5,831	83	12,726	102.3%	118.2%
17	TPA	62	8,746	79	12,078	26.7%	38.1%
18	SMF	62	8,741	81	11,922	29.5%	36.4%
19	MCI	60	8,433	69	10,339	15.3%	22.6%
20	AUS	50	6,950	66	9,932	31.4%	42.9%

Source: Innovata via Diio, accessed June 2019.

[76] Based upon departing seats from published flight schedules; Source: Innovata (via Diio)

As of May 2019, Southwest offers up to 138 departures a day from the Airport to 46 cities.[77] Over its entire system, Southwest operates more than 4,000 flights a day during peak travel seasons, serving 100 destinations across the U.S. and in ten additional countries.[78] **Figure 2-1** presents Southwest Airlines' route map from the Airport as of June 2019. Southwest Airlines has strong national coverage from the Airport, particularly as it has added service to the western region of the U.S., the largest cities on the east coast, and some international service (Cancun). Currently, Southwest serves many of the major markets in the U.S. from the Airport on a nonstop basis.

Figure 2-1 Southwest Airlines Route Map from the Airport (June 2019)



Source: Innovata via Diio, accessed June 2019.

[77] Southwest Airlines, City Facts: Nashville.
[78] Southwest Airlines, Southwest Corporate Fact Sheet.

Since FY 2013, Southwest has experienced an increase in enplanements of 65.9% while daily departures and daily departing seats increased 41.2% and 51.7%, respectively. This has resulted in an improvement in the airline's load factor from the Airport. Southwest's load factor from the Airport improved from 75.7% in FY 2007 to 87.0% in FY 2019.

Table 2-4 compares the Airport to the largest airports in Southwest's route network. As compared to the rest of its system, the Airport is also among Southwest's fastest growing markets. **Table 2-5** shows that the Airport was the airline's ninth fastest growing market in terms of total departing seats when comparing FY 2019 versus FY 2013 and illustrates O&D passenger growth during this period.

Table 2-5 Southwest Airlines Top 10 Fastest Growing Markets (FY 2019 vs FY 2013)

Rank	Airport	Departing Seating Capacity			O&D Enplaned Passengers		
		FY 2013	FY 2019	% Change	FY 2013	FY 2019	% Change
1	ATL	1,379,905	6,395,207	363.5%	771,820	2,959,106	283.4%
2	DAL	5,740,110	9,877,595	72.1%	2,678,805	4,760,648	77.7%
3	DEN	8,079,132	10,906,357	35.0%	3,957,015	6,608,041	67.0%
4	FLL	2,128,376	4,644,994	118.2%	1,600,764	2,936,567	83.4%
5	BWI	8,806,072	11,118,464	26.3%	3,837,864	5,168,457	34.7%
6	DCA	134,694	2,359,483	1651.7%	115,775	1,666,353	1339.3%
7	MCO	4,270,872	6,449,648	51.0%	3,122,643	4,931,551	57.9%
8	HOU	6,697,395	8,783,651	31.2%	3,087,093	4,134,603	33.9%
9	**BNA**	**3,773,915**	**5,725,670**	**51.7%**	**1,935,302**	**3,308,754**	**71.0%**
10	SJC	3,209,872	4,912,058	53.0%	2,041,333	3,129,183	53.3%
System		159,196,621	211,059,358	32.6%	93,123,123	134,048,286	43.9%

Note: Table is sorted by total increase in departing seats.
Source: Diio, US DOT Reports DB1A and T100, Innovata, accessed October 2019.

Southwest increased departing seats from the Airport from approximately 3.7 million to approximately 5.7 million (51.7% growth) during this time, compared to system seat growth from approximately 159.2 billion to approximately 211.1 billion (32.6% growth). Southwest experienced O&D passenger volume growth of 71.0% during this same time period, as compared to 43.9% for system-wide results. Much of Southwest's growth during this time was focused upon key strategic airports including ATL, Dallas Love Field Airport (DAL) and Denver International Airport (DEN). Other top markets that saw growth are typically major Southwest focus cities of strategic importance. This is indicative of the importance of the Airport to the Southwest Airlines system and the airline's long-term commitment to the Airport.

Southwest has made strategic changes to its network from the Airport since FY 2013. These changes, in general, have been the removal or reduction of service for lower performing routes based on load factors, the introduction of major strategic markets such as DAL and Ronald Reagan Washington National Airport (DCA), and the beginning of service to a number of medium hub airports, particularly in the Midwest U.S. In particular, Southwest has added service from the Airport to DAL due to the repeal of the Wright Amendment in 2014 and DCA subsequent to Southwest obtaining takeoff and landing slots. In addition, Southwest has added new service to a number of large and medium hub airports in the Midwest including Milwaukee Mitchell International Airport (MKE), Pittsburgh International Airport (PIT), and Minneapolis-Saint Paul International Airport (MSP). Southwest has also started service to Pensacola International Airport (PNS), Oakland International Airport (OAK), Charlotte Douglas International Airport (CLT), and international service to Cancun International Airport (CUN). The net effect from these changes has been the aforementioned improvements in Southwest's load factor, SLA-yield, and SLA-RASM from the Airport. Although seat capacity and the number of nonstop markets has increased in recent years for Southwest at the Airport, relative route profitability is a key factor to assess when evaluating an airline's performance at an airport. Unit revenue or SLA-RASM was analyzed for each of the Airport's nonstop routes served by Southwest given its overall importance to the Airport. In conjunction with this, load factors, and SLA-yield performance at the Airport were also assessed.

Figure 2-2 presents SLA-RASM by route system-wide (i.e., not just for the Airport) for Southwest in CY 2018. The black trend line represents the calculated average SLA-RASM for the Southwest system. At the Airport, 29 of the 36 routes had SLA-RASM above the system average and it is important to note that a high concentration of the routes is at the higher-end of the SLA-RASM for Southwest within its entire system (left side of the chart).

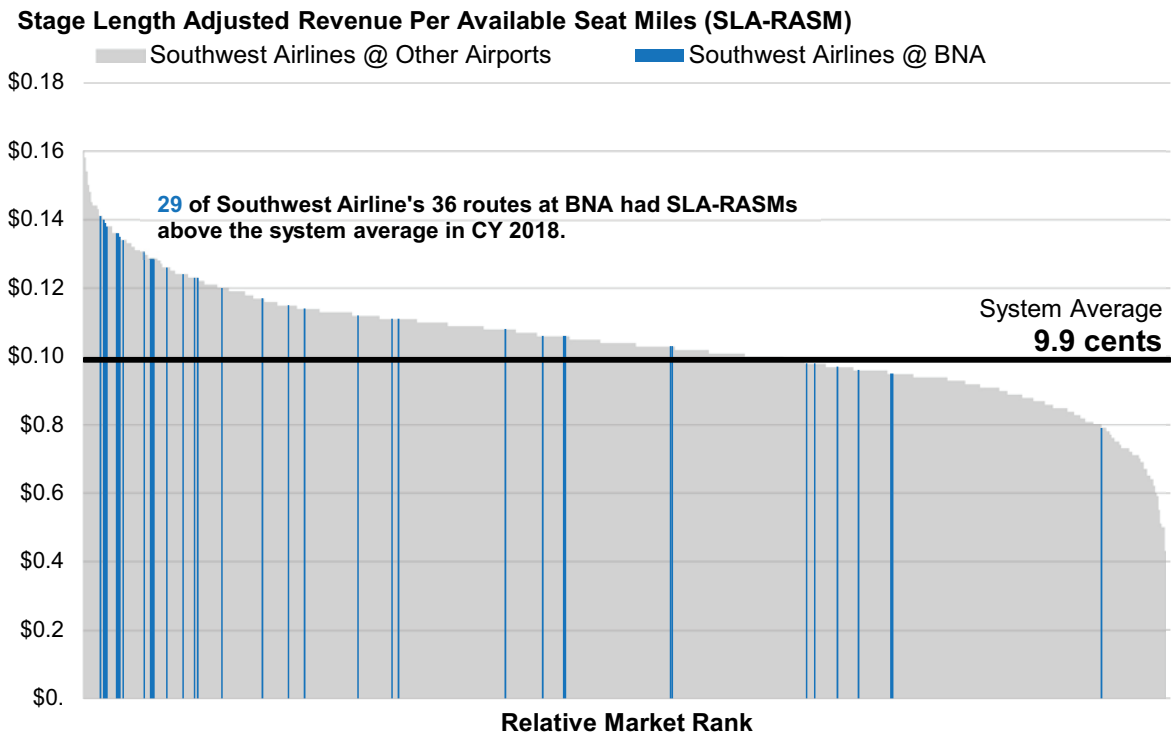
Southwest has grown traffic significantly at the Airport since FY 2013, with much of this growth to larger airports. Of the 38 nonstop markets operated by Southwest from the Airport in FY 2018, 37 operated at load factors in excess of 75% with the only exception being Houston P. Hobby Airport (HOU).

While Figure 2-2 illustrates how markets operated from the Airport compare to other Southwest markets for CY 2018, a similar approach is to compare SLA-RASMs in aggregate for each airport served by Southwest, which is presented in **Figure 2-3**. As illustrated, Southwest produced an average 11.2¢ SLA-RASM at the Airport based on an average stage-length of 707.8 miles and an average RASM of 13.2¢. This is above the system-wide average, as depicted by the trend line. The 11.2¢ SLA-RASM at the Airport is higher than the 9.9¢ system-wide SLA-RASM and is the 11th highest in the airline's entire system.

As presented previously in Table 2-3, the overall load factor for Southwest at the Airport has increased by 11.4 percentage points from approximately 71.6% in CY 2007 to approximately 83.0% in CY 2018. Yields are up 30.8% due to higher airfares and a higher mix of local O&D traffic at the Airport. The combination of higher load factors and SLA-yields resulted in a nearly 51.4% increase in the Southwest RASM since the last industry peak in CY 2007.

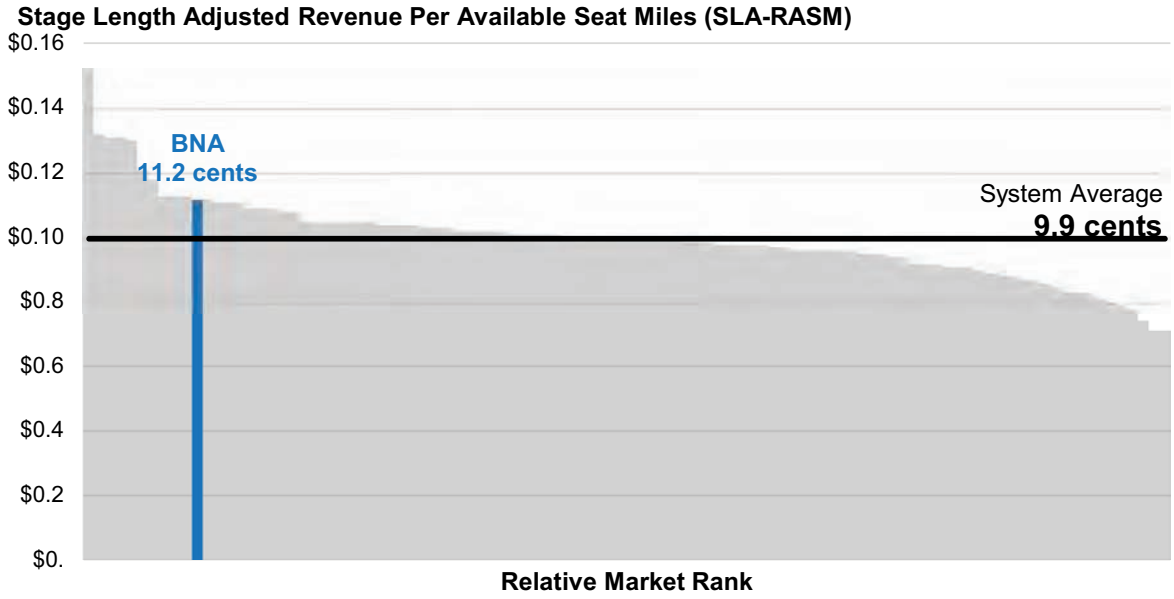
From an aircraft perspective, Southwest finished retirement of two of their older aircraft in recent years, the Boeing 737-500 and the Boeing 737-300. These were replaced with larger Boeing 737-700, Boeing 737-800, and more recently the Boeing 737 Max 8. Currently, the airline has orders for 30 150-seat Boeing 737 Max 7 which are expected to replace some of the older 143-seat Boeing 737-700 currently in the fleet. Additionally, Southwest Airlines has orders for 246 175-seat Boeing 737 Max 8. The 175-seat Boeing 737-800 and Boeing 737 Max 8 will eventually comprise a majority of the airline's fleet thus increasing the average seating configuration of the airline.

Figure 2-2 Southwest Airlines Route SLA-RASM Comparison (CY 2018)



Source: Diio, US DOT Reports DB1a and T100.

Figure 2-3 Southwest Airlines Airport SLA-RASM Comparison (CY 2018)



Source: Diio, US DOT Reports DB1a and T100.

Based on current seat growth trends at the Airport for Southwest, the temporary grounding of the Boeing 737 Max 8 aircraft per the FAA's order on March 13, 2019 appears to be having a minimal impact at the Airport. At the time of the grounding, less than 4% of the airline's flights were conducted with the Boeing 737 Max 8 at the Airport and the Boeing 737-800 has been used in its place. While the return to service of this aircraft is still uncertain at this time, Southwest is currently planning to schedule the aircraft back into service effective February 8, 2020.[79] Southwest began operating the 737 Max 8 aircraft throughout its network in October 2017, and as of March 31, 2019, it comprised approximately 4.5% of Southwest's aircraft fleet.[80]

The Airport appears to be profitable for Southwest and the airline has also experienced a significant increase in revenue metrics at the Airport since the last industry peak in CY 2007 (prior to the recession). Taking into consideration its future fleet plans and assuming the Boeing 737 Max 8 grounding is a short-term issue system-wide, it appears likely that Southwest would continue to grow capacity and traffic at the Airport in-line with or above their system averages.

2.1.1.2 American Airlines

American (including all American Airlines Group carriers) has the second largest market share in terms of enplaned passengers from the Airport in FY 2019. As presented in Table 2-2, while American's enplaned passenger traffic has increased from 1.1 million in FY 2014 to 1.3 million in FY 2019, their market share of enplaned passengers from the Airport has decreased from 20.9% to 15.7% during that time. This decline is attributable to the growth in other airlines, including the introduction of ULCCs, at the Airport rather than a reduction of service from American. From the Airport, American historically serves its major hubs, focus cities or large east coast markets where American holds takeoff and landing slots.

In June 2019, American operated nonstop service to ten markets from the Airport, averaging 42.4 daily departures. **Table 2-6** presents an overview of American's service from the Airport for CY 2018. Approximately 60.9% of American's enplaned passengers are operated on three routes: Dallas-Fort Worth International Airport (DFW), CLT, and Chicago O'Hare International Airport (ORD). Of American's ten routes from the Airport, eight operate at load factors of 75% or above, with all ten routes operating above 72.5%.

As presented previously in Table 2-3, American has improved its SLA-RASM, load factors, and SLA-yield at the Airport for the period of CY 2018 versus CY 2007. In terms of SLA-RASM, American has improved performance by 47.1% since CY 2007. Load factors have also improved by 5.1 percentage points to a level of 79.3% for CY 2018. The airline's SLA-yield improved from 17.4¢ in CY 2007 to 18.8¢ in CY 2018, an 8.0% increase. As with other airlines, American is in the process of adding larger fuel-efficient aircraft to its fleet and eliminating smaller aircraft, particularly with regard to 50-seat regional jets. Overall, American appears to be generating strong financial results from serving the Airport. While a majority of the routes do not appear to warrant additional capacity at this time, SLA-RASMs indicate little-to-no downside and American appears likely grow traffic and capacity at the Airport in line with or above their system capacity growth.

The temporary grounding of the 737 Max 8 aircraft also appears to be having a minimal impact at the Airport for American as none of the airline's flights were conducted with the Boeing 737 Max 8 at the Airport.

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[79] Southwest Airlines, updated October 17, 2019, https://www.southwest.com/html/air/737-MAX-8.html?clk=737MAX8_190408, accessed October 21, 2019.

[80] Southwest Airlines Corporate Fact Sheet, https://www.swamedia.com/pages/corporate-fact-sheet#fleet, accessed June 2019.

Table 2-6 American Airlines Traffic, Capacity, & Load Factors at the Airport (CY 2018)

Airport	Departures	Enplaned Passengers	Seats	Load Factor
DFW	2,700	332,310	409,476	81.2%
CLT	2,639	262,802	318,279	82.6%
ORD	2,849	152,864	204,094	74.9%
PHL	1,598	121,481	147,527	82.3%
LAX	768	92,362	122,662	75.3%
MIA	1,076	85,879	100,260	85.7%
DCA	1,586	77,887	98,240	79.3%
LGA	1,554	73,741	96,807	76.2%
JFK	672	25,487	33,923	75.1%
CUN	41	3,851	5,312	72.5%
Total	**15,483**	**1,228,664**	**1,536,580**	**80.0%**

Source: DOT Report T100 via Diio.

2.1.1.3 Delta Air Lines

Delta has recently announced that Nashville is one of the airline's five focus cities, these focus cities include: Austin, Cincinnati, Nashville, Raleigh/Durham, and San Jose (California). These focus cities were chosen based on the region associated with each of the cities having a strong economic environment including a youthful presence and strong corporate standing. All of these cities have seen an above average growth for the industry. The airline sees these cities as an opportunity to capture more of the market in order to connect passengers to its global network. Nashville, specifically, has been identified as a dynamic city in the U.S. South with above average growth.[81]

Delta's enplaned passenger traffic increased from approximately 860,000 in FY 2014 to nearly 1.3 million in FY 2019. As with American, Delta's market share of enplaned passengers from the Airport decreased during that time from 16.2% to 14.9% due to the introduction of new airlines, particularly the ULCCs.

Table 2-7 presents an overview of Delta's service from the Airport for CY 2018. As shown, more than two-thirds of Delta's traffic from the Airport operates to one of its three primary hubs, ATL, Detroit Metropolitan Wayne County Airport (DTW), and MSP, each at relatively high load factors (above 83%). Additionally, Salt Lake City International Airport (SLC), another major hub for Delta, has the second highest load factor for the airline from the Airport. The remainder of Delta's service is flown in heavy point to point markets such as LaGuardia Airport (LGA) or in gateway markets (for international connections) such as Los Angeles International Airport (LAX). Of Delta's 13 routes from the Airport, 11 operate at load factors of 80% or higher. These routes appear to be performing at consistent levels with little expected capacity change. In addition to these markets, Delta operates seasonally from the Airport to Orlando International Airport (MCO) and CUN, typically with one flight per week.

[81] *FlightGlobal*, "ANALYSIS: What makes a focus city for Delta", June 7, 2019, https://www.flightglobal.com/news/articles/analysis-what-makes-a-focus-city-for-delta-458775/.

Table 2-7 Delta Air Lines Traffic, Capacity, & Load Factors at the Airport (CY 2018)

Airport	Departures	Enplaned Passengers	Seats	Load Factor
ATL	3,489	476,524	548,269	86.9%
DTW	1,836	186,944	223,311	83.7%
MSP	1,530	115,170	130,463	88.3%
LGA	1,727	99,787	124,177	80.4%
LAX	544	66,155	80,531	82.1%
SLC	357	49,595	56,852	87.2%
BOS	744	47,161	55,695	84.7%
JFK	734	43,828	54,334	80.7%
SEA	327	39,830	47,441	84.0%
RDU	563	28,288	42,378	66.8%
CVG	223	7,483	16,948	44.2%
CUN	29	3,873	4,569	84.8%
MCO	16	1,018	1,162	87.6%
Total	**12,119**	**1,165,656**	**1,386,130**	**84.1%**

Source: DOT Report T100 via Diio.

As presented previously in Table 2-3, Delta has improved its SLA-RASM, load factors, and SLA-yield at the Airport for the period of CY 2018 versus CY 2007. In terms of SLA-RASM, Delta has improved performance by 32.7% since CY 2007 with CY 2018 being at 15.0¢. Load factors have also improved by 5.0 percentage points during this period to 83.7% for CY 2018. CY 2018 SLA-yield was at 17.9¢ cents for an improvement of 23.4% as compared to CY 2007.

As announced, Delta's fleet plan is, generally, to add larger aircraft and reduce smaller aircraft. Specifically, the airline plans to add 192-seat Airbus A321neo aircraft for its longer-haul domestic routes to replace current smaller aircraft such as Airbus A320s and Boeing 757-200s. Given Delta's relatively strong performance at the Airport, it could be expected that the airline will continue to grow service at the Airport in concert with its overall system and replace existing aircraft with larger aircraft on longer-haul routes as they become available. Delta's air service at the Airport appears stable and is in a much stronger position than during the last industry peak in CY 2007. Overall, it is expected that Delta will selectively add seat capacity at the Airport in the coming years, primarily in the form of larger aircraft to serve its primary hub markets of ATL and MSP, with selected upgrades longer-term to its DTW and, possibly, SLC hubs.

2.1.2 O&D Markets

Approximately 83.0% of the Airport's enplaned passenger activity was O&D passengers for CY 2018 (the most recent CY for which data are available).[82] **Table 2-8** presents the Airport's Top 25 O&D markets for CY 2018. The table also presents daily departures, daily nonstop seats, and the associated airports for each market served. Nonstop flights currently operate to all of the Airport's top 25 O&D markets. Currently, 19 of the top 25 O&D markets at the Airport are served by two airlines or more (9 of the top 10 are served by three or more), exhibiting strong demand for these routes and ensuring competitive airline service and airfares.

The Airport's top O&D markets reflect travel demand from the region, and consequently, where airline capacity is allocated. The Airport, as with most markets in the eastern half of the U.S., has a large share of demand to cities in the eastern and southeastern U.S. Most of the top markets are generating close to or more than 50 O&D passengers per trip (example: service to New York City generated 1,217 O&D departing passengers daily and there were 20 daily nonstop departures, which equated to over 61 O&D passengers per trip). This is indicative of the Airport's high percentage of O&D traffic and contributes to an airline's economic success at the Airport.

Table 2-9 presents the change in the Airport's top O&D markets for CY 2018 (the most recent CY for which data is available) versus CY 2013. In aggregate, the Airport's average fare paid was 7.5% lower than for CY 2013 partially due to the introduction of new low-cost and ultra-low-cost carriers. These carriers not only provided lower airfares, but the added competition generally resulted in the full-service carriers reducing fares. O&D traffic increased by 57.6% and, despite lower airfares, revenue increased by 45.8%.

[82] Based from US DOT Report DB1A (accessed via Diio in May 2019), which varies from data reported directly to the Authority by the airlines operating at the Airport.

Table 2-8 Top 25 Domestic O&D Markets – CY 2018

Region	Daily O&D Passengers	Daily Nonstop Departures	Daily NonStop Departing Seats	Airports Served	Airlines Offering NonStop Service
New York / Newark	1,217	20	1,710	EWR, JFK, LGA	UA, AA, DL, WN
Central Florida	1,146	9	1,417	MCO, PIE, TPA	DL, F9, SY, WN, G4
Washington / Baltimore	864	16	1,750	BWI, DCA, IAD	WN, AA, UA
South Florida	819	8	1,027	FLL, MIA, RSW	B6, WN, AA, F9
Los Angeles Basin	804	6	977	LAX	AA, DL, WN
Chicago	726	20	2,004	MDW, ORD	WN, AA, UA
Boston	690	6	830	BOS	B6, DL, WN
Dallas / Ft. Worth	660	11	1,710	DAL, DFW	WN, AA
Denver	608	8	1,057	DEN	F9, UA, WN
Philadelphia	516	7	835	PHL	AA, F9, WN
North Florida	509	7	1,000	ECP, JAX, PNS	WN
San Francisco Bay Area	473	4	531	SFO	UA, AS
Houston	442	9	1,032	HOU, IAH	WN, UA
Detroit	423	7	883	DTW	WN, DL
Las Vegas	414	4	610	LAS	F9, WN
Minneapolis / St. Paul	331	5	510	MSP	DL, WN
Seattle	327	2	383	SEA	AS, DL, WN
Phoenix	326	3	450	PHX	WN
Raleigh / Durham	323	5	554	RDU	DL, WN
Charlotte	295	9	1,056	CLT	AA, WN
Kansas City	223	3	491	MCI	WN
San Diego	218	2	263	SAN	WN
New Orleans	218	3	493	MSP	WN
Austin	218	2	361	AUS	WN
Atlanta	212	11	1,749	ATL	DL, WN
Top 25 Total	**13,003**	**188**	**23,684**		
Other	5,006	26	2,824		
Grand Total	**18,009**	**214**	**26,508**		

Note: AS = Alaska Airlines (includes Horizon Air), DL = Delta Air Lines, VX = Virgin America, AA = American Airlines, WN = Southwest Airlines, NK = Spirit Airlines, B6 = JetBlue, SY = Sun Country Airlines, F9 = Frontier Airlines, UA = United Airlines, HA = Hawaiian Airlines

Source: Diio; US DOT Reports DB1A.

Table 2-9 Top 25 O&D Markets – CY 2018 VS. CY 2013

Region	Absolute Change			Percent Change		
	Change in Daily O&D Passengers	Change in Revenue	Change in Airfare	Change in Daily O&D Passengers	Change in Revenue	Change in Airfare
New York / Newark	446	$90,239	$12	57.9%	69.1%	7.1%
Central Florida	508	$37,914	($35)	79.6%	38.8%	(22.7%)
Washington / Baltimore	283	$42,866	($8)	48.7%	41.8%	(4.6%)
South Florida	416	$33,260	($50)	102.9%	46.2%	(27.9%)
Los Angeles Basin	310	$67,322	$1	62.7%	63.4%	0.5%
Chicago	100	$33,787	$28	16.0%	40.8%	21.4%
Boston	458	$46,384	($49)	197.0%	113.9%	(28.0%)
Dallas / Ft. Worth	271	$43,200	($5)	69.8%	64.7%	(3.0%)
Denver	255	$30,750	($14)	72.4%	56.5%	(9.2%)
Philadelphia	230	$28,863	($16)	80.7%	62.5%	(10.1%)
North Florida	162	$18,660	($1)	46.8%	46.0%	(0.5%)
San Francisco Bay Area	238	$41,433	($26)	100.7%	77.5%	(11.6%)
Houston	134	$18,381	($14)	43.4%	32.4%	(7.7%)
Detroit	111	$18,057	$1	35.8%	37.0%	0.9%
Las Vegas	132	$12,129	($26)	46.8%	24.6%	(15.2%)
Minneapolis / St. Paul	176	$18,931	($61)	113.9%	55.0%	(27.5%)
Seattle	149	$25,188	($13)	84.3%	71.9%	(6.7%)
Phoenix	103	$20,384	$2	46.0%	47.2%	0.8%
Raleigh / Durham	64	$11,604	$14	24.7%	39.9%	12.2%
Charlotte	161	$15,993	($55)	119.9%	59.8%	(27.4%)
Kansas City	32	$9,563	$25	16.9%	40.5%	20.2%
San Diego	63	$15,551	$16	40.3%	52.0%	8.3%
New Orleans	23	$7,839	$23	11.6%	32.4%	18.7%
Austin	59	$14,297	$24	37.1%	57.9%	15.2%
Atlanta	122	$13,846	($71)	134.8%	64.3%	(30.0%)
Top 25 Total	**5,006**	**$716,441**	**($9)**	**62.6%**	**53.4%**	**(5.6%)**
Other	1,577	$344,241	($21)	46.0%	35.4%	(7.3%)
Grand Total	**6,583**	**$1,060,682**	**($15)**	**57.6%**	**45.8%**	**(7.5%)**

Source: Diio; US DOT Reports DB1A.

2.1.3 Current Nonstop Service

In October 2019, there were 280 peak day scheduled departures from the Airport to 67 destinations. **Figure 2-4** provides a map of the scheduled nonstop destinations served as of October 2019. **Table 2-10** presents the nonstop destinations added or announced since the start of CY 2018.

Figure 2-4 Map of Nonstop Destinations

Source: Metropolitan Nashville Airport Authority, October 2019.

Table 2-10 Recently Added Nonstop Service

Airline	City	Destination Airport	Start Date
British Airways	London, England	London Heathrow International Airport	May 2018
Allegiant Air	Sarasota, Florida	Sarasota-Bradenton International Airport	Apr. 2018
	Allentown, Pennsylvania	Lehigh Valley International Airport	May 2018
	Punta Gorda, Florida	Punta Gorda Airport	Jun. 2018
	Clearwater, Florida	St. Pete–Clearwater International Airport	Jun. 2018
	Richmond, Virginia	Richmond International Airport	Jun. 2018
	Syracuse, New York	Syracuse Hancock International Airport	Jun. 2018
	Cedar Rapids, Iowa	The Eastern Iowa Airport*	May 2019
	Cleveland, Ohio	Cleveland Hopkins International Airport	May 2019
	Orlando, Florida	Orlando Sanford International Airport	May 2019
	Grand Rapids, Michigan	Gerald R. Ford International Airport	Jun. 2019
	Bentonville, Arkansas	Northwest Arkansas Regional Airport*	Jun. 2019
	Harrisburg, Pennsylvania	Harrisburg International Airport	Jun. 2019
Spirit Airlines	Baltimore, Maryland	Baltimore/Washington International Thurgood Marshall	Oct. 2019
	Fort Lauderdale, Florida	Fort Lauderdale-Hollywood International Airport	Oct. 2019
	Las Vegas, Nevada	McCarran International Airport	Oct. 2019
	New Orleans, Louisiana	Louis Armstrong New Orleans International Airport	Oct. 2019
	Orlando, Florida	Orlando International Airport	Oct. 2019
	Tampa, Florida	Tampa International Airport	Nov. 2019
	Cancun, Mexico	Cancun International Airport	Feb. 2020
	Los Angeles, California	Los Angeles International Airport	Mar. 2020
	Newark, New Jersey	Newark Liberty International Airport	Mar. 2020
	Austin, Texas	Austin-Bergstrom International Airport	Mar. 2020
Sun Country	Providence, Rhode Island	T.F. Green Airport	Apr. 2019
	Los Angeles, California	Los Angeles International Airport	Apr. 2019
	Portland, Oregon	Portland International Airport	May 2019
Southwest Airlines	Atlanta, Georgia	Hartsfield-Jackson Atlanta International Airport	Aug. 2018
	Oklahoma City, Oklahoma	Will Rogers World Airport	Oct. 2018

Airline	City	Destination Airport	Start Date
Southwest Airlines	Boston, Massachusetts	Boston Logan International Airport	Jun. 2019
	Las Vegas, Nevada	McCarran International Airport	Jun. 2019
	Minneapolis, Minnesota	Minneapolis-St Paul International/Wold-Chamberlain	Jun. 2019
	San Diego, California	San Diego International Airport	Jun. 2019
	St. Louis, Missouri	St Louis Lambert International Airport	Jun. 2019
	Burbank, California	Hollywood Burbank Airport	Jun. 2019
	Omaha, Nebraska	Eppley Airfield	Jun. 2019
	Norfolk, Virginia	Norfolk International Airport	Jun. 2019
	San Jose, California	Norman Y. Mineta San Jose International Airport	Jun. 2019
	Buffalo, New York	Buffalo Niagara International Airport	Oct. 2019

* Seasonal service
Source: Diio Mi, Schedule – Dynamic Table; Metropolitan Nashville Airport Authority, October 2019.

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 at an airport drives numerous revenues and financial measures including such items as non-airline revenues (e.g., parking, rental cars, terminal concessions, etc.), PFC revenues and FAA Airport Improvement Program (AIP) entitlement grant distributions. Enplaned passengers are also the denominator for airline cost per enplaned passenger (CPE). The relationship of enplaned passengers to the financial analysis is discussed in more detail in Chapter 4 of this Report.

Enplaned passenger traffic at the Airport has experienced a fairly consistent upward trend from FY 1997 through FY 2019 with exceptions in the early 2000s and in FY 2008 and FY 2009 where traffic contracted nationwide in response to the economic recessions. In more recent years, growth in passenger traffic has accelerated. The trend in historical enplaned passengers at the Airport is presented in **Figure 2-5** and on **Table 2-11**. Total enplaned passengers at the Airport have increased from 4.4 million in FY 2005 to 8.6 million in FY 2019, representing a CAGR of 4.8%. It should be noted that the rate of growth has increased in recent years. From FY 2009 through FY 2019, enplaned passengers increased at a CAGR of 6.8%. More details regarding the historical passenger trends and the key factors behind the changes are discussed below. Enplaned passengers at the Airport have increased 13.6% through the first three months of FY 2020 as compared to FY 2019.

Figure 2-5 Historical Enplaned Passengers

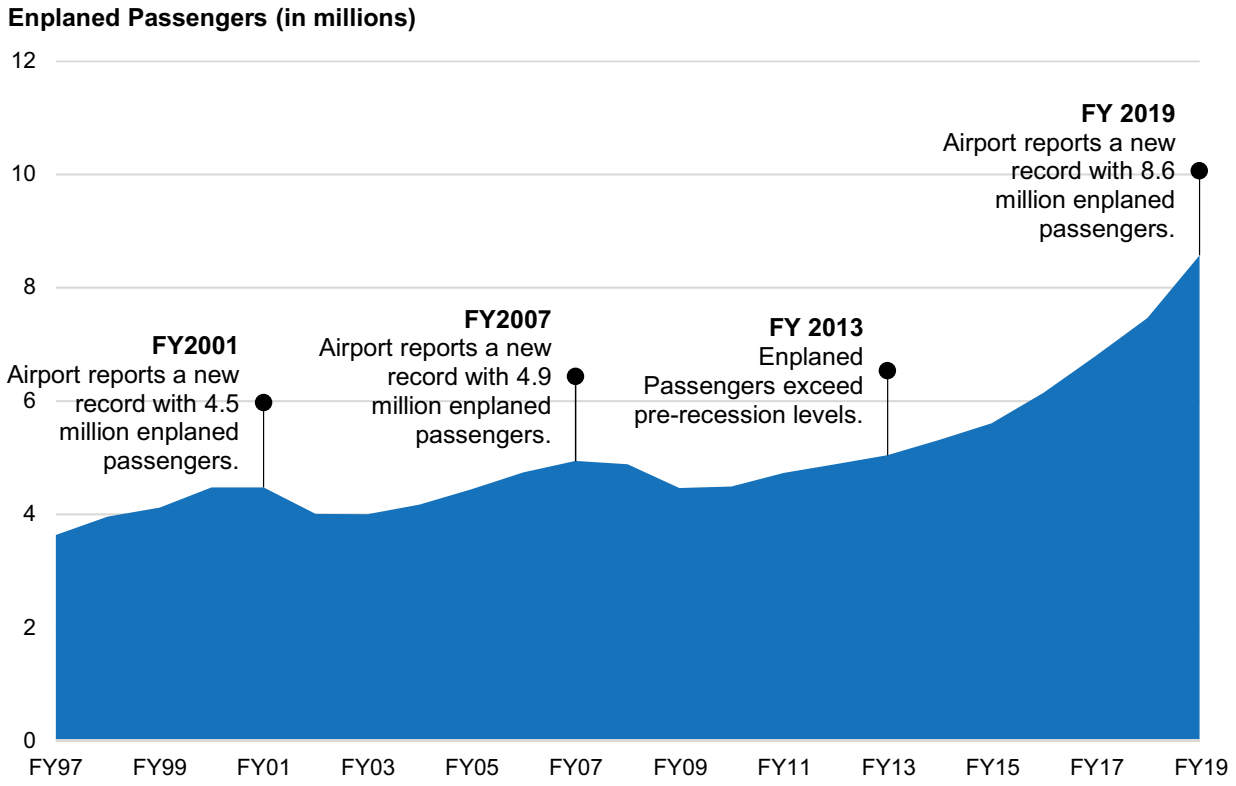


Table 2-11 also presents O&D enplaned passengers for the Airport for the period of FY 2005 through FY 2019. As shown, the percentage of O&D passengers at the Airport ranged from a low of 79.7% in 2011 to a high of 87.0% in 2007.

Table 2-11 Historical Enplaned Passengers

Fiscal Year	Enplaned Passengers	Year-Over-Year Growth	O&D Enplaned Passengers[1]	Year-Over-Year-Growth	Percent of O&D Enplaned Passengers[1]
2005	4,438,392	--	3,741,912		84.3%
2006	4,735,910	6.7%	4,017,096	7.4%	84.8%
2007	4,938,191	4.3%	4,295,708	6.9%	87.0%
2008	4,880,360	(1.2%)	4,228,794	(1.6%)	86.6%
2009	4,460,962	(8.6%)	3,772,030	(10.8%)	84.6%
2010	4,487,336	0.6%	3,656,886	(3.1%)	81.5%
2011	4,724,974	5.3%	3,763,677	2.9%	79.7%
2012	4,883,374	3.4%	3,927,943	4.4%	80.4%
2013	5,037,975	3.2%	4,039,314	2.8%	80.2%
2014	5,312,021	5.4%	4,302,260	6.5%	81.0%
2015	5,604,148	5.5%	4,562,238	6.0%	81.4%
2016	6,141,092	9.6%	5,044,163	10.6%	82.1%
2017	6,790,099	10.6%	5,617,042	11.4%	82.7%
2018	7,466,332	10.0%	6,154,523	9.6%	82.5%
2019	8,596,307	15.1%	6,953,983	13.0%	80.9%
2019 (Jul – Sept)	2,095,199				
2020 (Jul – Sept)	2,381,170	13.6%			
	Compound Annual Growth Rate				
2005-2009	0.1%		0.2%		
2009-2019	6.8%		6.3%		
2005-2019	4.8%		4.5%		

[1] The Authority also receives O&D passenger data directly from the airlines that operate at the Airport, and that data may differ from the US DOT data herein.

Source: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed June 2018.

Sources: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed July 2019. Diio; US DOT Reports DB1A.

2.2.1.1 FY 2005 - FY 2007

The Airport experienced a 5.5% CAGR in enplaned passengers from FY 2005 through FY 2007, which equates to a 500,000 cumulative increase in enplaned passengers. While this was a time of general industry traffic growth, the Airport's enplaned passenger volume grew about three times faster than that for the U.S. The Airport benefited from LCCs such as JetBlue Airways, Frontier Airlines, and Independence Airlines. JetBlue Airways entered the market in FY 2006 and enplaned over 70,000 passengers in FY 2007. Frontier Airlines increased its passenger volume by over 50,000 enplaned passengers between FY 2005 and FY 2007. Independence Airlines generated over 60,000 in FY 2005, although they ceased all business operations in early 2006. American also experienced almost 13% traffic growth during this time period and Southwest Airlines grew by almost 10%. Most of the American and Southwest traffic growth during this time period was generally accomplished through higher load factors, as both airlines increased their load factor by six percentage points.

2.2.1.2 FY 2007 - FY 2009

Enplaned passengers at the Airport declined from approximately 4.9 million in FY 2007 to approximately 4.5 million in FY 2009, a decline of almost 500,000 annual enplaned passengers. The U.S. airline industry and the Airport were affected by oil price increases during this time period and the U.S. economic recession and financial crisis. During this time period, most carriers reduced service as they did nationwide. Southwest, the largest airline operating at the Airport, experienced an enplaned passenger decline of almost 6%. Southwest's load factors were relatively stable during this time period as they decreased capacity on a market-by-market basis. Southwest did not add any new markets during this time period and only dropped one (Norfolk). American decreased its seat capacity by 4.3% during the time period, and Delta and United also reduced capacity. The Airport also saw JetBlue Airways eliminate service from the Airport. Carrier load factors were relatively flat during this time period.

2.2.1.3 FY 2009 - FY 2015

This was a key time period for the Airport, as capacity discipline and up-gauging of aircraft undertaken by air carriers benefited almost all airlines serving the Airport, creating a much more stable air service environment for the longer-term. In addition, the region's economy recovered from the recession and grew rapidly. Enplaned passenger levels increased to approximately 5.6 million in FY 2015, reflecting a CAGR of 3.9% and 25% overall growth between FY 2009 and FY 2015. Southwest utilized larger aircraft to increase seat capacity at the Airport by 7.8%, while only increasing departures by 1.6%. Southwest's passenger traffic increased 16% during this time period with average load factor increasing by eight percentage points, from 73% to 81%. At the same time, American (including former US Airways) reduced seat capacity by approximately 6.2% and departures by 3.4%. As American's passenger traffic increased by almost 9%, the result was a load factor that increased from 69% to 80%. While other airlines such as Delta and United cut capacity between FY 2007 and FY 2009, most of American's capacity declines took place after FY 2009. Delta (including former Northwest Airlines), like Southwest, utilized larger aircraft to increase seat capacity by 18.3% while reducing departures by 7.7%, which resulted in an 18% increase in passengers over the 6-year period and load factor increasing from 79% to 83%.

2.2.1.4 FY 2016 - FY 2019

FY 2016 through FY 2019 was a period of rapid growth at the Airport. In FY 2016, Southwest added more than 200,000 departing seats as compared to FY 2015, which resulted in an increase in enplaned passengers of more than 300,000 as load factors also increased. United added over 100,000 departing seats in FY 2016 and saw an increase of almost 100,000 enplaned passengers. Delta and American experienced smaller scale growth. FY 2016 also saw the reintroduction of JetBlue Airways and the introduction of new carriers WestJet and Alaska Airlines to the Airport. Overall, enplaned passengers increased by 9.6% in FY 2016 as compared to FY 2015.

All of the primary carriers at the Airport had significant increases in enplaned passengers in FY 2017 and FY 2018, led by Southwest, which realized an increase in enplaned passengers of more than 600,000 during those two years. Frontier Airlines more than doubled its seating capacity in FY 2017, resulting in almost 70,000 more enplaned passengers for the year. Additionally, a full year of service from Jet Blue Airways, WestJet, and Alaska Airlines; expanded service from Air Canada; and new service from Contour Airlines in FY 2017, British Airways in FY 2018, and Allegiant Air in FY 2018 contributed to significant increases in enplaned passengers at the Airport. Enplaned passengers increased by 10.6% in FY 2017 and 10.0% in FY 2018 over the prior years. British Airways began five times weekly service to London Heathrow Airport using the 214-seat Boeing 787-8 aircraft. In the first nine months of service, the flight had an average load factor of 79.5%. The airline increased service from five times per week to daily in March 2019.

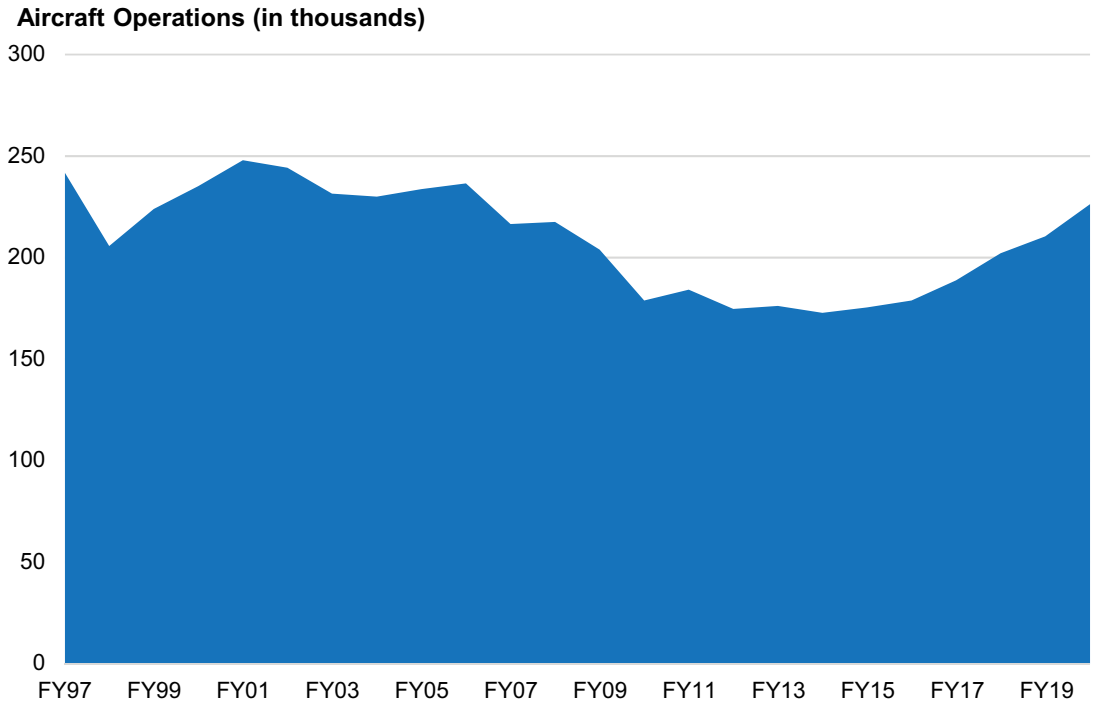
Southwest continued to grow in FY 2019, increasing capacity to nearly all of its current markets and adding new service to Will Rogers World (Oklahoma City) Airport and five other markets. The airline realized more than 500,000 additional enplaned passengers in FY 2019 than the previous year. American, Delta, and United all increased capacity by more than 100,000 departing seats each resulting in a combined increase of nearly 350,000 enplaned passengers over FY 2018. Combined with a full year of service from British Airways and Allegiant and new service from Sun Country, total enplaned passenger at the Airport increased by 1.1 million or 15.1% in FY 2019.

2.2.2 Aircraft Operations

Although aircraft operations have minimal impact on financial performance of an airport, aircraft operations do impact decisions regarding airport capital programs. Airline 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 the passenger demand with their available aircraft fleet. In markets that exhibit strong business travel, an airline may choose to serve that particular market by offering more daily frequency, choosing 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 reaction 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.

Total aircraft operations decreased substantially from FY 2005 to FY 2009 as airlines restructured their flight schedules from the Airport in response to the U.S. economic recession. The airlines shifted from operating with smaller aircraft at a higher frequency and lower load factors to larger aircraft at a lower frequency and higher loads. This shift can be seen as regional aircraft have been replaced with mainline aircraft. From FY 2009 to FY 2015, aircraft operations were more stable; generally ranging between approximately 174,000 and 179,000. However, accelerated passenger growth in recent years has resulted in an increase in aircraft operations. The trend of aircraft operations since FY 1997 is illustrated in **Figure 2-6**. The shift from smaller regional aircraft to larger narrow-body and wide-body aircraft has increased the average number of seats per departure at the Airport. In FY 2005, there was an average of 99 seats per scheduled aircraft departure. In FY 2019, the average number of seats per scheduled aircraft departure reached 124.6.

Figure 2-6 Historical Aircraft Operations



Source: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed June 2019.

Table 2-12 provides aircraft operations by category since FY 2005.

Table 2-12 Historical Aircraft Operations

Fiscal Year	Air Carrier	Air Taxi	General Aviation	Military	Total
2005	144,122	36,954	51,429	3,947	236,452
2006	98,235	68,381	46,268	3,547	216,431
2007	101,497	68,086	44,792	3,186	217,561
2008	100,764	61,583	38,441	3,102	203,890
2009	91,070	54,297	29,511	3,853	178,731
2010	85,389	57,381	27,725	4,123	174,168
2011	87,673	55,334	27,979	3,612	174,598
2012	91,551	51,275	29,902	3,332	176,060
2013	93,579	48,609	28,631	1,942	172,761
2014	96,602	46,021	30,947	1,782	175,352
2015	105,709	37,261	32,861	2,901	178,732
2016	115,769	33,338	35,428	4,219	188,754
2017	128,859	33,598	35,402	4,225	202,084
2018	140,280	30,530	36,424	3,123	210,357
2019	155,894	29,963	37,258	2,697	225,812
Compound Annual Growth Rate					
2005-2009	(10.8%)	10.1%	(13.0%)	(0.6%)	(6.8%)
2009-2019	5.5%	(5.8%)	2.4%	(3.5%)	2.4%
2005-2019	0.6%	(1.5%)	(2.3%)	(2.7%)	(0.3%)

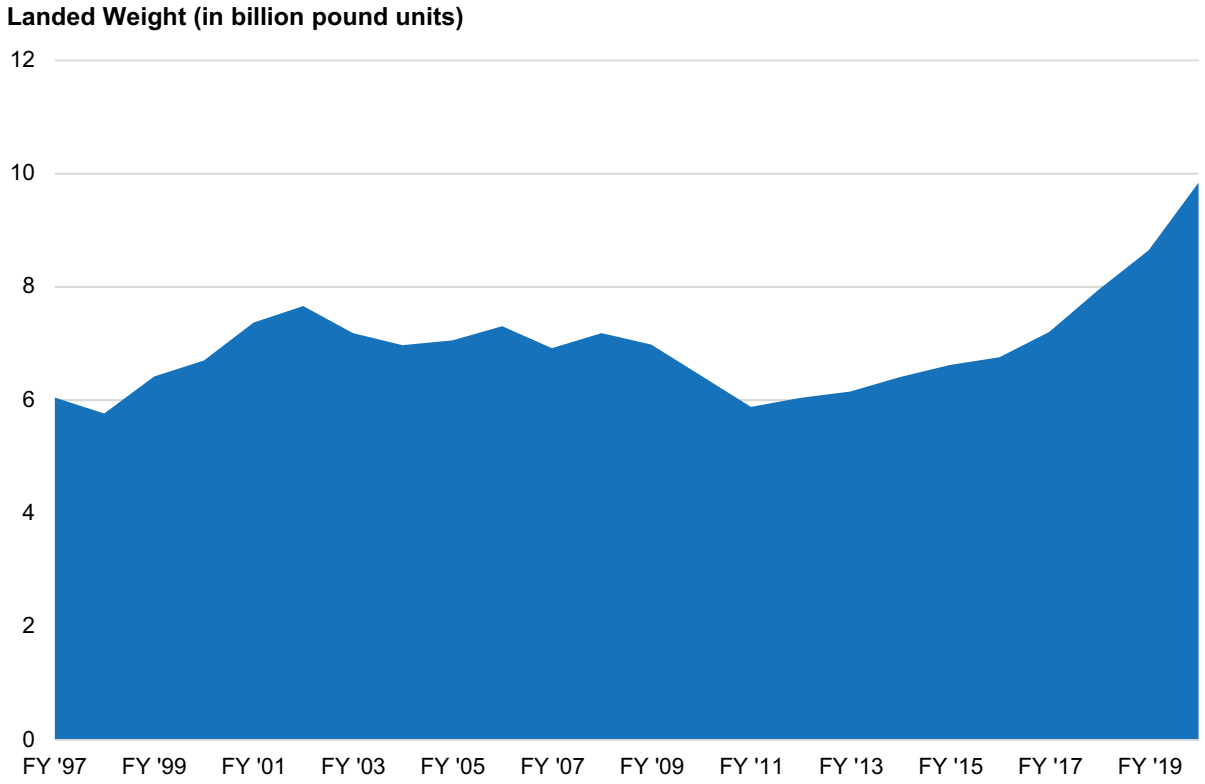
Source: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed June 2019.

2.2.3 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 its operating agreements with the airlines that operate at the Airport (described in Section 4.3.3), 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 (as described in Section 4.3.1). 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.

Total landed weight decreased from 7.3 billion pounds in FY 2005 to 5.9 billion pounds in FY 2010, attributable to the decline in passenger traffic combined with the reduction in aircraft operations through the use of larger aircraft operating at higher load factors. Since FY 2010, the total landed weight has increased at a CAGR of 5.9%. During this period, passenger aircraft landed weight increased at a CAGR of 6.0% compared to the 7.5% CAGR for passenger enplanements. The difference between these metrics indicates that more passengers are being served on a per-aircraft-operation basis, a trend that is expected to continue. **Figure 2-7** graphically depicts the historical landed weight at the Airport for the period of FY 1997 through FY 2019 and **Table 2-13** provides the landed weight by category since FY 2005.

Figure 2-7 Historical Landed Weight



Source: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed June 2019.

Table 2-13 Historical Landed Weight (Thousand-Pound Units)

Fiscal Year	Passenger	Cargo & Miscellaneous	Total
2005	6,744,971	560,703	7,305,674
2006	6,386,179	525,396	6,911,575
2007	6,658,852	520,620	7,179,472
2008	6,495,343	509,410	7,004,753
2009	5,971,008	460,862	6,431,870
2010	5,617,163	254,912	5,872,075
2011	5,782,955	255,324	6,038,279
2012	5,897,000	249,836	6,146,836
2013	6,122,832	277,874	6,400,706
2014	6,275,546	315,393	6,590,939
2015	6,425,349	331,827	6,757,176
2016	6,864,408	338,967	7,203,375
2017	7,637,605	316,052	7,953,657
2018	8,301,587	339,313	8,640,900
2019	9,622,739	329,659	9,952,398
Compound Annual Growth Rate			
2005-2009	(3.0%)	(4.8%)	(3.1%)
2009-2019	4.9%	(3.3%)	4.5%
2005-2019	2.6%	(3.7%)	2.2%

Source: Metropolitan Nashville Airport Authority records, October 2019.

2.3 Key Factors Affecting Air Traffic Demand

The forecast of future air traffic activity at the Airport, provided later in this Chapter, was prepared partly on the basis of quantitative factors including regression against socioeconomic variables such as population, employment, and income. The following section addresses certain qualitative factors that could potentially affect air traffic activity, both nationwide and at the Airport.

2.3.1 Economic Conditions and 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 2017. The rate of growth has been remarkably stable reflecting both the size and maturity of the U.S. economy. Individual years have fluctuated around the long-term trend for a variety of reasons including macroeconomic factors, fuel shocks, war, and terrorist attacks.

There have been two official economic recessions in the U.S. thus far in the 21st century. The first occurred between March and November of 2001 and was compounded by the September 11, 2001, terrorist attacks. The negative impact of these events on the airline industry is well documented. The recession itself was short-lived by historical standards and the economy returned to positive growth rates quickly, fueled by a gradual but prolonged reduction in interest rates.

The second recession, often referred to as the "Great Recession," occurred between December 2007 and June 2009.[83] This was the worst financial crisis to affect the U.S. since the Great Depression and it was the longest recession since airline industry deregulation[84] in 1978. The nation's unemployment rate rose from 5.0% in December 2007 to a high of 10.6% in January 2010.[85]

Figure 2-8 shows a strong correlation between enplaned passenger traffic in the U.S. and the nation's economy. During economic contractions, there is a notable decline in passenger volumes and during the subsequent economic expansions, there is significant growth in passenger volumes. Additionally, exogenous shocks such as terrorist attacks have had a short but significant impact on passenger volumes.

The most recent forecast from the Congressional Budget Office estimates that real U.S. GDP increased by 2.9% in 2018 and is forecast to increase by 2.3% in 2019. The Congressional Budget Office forecast estimates that from 2019 through 2023, growth in the GDP will slow to 1.7% before increasing to an average of 1.8% between 2024 and 2029. Unemployment has dropped from a peak of 9.6% in 2010 to the May 2019 level of 3.6%.[86] Consumer spending increased at a CAGR of 2.4% from 2010 to 2018 and spending on transportation grew by approximately 2.3% during this same period. Air travel expenditures were affected by lower airfares during this time period.[87]

Should the U.S. economy deviate greatly from these estimates, aviation activity could vary from the forecasts presented herein.

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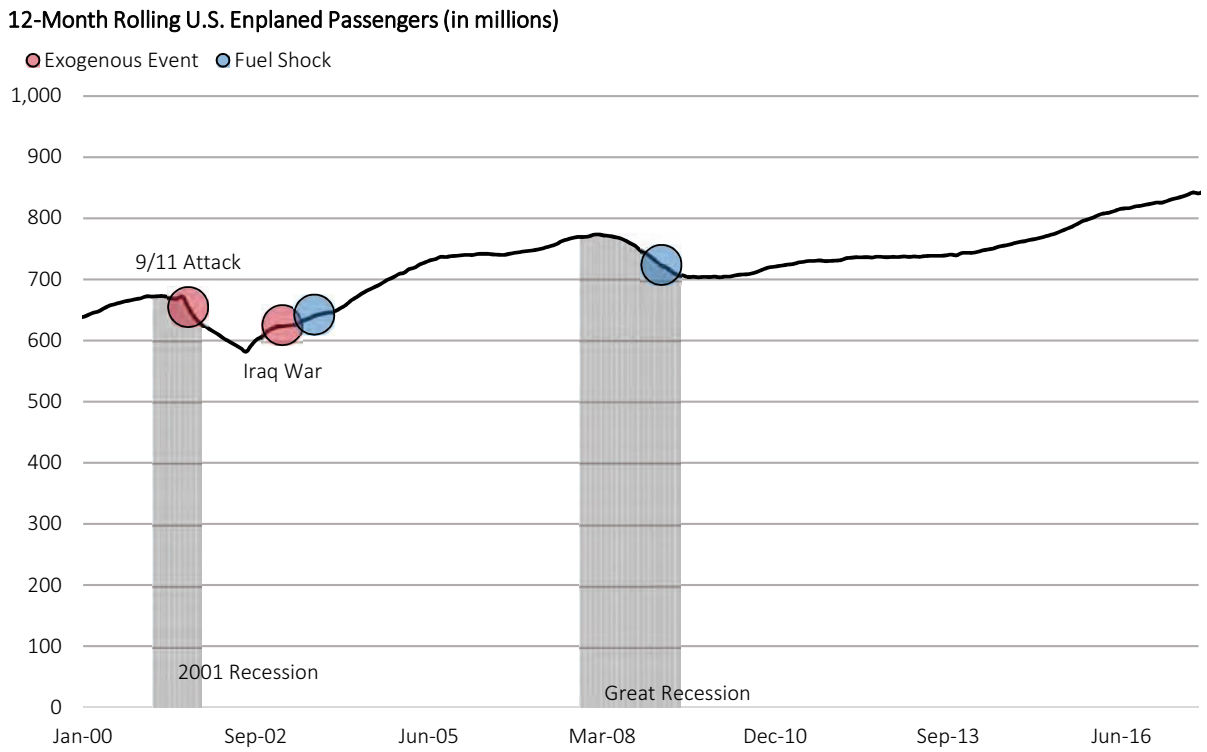
83 National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, September 20, 2010.
84 Deregulation refers to the Airline Deregulations Act of 1978, which reduced government control over the commercial aviation industry.
85 National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, September 20, 2010.
86 Bureau of Labor Statistics, U.S. Department of Labor.
87 Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 2-8 U.S. Aviation System Shocks and Recoveries



Note: Excludes non-revenue enplaned passengers.
Source: U.S. Bureau of Transportation Statistics, U.S. Air Carrier Traffic Statistics.

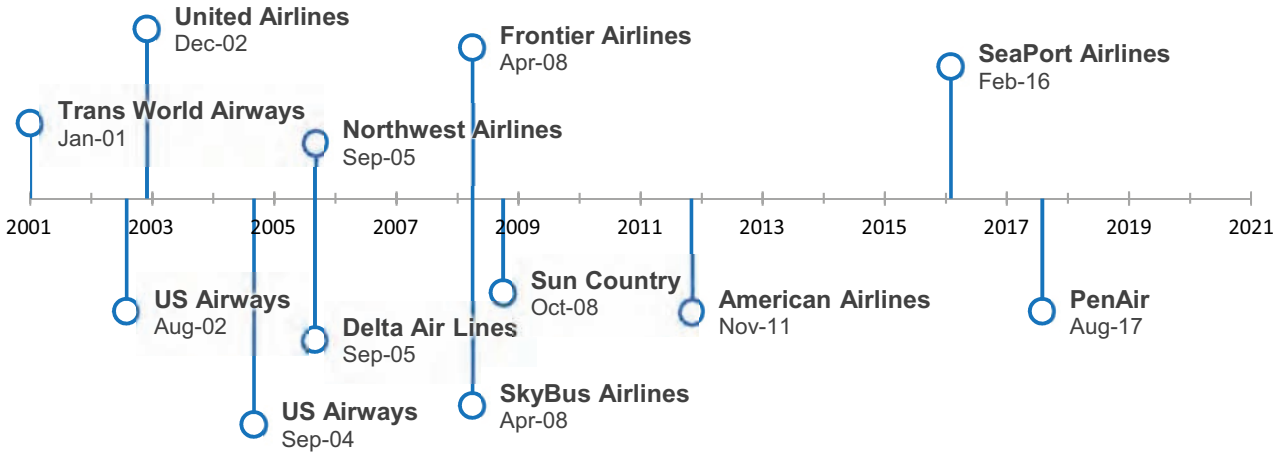
2.3.2 The U.S. Airline Industry

2.3.2.1 Airline Bankruptcies

Over the past several years, the U.S. airline industry has undergone a significant transformation. Although it has been profitable in recent years, the U.S. airline industry cumulatively experienced losses of approximately $62 billion from 2000 through 2009 on domestic operations.[88] Many airlines filed for Chapter 11 bankruptcy protection and some merged or ceased operations altogether. **Table 2-14** presents the airlines that have declared bankruptcy since 2000. 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 near $150 per barrel in 2008, industry changes were critical. As a result, all of the major network airlines restructured their route networks and reached agreements with lenders, employees, vendors, and creditors to decrease their cost structure.

[88] U.S. Department of Transportation, Air Carrier Statistics (Form 41), accessed from Airlines for America, Annual Financial Results: U.S. Passenger Airlines.

Table 2-14 Airline Bankruptcy Timeline



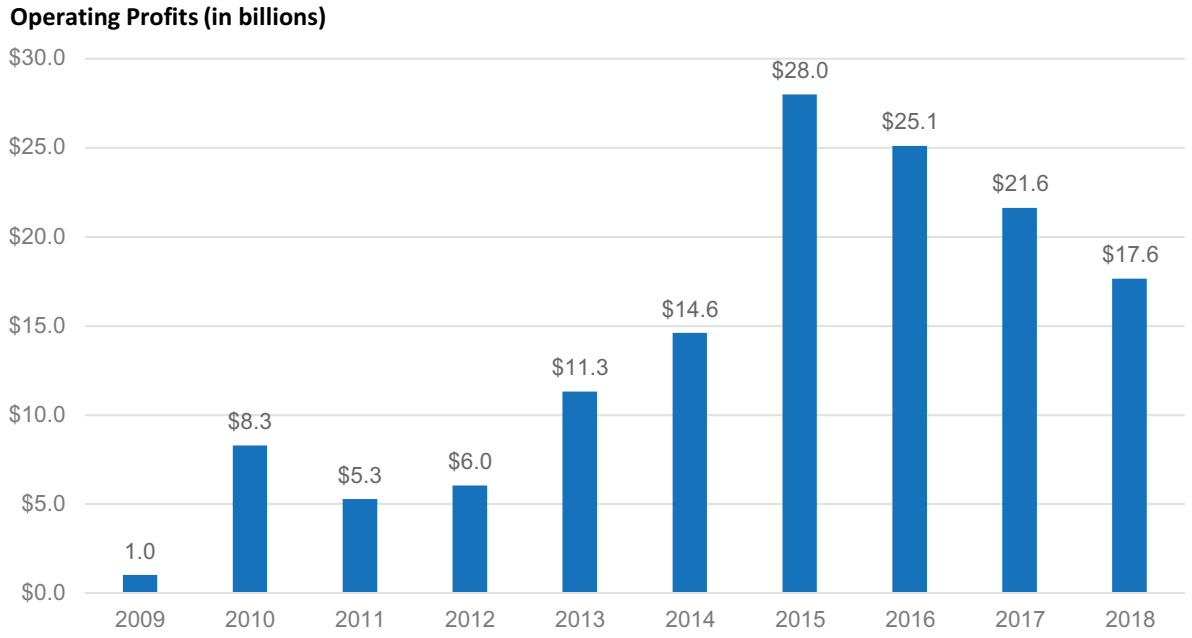
Airline	Status
Trans World Airways	Filed Chapter 11 in January 2001 as part of the acquisition by American.
US Airways	Filed Chapter 11 in August 2002 and again in September 2004; emerged in September 2005 in conjunction with the acquisition by America West. Acquired by American Airlines in 2013.
United Airlines	Filed Chapter 11 in December 2002; emerged in February 2006.
Aloha Airlines	Filed Chapter 11 in December 2004; ceased all operations in March 2008.
Northwest Airlines	Filed Chapter 11 in September 2005; emerged in May 2007. Acquired by Delta in 2008.
Delta Air Lines	Filed Chapter 11 in September 2005; emerged in April 2007. Wholly owned subsidiary Comair Airlines taken in bankruptcy with Delta Air Lines.
Frontier Airlines	Filed Chapter 11 in April 2008; emerged in October 2009.
SkyBus Airlines	Ceased operations in April 2008.
Sun Country	Filed Chapter 11 in October 2008; emerged in July 2011.
American Airlines	Filed Chapter 11 in November 2011. Wholly owned subsidiary American Eagle Airlines took into bankruptcy with American Airlines. Emerged in December 2013.
SeaPort Airlines	Filed Chapter 11 In February 2016. Went out of business when Chapter 11 was converted to Chapter 7 liquidation in September 2016.
PenAir	Filed Chapter 11 in August 2017.

Source: Airlines for America, U.S. Airline Bankruptcies.

2.3.2.2 Airline Profitability

Since 2008, the U.S. airline industry has decreased capacity, particularly in short-haul markets with smaller, short-range aircraft types. The result has been a significant improvement in yields, unit revenues (RASMs), and subsequently profitability. In recent years, the U.S. airline industry has been at its most stable, profitable point in history. According to the U.S. Department of Transportation Bureau of Transportation Statistics, the 21 U.S. scheduled passenger airlines reported a pre-tax net operating profit of $17.6 billion in 2018, which marks the tenth consecutive year of pre-tax operating profits. The scheduled passenger airlines reported an operating profit margin of 9.4% in 2018, down from 12.2% in 2017 and 15.0% in 2016.[89] Profitability can also be attributed to airlines unbundling services and increasing the use of ancillary fees such as charges for checked baggage. **Figure 2-9** presents systemwide operating profit for U.S. passenger airlines as defined by A4A's Passenger Airline Cost Index since 2009.

Figure 2-9 U.S. Passenger Airline Operating Profit



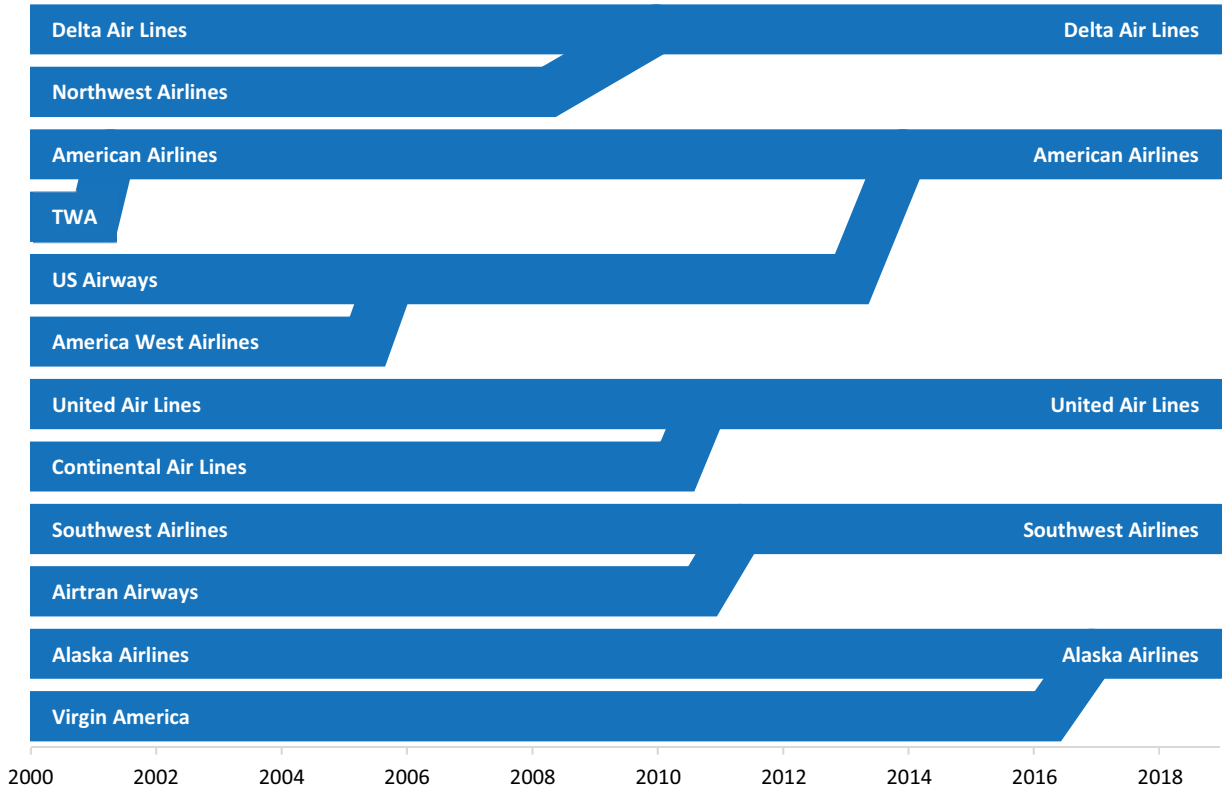
Source: Airlines for America, Data and Statistics, accessed September 2019.

[89] Bureau of Transportation Statistics, 2017 Annual and 4th Quarter U.S. Airline Financial Data.

2.3.2.3 Airline Mergers

Industry consolidation has taken place as a result of competitive pressures and economic conditions. Many airlines have merged or been acquired since 2000. **Figure 2-10** provides a graphical representation of the major U.S. airline mergers during this period.

Figure 2-10 Major U.S. Airline Mergers of the 21st Century



Source: Airlines for America, U.S. Airline Mergers and Acquisitions.

These mergers have resulted in significant economic control of passenger ridership. In 2018, the four largest U.S. airlines (American, Southwest, Delta, and United) accounted for 80.3% of the domestic seating capacity.[90] The potential impacts associated with consolidation include limited industry seat capacity growth and continued increase in yields (fares).

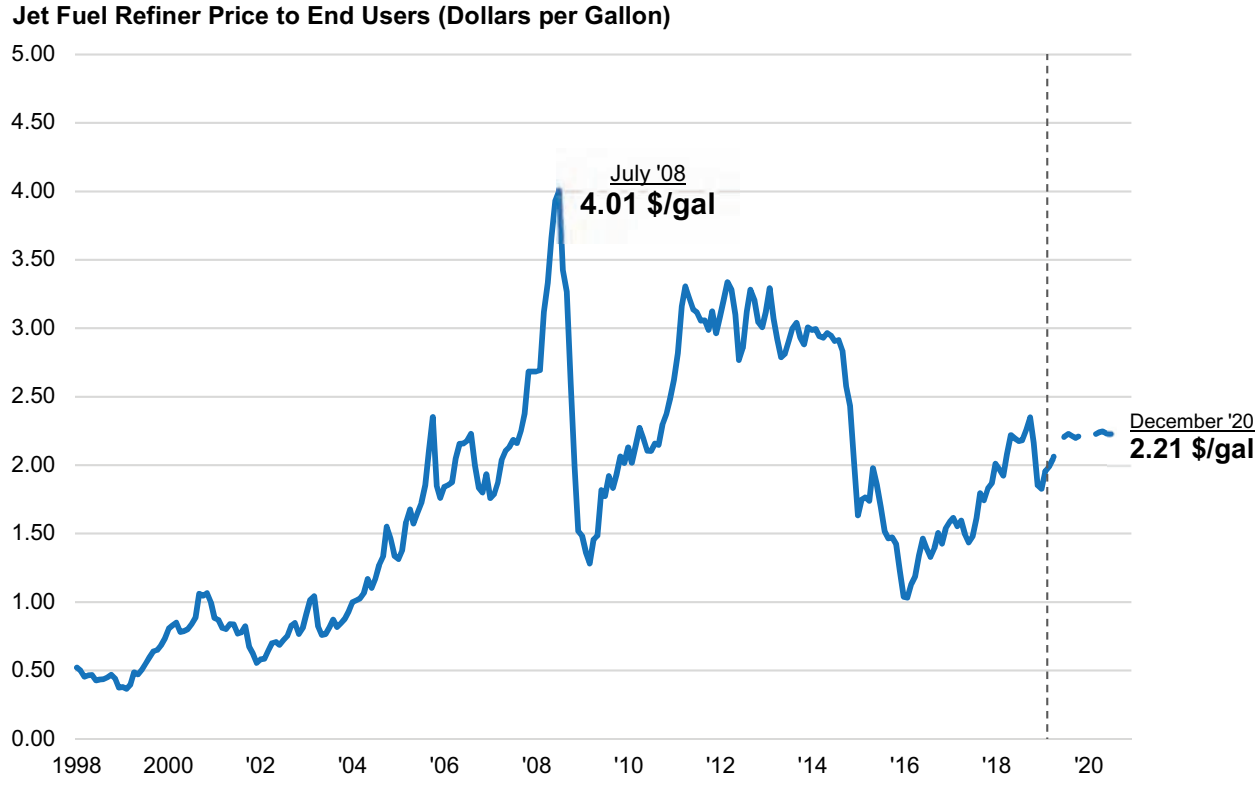
[90] Scheduling data accessed through Diio Mi, Schedule – Dynamic Table, accessed October 2018.

2.3.3 Aviation Fuel

The price of oil and the associated cost of jet fuel is the largest single cost affecting the airline industry. In 2000, the cost of jet fuel to end users averaged $0.89 per gallon. The average cost of jet fuel climbed 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, 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 were faced with cutting capacity or increasing 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 have generally climbed.

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. In the May 2019 release, the EIA projects that jet fuel prices will reach $2.21 per gallon by December 2020. **Figure 2-11** presents the historical price for jet fuel refiner price to end users and the EIA's forecast of that price.

Figure 2-11 Jet Fuel Prices



Source: U.S. Energy Information Administration, Short-Term Energy Outlook (February 2019).

Although fuel cost is of major importance to the airline industry, future prices and availability are uncertain and fluctuate based on numerous factors. These can include supply-and-demand expectations, geopolitical events, fuel inventory levels, 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. While fuel hedging has generally not been used by airlines in recent years, it remains as a potential option to mitigate fuel cost risk. Experts generally agree that longer-term prices are expected to remain high relative to historical levels as demand for energy on a global basis continues to increase.

It is expected that 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 in order to remain profitable. At this time, alternative fuels are not yet commercially cost effective.

2.3.4 Aviation Security

Since the 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, deployment of explosive detection devices, strengthening of aircraft cockpit doors, the increased presence of armed air marshals, awareness programs for personnel at airports, and new programs for flight crews. Aviation security is under the control of the federal government through the Transportation Security Administration.

The threat of terrorism poses risks to the continued growth of the aviation industry. Although terrorist events 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. There have been terrorist attacks at airports internationally including at the Brussels Airport in March 2016, the Istanbul Atatürk Airport in June 2016, and the Orly International 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 Cyber and Data Security

The Authority, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems. As a recipient and provider of personal, private, or sensitive information, the Authority may be the target of cybersecurity incidents that could result in adverse consequences to the Authority's systems technology, requiring a response action to mitigate the consequences. The Airport can also be a target for Nation/States or terrorist groups which wish to cause the U.S. economic damage by attacking aviation/airports.

While cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Authority that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the Authority's systems technology and cause material disruption to the Airport's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. The airlines serving the Airport and other Authority tenants also face cybersecurity threats that could affect their operations and finances.

2.3.6 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 sufficient 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. Although not likely over the forecast 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.

2.3.7 Pilot Shortage

Pilot shortage is an industry-wide issue. In March 2018, Great Lake Airlines, a regional carrier, ended service because it couldn't hire enough pilots for its flights. There are several reasons for the pilot shortage. Congress changed duty time rules in 2010 to mitigate pilot fatigue which required airlines to increase pilot staff. Another rule, instituted in the U.S. in 2013, required first officers flying for commercial airlines to have at least 1,500 hours of flight time, instead of the 250 hours previously required. This has decreased the pool of qualified pilots. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Even with the increased incentives, this makes it harder for small regional airlines to hire qualified new pilots. Additionally, as passenger demand increases, the major carriers also need additional pilots and are generally able to hire them away from the regional carriers, resulting in a shortage for the smaller regional carriers. This pilot shortage could cause service reductions, especially to smaller U.S. markets where regional aircrafts are more prevalent.

2.3.8 Boeing 737 Max 8

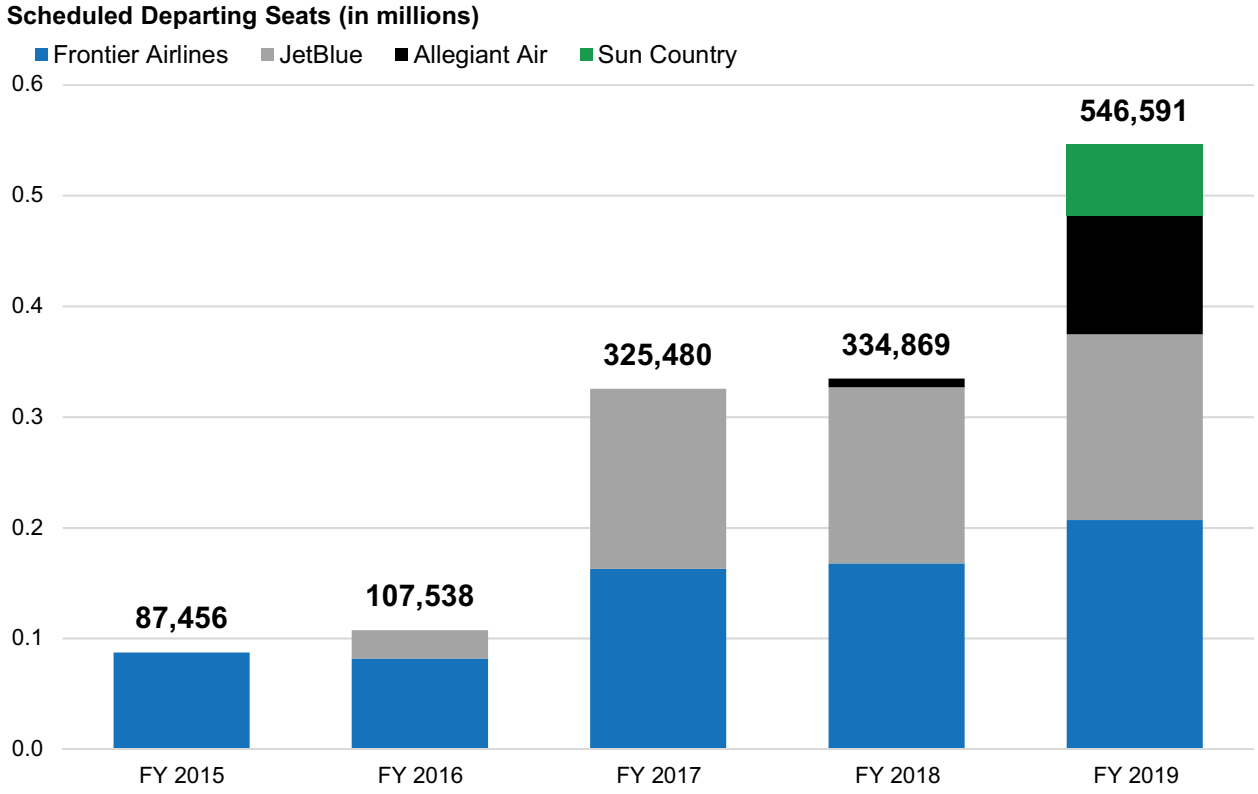
The Airport's largest carrier, Southwest, is the largest operator of the Boeing 737 Max 8 aircraft with 34 currently in the fleet. Southwest was expected to take delivery of an additional 44 planes in 2019. Currently, the Boeing 737 Max 8 accounts for 4.5% of the airline's fleet. On March 13, 2019, the FAA ordered that the Boeing 737 Max 8 remain temporarily grounded until further notice. Since March, Southwest Airlines has been removing the aircraft from its schedules with the most recent change extending to flights through early January. This has also resulted in a number of cancellations as the airline does not have adequate aircraft in reserve to make up the reduction in the fleet. In July, the airline announced that it would be pulling out of Newark Liberty International Airport and consolidating its operations in New York at LaGuardia Airport. Should the grounding continue further into CY 2020, it may have an impact on the airline's current schedule plans for the Airport. At this time, it is difficult to determine potential impacts to the Airport that would result from a prolonged grounding of the Boeing 737 Max 8. However, as demonstrated earlier in this chapter, the Airport appears to be one of Southwest's strongest performing markets, which would most likely be considered as part of any future schedule adjustments.

2.3.9 Introduction of New Low-Cost Carriers

Historically, the Airport has been served by one LCC, Frontier Airlines. However, several new LCCs and ULCCs have either begun service or have announced service at the Airport recently. In FY 2016, Jet Blue Airways began daily scheduled service to Boston Logan International Airport (BOS) and Fort Lauderdale-Hollywood International Airport (FLL) from the Airport. At the same time, Frontier Airlines doubled its existing service. The combined effect was that scheduled service by LLCs and ULCCs increased by 272.2%. The following year, Allegiant Air began service to seven markets and expanded its service in FY 2019. Sun Country began scheduled service in FY 2019 to nine markets. Overall, LCC and ULCC service increased from 87,456 departing seats serving two markets in FY 2015 to 546,591 departing seats serving 33 markets in FY 2019. Figure 2-12 graphically depicts the recent growth of this segment of passenger traffic. Spirit Airlines is the latest ULCC to announce service at the Airport and began service in October 2019. Normally, new service doesn't materially stimulate passenger traffic at an airport as service is generally added to meet current demand. However, the introduction of LLCs and ULCCs at an airport generally drive down airfares which can promote new demand as prices can reach a level that results in the decision to fly as opposed to other transportation options.

Given their business models in offering lower fares geared more towards the leisure traveler, LCCs and ULCCs can be more prone to impacts from economic disturbances such as fuel price increases than network carriers. Therefore, while the Airport is experiencing strong growth from this segment of air carriers, currently, economic disturbances could impact future growth.

Figure 2-12 Seating Capacity for LCCs and ULCCs



Source: Diio Mi, Schedule – Dynamic Table.

2.4 Air Traffic Activity Forecasts

Air traffic activity forecasts have been prepared for use as the basis for the financial analysis presented in this Report. This analysis consisted of two primary steps: a short-term forecast and a long-term forecast and is described in the sections below.

2.4.1 Forecast Assumptions

Forecasts of air traffic activity were developed based on an analysis of the underlying economic conditions of the Air Service Area, airline traffic trends, and an assessment of Southwest's continued focus on the region. 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 population and the economy of the Air Service Area. In addition, several other assumptions are incorporated into the long-term forecast including the following:

- The airlines will continue to add capacity that is in line with demand and GDP growth.
- British Airways and other airlines will continue to provide trans-oceanic service to markets in Europe, as well as other international markets such as Canada, Mexico, and the Caribbean. Service to other international markets will also be provided as demand dictates.
- Long-term nationwide growth in air travel will occur over the forecast period consistent with forecast growth in the economy.
- Aviation fuel prices over the forecast period are anticipated to be higher relative to historical levels, but lower than the record prices reached in mid-2008.
- There will be no major disruption of airline service or airline travel behavior.

Many of the factors that may affect air travel demand are not necessarily quantifiable. As a result, all forecasts of aviation activity are subject to various uncertainties. Therefore, this forecast, as with any forecast, should be viewed as a general indication of future aviation activity as opposed to a precise prediction. Actual future traffic may vary from these forecasts and such variances could be material.

2.4.2 Enplaned Passenger Forecast

2.4.2.1 Short-Term Forecast

The short-term forecast developed an appropriate estimate for FY 2020 and FY 2021. For the first half of FY 2020, published airline schedule data containing seating capacity was examined. Current schedules indicate an increase of 12.7% in departing seating capacity for the first half of FY 2020 when compared to the first half of FY 2019. At this time, schedule data beyond December 2019 is less reliable. A majority of this growth is the result of Southwest adding more than 300,000 departing seats; however, all of the primary airlines at the Airport are also indicating seat capacity growth. Additionally, Spirit Airlines has begun new service which is expected to add more than 80,000 departing seats during the last three months of the first half of FY 2020. In order to remain conservative for financial feasibility purposes, it was assumed that airline seat capacity would remain level and at the same load factors in the second half of FY 2020 as the first half with the exception of Spirit Airlines, which would operate for the entire half year. This results in an increase of 1.5 million departing seats, or 14.4%, for FY 2020 as compared to FY 2019. For the purposes of conservatism, it was assumed that this increase in seat capacity would have a somewhat negative effect on load factors and that load factors would decrease by two percentage points from approximately 80.9% in FY 2019 to 78.9% in FY 2020. Given these assumptions, it is estimated that the Airport will have approximately 9.6 million enplaned passengers in FY 2020, representing year-over-year growth of 11.4%. Enplaned passengers at the Airport have increased 13.6% through the first three months of FY 2020 as compared to FY 2019.

While the Airport has been experiencing very rapid growth in enplaned passengers for the past four years at annual growth of around 10% or greater, it has been assumed that this high growth will not continue throughout the forecast period. The Air Service Area continues to experience economic growth as described in Chapter 1 of this Report; therefore, rapid growth in passengers could continue into the future. However, conservatism is prudent in establishing a forecast for financial feasibility purposes. Subsequently, it was assumed that in FY 2021, the market would begin to mature, however; passenger growth would continue to exceed longer-term growth rates. Therefore, FY 2021 was assumed to be a bridge year between the very rapid growth experienced in recent years and the longer-term growth rates. It is estimated that enplaned passengers in FY 2021 will increase at about half the rate as estimated for FY 2020 (5.8%) resulting in an estimated 10.1 million enplaned passengers at the Airport.

2.4.2.2 Long-Term Forecast

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 with 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 must be true:

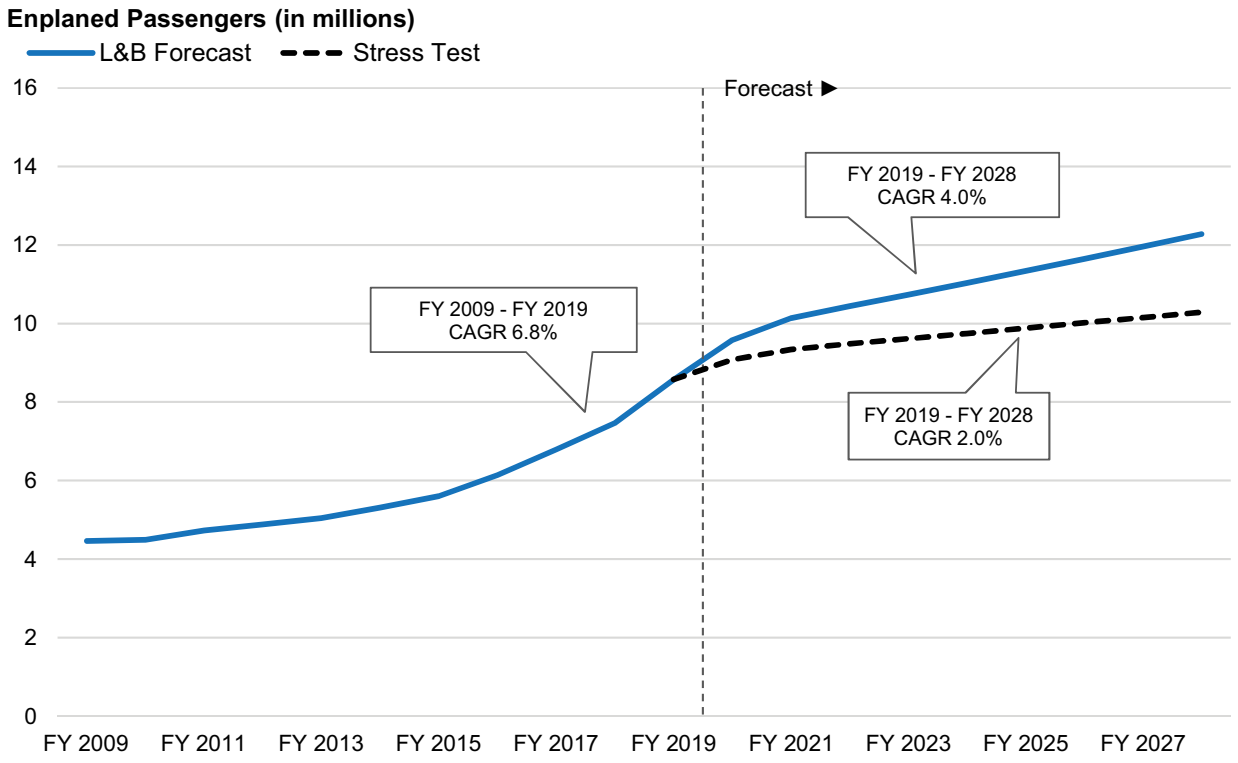
- Adequate test statistics (i.e. high coefficient of determination (R^2) values and low p-value statistics), which indicate that the independent variables are good predictors of passengers at the Airport.
- The analysis does not result in theoretical contradictions (e.g., the model indicates that GDP 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 univariate linear model was selected to forecast enplaned passengers at the Airport. The model uses the Air Service Area's employment. This model exhibits strong regression statistics when compared to models with other combinations of independent variables. The model was used to determine an estimated number of enplaned passengers for FY 2028. However, it was assumed that the growth would not follow a linear path. Therefore, the estimated values for FY 2021 and FY 2028 were plotted with a logarithmic model. This model provided the year-over-year growth rates used for the enplaned passenger forecast.

2.4.2.3 Forecast Summary

Based on models and the set of assumptions detailed above, enplaned passengers are forecast to increase 4.0% per annum from FY 2019 through FY 2028. A significant amount of this growth is assumed to occur over the short-term. From FY 2021 through FY 2028, enplaned passengers are forecast to increase at a CAGR of 2.8%, compared to the long-term historical growth of 3.5% from FY 1996 through FY 2019. The result is that enplaned passengers are forecast to increase from 8.6 million in FY 2019 to 11.9 million in FY 2028. **Figure 2-13** depicts the enplaned passengers forecast as well as a stress test forecast. The stress test, described in Section 4.11 of this Report, assumes a 50% reduction in enplaned passenger growth in each year in order to evaluate the sensitivity of the financial forecasts developed in Chapter 4 herein.

Figure 2-13 Enplaned Passenger Forecast for the Airport

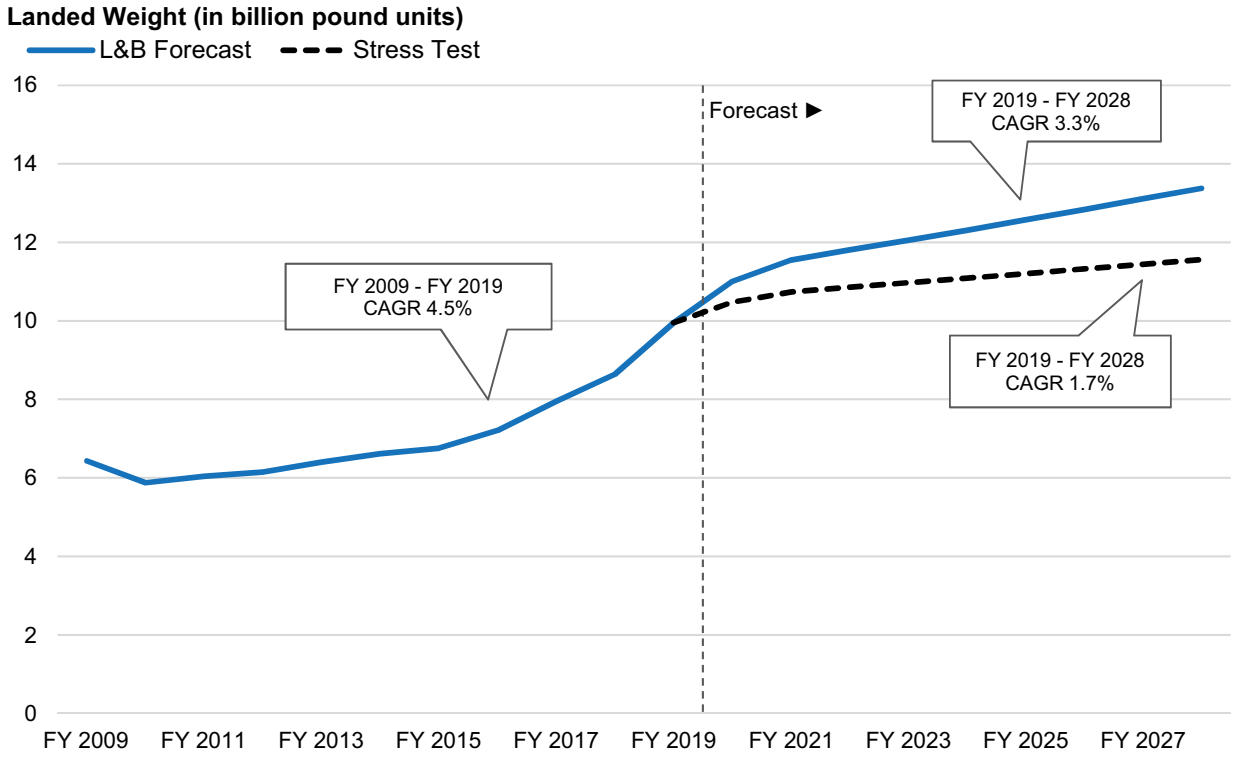


Sources: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed June 2019.; Landrum & Brown Analysis.

2.4.3 Landed Weight Forecasts

The landed weight forecasts assume that the current industry shift towards larger aircraft will continue to occur. In addition, the forecast assumes further decreases in smaller regional jets as they are retired, especially 50-seat aircraft. Therefore, passenger landed weight growth is forecast to be slightly slower than the enplaned passenger growth. In FY 2019, for each enplaned passenger there was approximately 1,112 pounds of landed weight, down from 1,503 in FY 2005. A logarithmic trend model was used to project future pounds of landed weight per passenger enplanement. The result is that passenger landed weight would increase from approximately 9.6 billion pounds in FY 2019 to 13.0 billion pounds in FY 2028. This result represents a CAGR of 3.4% from FY 2019 through FY 2028 compared to the 4.0% CAGR forecast for enplaned passengers. There has been a slight upward trend in all-cargo landed weight since FY 2010. A linear trend model was used to forecast future landed weight for all-cargo. The result is that all-cargo landed weight will increase at a CAGR of 2.2%, increasing from 330 million pounds in FY 2019 to 400 million pounds in FY 2028. **Figure 2-14** graphically depicts the landed weight forecast as well as a stress test forecast. The stress test, described in Section 4.11 of this Report, assumes a 50% reduction in landed weight growth in each year in order to evaluate the sensitivity of the financial forecasts developed in Chapter 4 herein.

FIGURE 2-14 Landed Weight Forecast at the Airport



Sources: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed June 2019.; Landrum & Brown Analysis.

2.4.4 Forecast Summary

Table 2-15 provides the enplaned passenger forecast and the landed weight forecast for the Airport.

Table 2-15 Forecast Summary

Year	Enplaned Passenger Forecast (thousands)		Landed Weight Forecast (million-pound Units)			
		% Change	Passenger	Cargo	Total	% Change
FY 2019 (Actual)	8,596	--	9,623	330	9,952	--
FY 2020	9,576	11.4%	10,662	338	11,000	10.5%
FY 2021	10,136	5.8%	11,200	345	11,546	5.0%
FY 2022	10,439	3.0%	11,452	353	11,805	2.2%
FY 2023	10,732	2.8%	11,693	361	12,054	2.1%
FY 2024	11,031	2.8%	11,940	369	12,309	2.1%
FY 2025	11,337	2.8%	12,195	377	12,571	2.1%
FY 2026	11,649	2.7%	12,454	385	12,839	2.1%
FY 2027	11,962	2.7%	12,716	392	13,108	2.1%
FY 2028	12,277	2.6%	12,977	400	13,378	2.1%
	Average Annual Growth Rates					
2019-28	4.0%		3.4%	2.2%	3.3%	
2021-28	2.8%		2.1%	2.1%	2.1%	

Sources: Metropolitan Nashville Airport Authority records based on reports from the FAA, accessed June 2019.; Landrum & Brown Analysis.

3 Airport Facilities and Capital Program

3.1 Existing Airport Facilities

The Airport comprises 4,470 acres of land in Davidson County, Tennessee. It is located approximately six miles southeast of downtown Nashville. The Airport is the primary commercial air passenger and cargo service facility for the Middle Tennessee area and portions of Southern Kentucky and Northern Alabama. Access to the Airport is primarily provided from Interstate 40 and indirectly from Interstates 24 and 65 via Donelson Pike. The existing Airport layout is depicted on **Figure 3-1** and Airport facilities are described in this Chapter.

Figure 3-1 Airport Layout

Source: Metropolitan Nashville Airport Authority, September 2019.

3.1.1 Airport History

The Airport opened in June 1937 as Berry Field on a 340-acre site located along the Dixie Highway (now Murfreesboro Road) and was built as a Works Progress Administration (WPA) project. Named in honor of Colonel Harry S. Berry, state administrator of the WPA, Berry Field consisted of a terminal building, two hangars, a 4,000-foot concrete runway and a flashing beacon. The three-letter identifier, "BNA", stands for Berry Field Nashville. The Airport has been expanded and developed over the years to meet increased demand and accommodate the economic growth of the Middle Tennessee region. A history of the Airport's growth over historical time periods is summarized below.[91]

- **1930s and 1940s.** American Airlines and Eastern Airlines were the first air carriers to serve Nashville, and within a year, 189,000 passengers had used the facilities. During World War II, Berry Field became the military base for the 4th Ferrying Command, and the federal government added additional acreage for its military operations. In 1946, after the war ended, the military returned a 1,500-acre airport site to the City of Nashville.
- **1950s and 1960s.** A new 145,900-square-foot passenger terminal opened in 1961. Six airlines were then serving Nashville, and airline passengers exceeded half a million people (532,790). In 1963, the existing Runway 2L-20R was extended by an additional 600 feet, and construction began on a new crosswind Runway 13-31. In 1968, a citizens group, led by the late John C. Tune, garnered public and political support for creating a non-governmental entity that would be self-financing and assure a safe, efficient and modern airport, well into the future. In 1969, the General Assembly passed legislation allowing the Authority to be created.
- **1970s and 1980s.** In 1970, the Metropolitan Government of Nashville/Davidson County formed the Metropolitan Nashville Airport Authority, replacing the City Aviation Department. In 1977, the airport consisted of 3,300 acres with three runways. The passenger terminal was renovated and expanded to 189,000 square feet. The Authority unveiled designs for a new terminal and started site preparation in 1984. Airport revenue bonds in the amount of $128.5 million financed the development of a 750,000-sqare-foot terminal, which opened in 1987. That same year American Airlines selected the Airport as a hub for its network, thus requiring the additional terminal space to support its operation. In 1988, the Airport's name was changed to Nashville International Airport, and a new parallel runway (2R-20L) was dedicated in 1989.
- **1990s and Present.** In 1994, the Airport relocated Runway 2C-20C and extended it to 8,000 feet. American Airlines began to downsize its hubbing activity at the Airport in the 1990s. Furthermore, major airline industry changes since the 1990s (including the growth of Southwest Airlines and legacy airline consolidation) have resulted in significantly different demand patterns, a reduction in the number of connecting passengers, and growth in the number of origin and destination passengers. The Authority is in the process of updating the 2013 Master Plan and completed an environmental assessment for the BNA Vision program in 2018 (see Section 1.3 for a more detailed discussion of the BNA Vision).

[91] Metropolitan Nashville Airport Authority website (http://www.flynashville.com/about/Pages/bna-history.aspx), accessed July 2019.

3.1.2 Airfield Facilities

The existing airfield consists of four air carrier runways, three of which are in a parallel northeast-southwest alignment (Runways 2R-20L, 2C-20C, and 2L-20R) and one crosswind carrier runway oriented in a northwest/southeast direction (Runway 13-31). Runway 2R-20L is 8,001 feet in length, Runway 2C-20C is 8,001 feet in length, Runway 2L-20R is 7,704 feet in length, and Runway 13-31 is the Airport's longest at 11,030 feet in length. All runways are 150 feet wide and are equipped with high intensity runway lighting systems. Parallel Runways 2L-20R and 2R-20L are equipped with centerline lighting, and touchdown zone lights are installed on Runway ends 2L-20R and 2R-20L. Precision instrument landing systems were installed on all ends of each runway for approaches during instrument flight rules (IFR) conditions with the exception of Runway ends 20C and 13. Existing runways have adequate capacity to meet forecast operations throughout the foreseeable future.92

3.1.3 Terminal Facilities

The passenger terminal complex consists of a main terminal building with four attached concourses and an international arrivals building (IAB) and over one million square feet of total space.[93] The existing terminal and apron facilities provide for 43 gate positions and associated passenger waiting areas and security screening facilities. Of the 43 gate positions, two are at the IAB, which can accommodate international arrivals, and 41 are generally used for domestic operations. The terminal apron is comprised of approximately 1.35 million square feet of pavement. Passenger circulation patterns within the main terminal generally follow a converging "V" plan, connecting the flow to/from the center of the terminal to the concourses. This circulation pattern creates straightforward wayfinding for passengers.

The main terminal building is divided into three primary levels: ground transportation (Level 1), the arrivals level (Level 2), and the departures level (Level 3). Level 1 accommodates Airport passenger ground transportation services, such as rental cars, taxis, limo, Transportation Network Companies (TNCs) such as Uber and Lyft, and shuttle buses. Level 2 serves primarily as the hall for baggage claims, baggage makeup, and check baggage inspection screening facilities. An elevated roadway provides vehicle access to Level 3, which provides passengers access to the ticketing hall, the security screen checkpoint, and the four concourses. Level 3 is also the primary level for concessions areas, including food and beverage operators, retailers, and service providers, enhancing the customer experience at while at the Airport. The concessions program focuses on creating a travel experience that reflects the Nashville experience. Such concession offerings include, but are not limited to, a variety of fast food and full-service restaurants, local themed gifts and retail shops, newsstands and other spa/service providers. Restaurants and public spaces also offer music in many forms, including live performances that reflect not only country music, but every musical taste. Additional information regarding the redevelopment of the concession program at the Airport is provided in Chapter 4 of this Report.

The Authority's administration space is primarily located on Level 4 of the main terminal. This space comprises over 25,000 square feet and makes up the majority of the level. The Authority Operations office is located in Concourse C, and certain other Authority offices are located in Concourse B.

As part of the BNA Vision (see Section 1.3 for more detailed discussion), the Authority is currently constructing a new 64,000 square foot administration office building, reconstructing and expanding Concourse D, and expanding the ticketing lobby and the baggage claim area. All of these projects are expected to be completed in 2023. Upon completion, Concourse D will provide the Authority with an additional six (6) aircraft gates.

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92 Draft Master Plan Update, Nashville International Airport, June 2019.

93 Concourse D is currently not in use for flight operations.

3.1.4 Public Parking Facilities

Authority-owned public parking facilities consist of a new six-story short-term public parking garage, one long-term surface parking lot (Terminal Lot A), two economy surface parking lots (Economy Lots B and C), valet parking, and a remote valet surface parking lot (BNA Express Park). In total, these facilities provide approximately 11,300 public parking spaces offering various products to passengers as further described:

- The Authority opened the first phase of the new terminal parking garage in December 2018. This new garage replaced the existing short-term garage.[94] The new terminal parking garage has approximately 2,200 covered parking spaces with 20 charging stations for electric vehicles, and is located adjacent to and within walking distance to the passenger terminal. Current pricing for the terminal parking garage is $24 per day.
- Terminal Lot A is a surface lot consisting of 1,034 public parking spaces. This lot is located east of the parking garage along the west side of Terminal Drive. This lot is within walking distance to the terminal and also offers shuttle service approximately every five minutes. Current pricing for Terminal Lot A is $18 per day.
- Economy Lot B is a surface lot consisting of 2,124 public parking spaces. This lot is located northeast of Terminal Lot A across Donelson Pike. This lot offers shuttle service to the terminal approximately every five minutes. Current pricing for Economy Lot B is $12 per day.
- The Economy Lot C has 3,625 surface public parking spaces and is located north of the terminal building between Terminal Drive and Interstate 40. This lot offers shuttle service to the terminal approximately every ten minutes. Current pricing for the Economy Lot C is $12 per day.
- Valet parking pick-up and drop-off occurs on the lower roadway level in front of the terminal building. The storage lot for valet parking is west of the Economy Lot and contains 1,081 (679 useable) parking spaces. Current pricing for the valet parking service is $34 per day. The valet parking product also offers optional car wash services.
- The BNA Express Park lot has 1,235 remote spaces providing valet on-demand shuttle service and is located south of the terminal building along Donelson Pike. This lot includes two free electric charging stations and optional car wash services. Current pricing for the BNA Express Park lot is $12 per day.

Off-Airport parking competition includes five private operators offering over 4,700 spaces: Fly Away, located about 3.3 miles from the terminal, has approximately 750 parking spaces; The Parking Spot, located about one mile from the terminal, has approximately 1,445 parking spaces; Flight Park, located 1.2 miles from the terminal, has approximately 535 parking spaces; Executive Travel and Parking, located 1.2 miles from the terminal, has approximately 485 parking spaces; and Park 'N Fly, located 1.3 miles from the terminal, has approximately 1,500 spaces. Off-Airport parking operators' daily rates are comparable, and in some cases greater than, the Authority's daily economy rates.

To help reduce vehicle traffic congestion in the terminal area, two cell phone waiting lots are 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. Both lots are located north of the passenger terminal and include 49 spaces for the lot east of Economy Lot C and 80 spaces for the lot west of Economy Lot C.

[94] The old short-term garage has been demolished and will be the future site of a new 3,000 space short-term public parking garage expected to be completed in the fall of 2020.

3.1.5 Rental Car Facilities

The 1.2 million-square foot consolidated rental car facility (CONRAC) is located north of the Terminal Parking Garage and contains 2,400 rental car ready/return spaces on three parking levels. The facility is within walking distance from the terminal building; therefore, no busing of passengers is needed. Covered walkways provide convenient passenger access to/from the terminal. Ten rental car brands are currently offered within the CONRAC: Advantage, Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, and Thrifty.

A grade-level quick-turn around (QTA) facility adjacent and to the north of the ready/return parking is also included within the CONRAC. The QTA contains 10 car wash bays, 54 fueling stations, a common vacuum and windshield wiper fluid system, and three 20,000-gallon underground fuel tanks for servicing of vehicles by the rental car operators.

3.1.6 Air Cargo and Aircraft Maintenance Facilities

Air cargo operations at the Airport include all-cargo aircraft operators, air freight operators, integrated carriers, and the U.S. Postal Service (USPS). Facilities for all-cargo operators generally include an aircraft parking apron for the loading and unloading of cargo. Air freight is generally the cargo transported on passenger airlines, and integrated carriers are operators such as FedEx and United Parcel Service, etc. Air Freight facilities consist of enclosed building space with a capacity of about 40,000 square feet located southeast of the passenger terminal facility for ease of transporting freight to and from passenger aircraft. The Authority leases this building space to various passenger airlines for their air freight. All-cargo facilities are located in the western part of the Airport between Briley Parkway and Runway 2L-20R. These facilities have direct access to approximately 400,000 square feet of apron space. In addition, the Air Cargo Terminal One and Air Cargo Terminal Two facilities consist of apron space and building space to support all-cargo and integrated carrier operations along with other functions.

Multiple aircraft maintenance facilities are located at the Airport. Fixed base operators (FBOs) and other service providers offer maintenance service to general aviation (GA) aircraft. Brazilian aircraft manufacturer Embraer also provides maintenance services from a 78,000 square foot hangar on the west side of the Airport. The company is the world's third-largest manufacturer of commercial jets after Airbus and Boeing. The Authority leases this building space to Embraer.

3.1.7 Ancillary Facilities

Ancillary facilities support the aviation-related activities at the Airport. The facilities identified as ancillary are categorized as Military, General Aviation, FAA, the Authority, Ground Support Equipment, Flight Kitchens, Other Facilities, and the Central Receiving and Distribution Center.

- **Military.** The Tennessee Air National Guard (TANG) operates on the south side of the Airport. The 118th Wing is based at the Airport. Its operations require multiple facilities including the TANG's headquarters and administration building, operations building, civil engineering facility, aircraft maintenance hangars, recreational facilities, and engine repair shops.
- **General Aviation.** Corporate and GA facilities are located south of the main terminal complex area between Runway 2C-20C and Hangar Lane. This area includes corporate hangar facilities, offices, aircraft maintenance base hangars, fueling facilities, and FBO facilities. Services offered by the FBOs and other aviation support businesses include aircraft fueling, airframe and engine repair, ramp parking and tie-downs, ground handling, hangar storage, pilot amenities, and avionics repair. The GA apron area comprises approximately 927,000 square feet of apron for itinerant aircraft parking. The Authority owns a majority of the aircraft hangars and receives rent from the aircraft hangar tenants. The Authority also receives ground lease rent from the owners of a corporate aircraft maintenance hangar.
- **FAA.** The FAA occupies the Airport Traffic Control Tower (ATCT) and handles all flight arrivals and departures as well as ground movement. The ATCT is located within the GA complex described above.
- **The Authority.** The Authority provides the following support facilities at the Airport: Aircraft Rescue and Fire Fighting facility, Storm Water Treatment facility, and the MNAA Consolidated Service facility, which is used by the Authority's Maintenance, Environmental, and Purchasing Departments.
- **Ground Support Equipment.** Ground support equipment (GSE) facilities include areas and buildings that house vehicles and equipment necessary to serve aircraft operations such as aircraft tugs, baggage tugs and carts, catering trucks, fuel trucks, 400-hertz power generators, deicers, lavatory service trucks, etc. GSE is stored in covered areas surrounding the terminal area.
- **Other Facilities.** Several other non-aeronautical businesses and facilities are also located on Airport property. Dell Computer Corporation has a campus near the Airport and leases a training facility on Airport property. Other non-aeronautical facilities located on Airport include the Metro 911 emergency call center, Monell's Restaurant, Armada Van Rental, Global Tire, a bank, the Genesco Office Building, the Johnston & Murphy plant, Tennessee Department of Transportation offices, and other commercial uses.
- **Central Receiving and Distribution Center (CRDC)**. The CRDC is a central receiving and distribution facility for products, goods, and services being delivered on-Airport. This state-of-the-art facility has inspection and X-ray capabilities, temporary refrigeration and freezer storage, large dry-goods staging capacity with lifting tables. The facility utilizes extensive security measures, including CCTV, access control, and vehicle safeguarding procedures. The CRDC is operated by Bradford Airport Logistics and is currently utilized by those Concessionaires operating under the master concessions agreement with Fraport.

3.2 John C. Tune Airport

The Authority also owns and operates the Reliever Airport, a 372-acre facility which is a general aviation airport and serves the needs of corporate and private aircraft users. The Reliever Airport has an airport code of "JWN" and is located on the west side of Nashville approximately five miles from downtown. The Reliever Airport is designated as a reliever airport to the Airport pursuant to the FAA's National Plan of Integrated Airport Systems (NPIAS). Reliever airports are specially designated GA airports intended to reduce congestion at larger commercial service airports primarily by providing an option for accommodating GA traffic.

Construction began in 1983 and the Reliever Airport, named for John C. Tune, opened in 1986. The Reliever Airport has a single runway of 6,000 feet long, 360,000 square feet of aircraft ramp space, 3,000 square feet of office space, a terminal building, and other hangar space for corporate and GA aircraft. In 2015, over $30 million in capital improvements, 95% of which was funded with federal and state grant funds, were made at the Reliever Airport. Improvements included, extension of both the runway and taxiway, construction of new runway safety areas, installation of LED airfield lighting major renovations to the main terminal, hangar repairs and improvements, and paving of the aircraft ramp and apron.

The Reliever Airport is part of the Airport System as defined under the Senior Resolution.

3.3 Capital Development Program

Between 2008 and 2018, the population of the Air Service Area grew by approximately 18.9%, from approximately 1.6 million to 1.9 million, and annual enplaned passengers at the Airport increased by 53.0% from approximately 4.9 million to 7.5 million. The Authority's Capital Development Program was developed in response to this growth and the expected continued growth in the region and in passengers, and consists of a set of capital projects referred to as the BNA Vision and other capital projects developed as part of the Authority's on-going capital improvement plan (CIP). The Authority's Capital Development Program includes capital projects expected to occur both during and beyond the forecast period evaluated in this Report.

3.3.1 BNA Vision

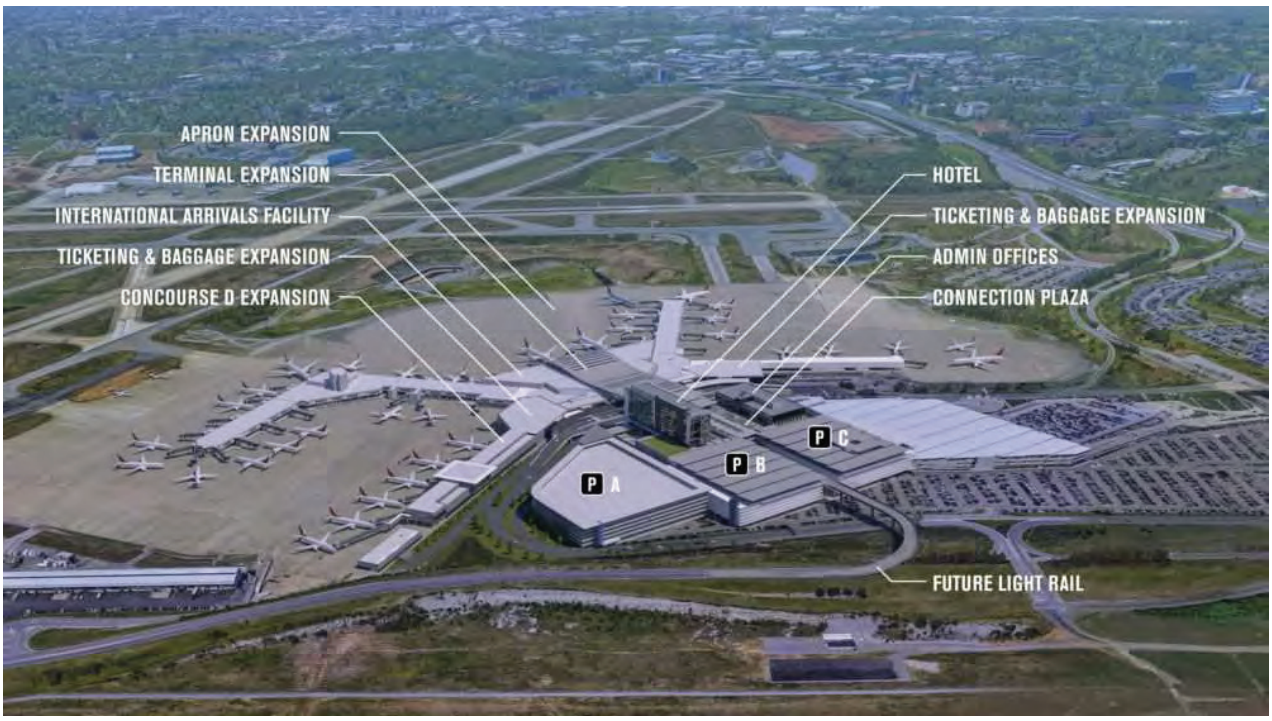
The Authority developed the BNA Vision from the 2013 Master Plan to address the need for major renovation and expansion. The BNA Vision currently includes the following four phases:

- **BNA Vision 1.0 –** Elements include the construction of a new six-story 2,200 space parking garage (completed in December 2018); the construction of two additional parking garages and a 64,000 square foot airport administrative office building; the reconstruction and expansion of Concourse D to accommodate six (6) additional aircraft gates, including the construction of a new central utility plant; the expansion of the ticketing lobby and the baggage claim area; the filling and paving of 500,000 square feet of terminal apron and taxilane area; the construction of a new international arrivals facility; and the expansion of terminal access roadways and the relocation of Donelson Pike. The estimated cost of BNA Vision 1.0 is approximately $1.38 billion. All elements of BNA Vision 1.0 are expected to be completed during the forecast period. **Figure 3-2** depicts the location of the various BNA Vision 1.0 elements.

  BNA Vision 1.0 initially included the construction of a hotel at the Airport as part of the parking garage construction. Upon further evaluation it was determined that a public-private partnership would be sought, under which the private operator will construct and operate the hotel. The Authority is currently undergoing a process to develop a request for proposals, select a private developer, and develop a concession agreement. The estimated construction cost of the Airport hotel of $131 million was initially included in BNA Vision 1.0, however, is not included in the $1.38 billion project cost of BNA Vision 1.0.

- **BNA Vision 2.0** – Elements include an 8-gate satellite concourse (Concourse E); a deicing treatment facility, the curbside expansion of the departure and arrival levels of the terminal; the expansion of Concourse A to provide an additional ten to 12 aircraft gates; additional expansion of the airfield and apron, including the extension of Runway 2L-20R; additional expansion and improvements to the terminal access roads and transit connections; and additional support facilities needed. The estimated cost of BNA Vision 2.0 is $1.5 billion. It is expected that portions of BNA Vision 2.0 will start during the forecast period. Based on the forecast growth in passengers, the expansion of Concourse A is anticipated to be completed during the forecast period; however, at this time, the full implementation of the Runway 2L-29R extension is not assumed during the forecast period.
- **BNA Vision 3.0** – Elements include the construction of additional support facilities and various enabling projects needed for BNA Vision 4.0. The estimated cost of BNA Vision 3.0 is $0.7 billion and is expected to commence, based on forecast traffic growth, beyond FY 2028.
- **BNA Vision 4.0** – Elements include a new satellite terminal and a people mover. The estimated cost of BNA Vision 4.0 is $2.1 billion and is expected to commence, based on forecast traffic growth, beyond FY 2028.

Figure 3-2 BNA Vision 1.0 Projects



Note: Hotel is being funded through a public-private partnership and the status of the Future Light Rail is uncertain at this time.

3.3.2 Capital Improvement Plan

The Authority also plans to undertake capital projects, developed in addition to the BNA Vision, as part of the Authority's CIP. The Authority maintains an ongoing CIP to address the needs of the Airport System in conjunction with the Authority's long-term facilities plan addressed through BNA Vision. The Authority's CIP consists primarily of Airport System improvements, upgrades, and other repair, reconstruction, and maintenance projects while BNA Vision was developed to address larger capital development needs. In addition to routine vehicle replacement, maintenance equipment repair and replacement, and other ongoing pavement rehabilitation projects, major CIP projects include: the reconstruction of Runway 2R, expansion of the Terminal building shell for the Delta Sky Club, additional Terminal Ramp Area and taxilane expansion, Terminal 1/Terminal 2 intersection construction, and Concourse A,B and C upgrades. The Authority's CIP is subject to frequent review and modification based on expected funding priorities of the Airport System. As a result of the rapid growth which the Airport has been experiencing, the Authority will continue to actively assess and manage its capital needs to determine any necessary modifications to the CIP as necessary to accommodate evolving priorities with respect to demand-driven traffic activity, operational needs of the Airport, and other factors. The Authority's CIP is currently anticipated to total approximately $493.8 million, with various projects anticipated to be completed at different times through the forecast period.

3.4 Authority Capital Projects

For purposes of this Report, the Authority's Capital Development Program is further broken down into projects that will be completed during the forecast period, which are referred to herein as Authority Capital Projects. Authority Capital Projects consist of all of BNA Vision 1.0, certain portions of BNA Vision 2.0, and the Authority's CIP through the forecast period.

Exhibit A at the end of this Report presents estimated project costs for Authority Capital Projects and their anticipated funding sources, which includes proceeds of the Series 2019 Subordinate Bonds and other funding sources described in Section 3.5. The Authority has used interim financing available through its Note Purchase Agreement (described in Section 4.3.4 herein) for projects currently underway. The funding amounts presented in Exhibit A and described in this Report reflect proceeds of the Series 2019 Subordinate Bonds that will either be used to directly fund construction costs or to refinance certain draws made pursuant to the Note Purchase Agreement that were used for construction costs.

As shown, Authority Capital Projects are estimated to total approximately $2.9 billion, of which approximately $810.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.

Authority Capital Projects consist of the following:

- **BNA Vision 1.0 projects.** Approximately $1.38 billion (total cost of BNA Vision 1.0), of which approximately $714.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.
- **BNA Vision 2.0 projects.** Approximately $1.03 billion of the total $1.5 billion estimated total cost of BNA Vision 2.0, of which $15.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds. As indicated above, the Runway 2L-20R extension project is not assumed to be implemented during the forecast period as certain project approvals are still required; therefore, the construction cost of this project is not included in Authority Capital Projects.
- **Authority CIP projects.** Approximately $493.8 million (total cost of current Authority CIP), of which $81.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds.

3.4.1 BNA Vision 1.0 Projects

The Authority is already underway with BNA Vision 1.0 and is expecting that all of these projects be implemented during the forecast period of this Report. As shown in Exhibit A, the estimated cost of BNA Vision 1.0 is approximately $1.38 billion, of which approximately $714.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds. Approximately $534.1 million of BNA Vision 1.0 project costs are anticipated to be funded with proceeds from future bonds which are included in the financial analysis in Chapter 4 of this Report.

As stated above, the funding amounts described herein reflect proceeds of the Series 2019 Subordinate Bonds that will either be used to directly fund construction costs or to refinance certain draws made pursuant to the Note Purchase Agreement that were used for construction costs.

BNA Vision 1.0 elements expected to be funded in whole or in part with proceeds of the Series 2019 Subordinate Bonds are as follows:

- **Parking Garages, Transportation Center, and Administration Building.** This element includes the construction of new parking garages, a ground transportation center, and a new Airport Administration Building. As mentioned previously, a new six-story 2,200 space parking garage was substantially completed in December 2018 and included a new ground transportation center for commercial vehicles on the first level. An additional 3,000 space parking garage and a 64,000 square foot Airport Administration Building are currently under construction and are expected to be completed in April 2020 and January 2021, respectively. An additional approximately 2,100-2,200 space parking garage is anticipated to be constructed in connection with the Airport hotel development and is expected to be completed in September 2023. The estimated cost to complete these projects is $374.6 million, of which approximately $198.7 million is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.
- **Concourse D and Terminal Wings.** This element includes the construction of approximately 315,000 square feet of terminal building at the site of the existing Concourse D. The project will include the construction of six (6) new domestic aircraft gates and new dining and retail space on a 115,000 square-foot concourse, 200,000 square feet of expanded ticketing lobby and baggage claim area at the north and south ends of the existing terminal building, and a new central utility plant. Concourse D is expected to be completed in July 2020, and the expanded ticketing lobby and baggage claim are expected to be completed in January 2021 and April 2021, respectively. The estimated cost to complete this element is $297.5 million, of which approximately $296.7 million is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.
- **Terminal Lobby and International Arrivals Facility.** This element consists of the construction and renovation of lobby and central terminal space and the construction of a new International Arrivals Facility (IAF). The project will include an expanded and consolidated security checkpoint that can accommodate up to 24 screening lanes and six (6) new international gates, and a new Customs and Border Protection facility. Project completion is expected in September 2023.The estimated cost to complete this element is $481.4 million, of which approximately $183.4 million is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.
- **Terminal Apron and Taxilane Expansion.** This element consists of two phases. Phase 1, which was completed in August 2019, filled a 50-foot depression near the terminal. Phase 2, which is expected to be completed in 2023, will provide more than 500,000 square feet of newly paved aircraft apron and taxilane. This element, upon completion, will provide room for aircraft to park at and maneuver around the IAF. The estimated cost of both phases of this project is $45.6 million, of which approximately $23.7 million is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.

- **Employee Lot Expansion.** This project, which was completed in June 2019, provides an additional 680 employee parking spaces at the Airport. The completed cost is approximately $8.0 million, $7.7 million of which is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.
- **Eastside Vault Relocation.** The relocation of the Eastside Vault, which serves Runway 2R-20L and Taxiway H, is an enabling project needed for realignment of the Donelson Pike. This project relocated the electrical vault from its current location to east side of the Runway 2R-20L on the north side of the quarry. This enabling project was completed in October 2019 at a cost of $4.2 million, $3.8 million of which is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.

The Authority also intends to undertake a terminal access roadway expansion, anticipated to be funded primarily with proceeds from future bonds**.** This element will expand the terminal loop roadway (Terminal Drive) length from 1.3 to 1.9 miles and increase the number of roadway travel lanes, which will improve access and reduce congestion. In order to further improve access to the Airport, the Tennessee Department of Transportation will straighten Donelson Pike from Interstate 40 (I-40) to the taxiway bridges and enhance access to and from I-40 East and West. Construction is expected to start in mid-2020 and be completed by November 2024.
The estimated cost to complete the Authority's portion of this project is $160.5 million, of which $159.5 million is expected to be funded with proceeds from future bonds.

3.4.2 BNA Vision 2.0 Projects

As presented in Exhibit A, it is assumed that the following elements of BNA Vision 2.0 will be implemented during the forecast period and are therefore included in Authority Capital Projects: Runway 2L-20R extension property acquisition and design, an 8-gate satellite concourse (Concourse E), a deicing treatment facility, the curbside expansion of the Terminal, and the A Concourse Expansion Site Prep and the A Concourse Expansion Construction. The estimated cost of BNA Vision 2.0 projects included in Authority Capital Projects is approximately $1.03 billion, of which approximately $15.0 million is anticipated to be funded with proceeds of the Series 2019 Subordinate Bonds. All remaining BNA Vision 2.0 project costs to be funded are anticipated to be funded with proceeds from future bonds which are included in the financial analysis in Chapter 4 of this report.

The Authority anticipates to use proceeds of the Series 2019 Subordinate Bonds to fund in full the environmental assessment and property acquisition required for the extension of Runway 2L-20R (approximately $5.5 million), as well as approximately $9.5 million of the expected approximately $30.0 million cost for the design of the extension of Runway 2L-20R.

At the time of this Report, given the need for required approvals for the construction of the extension of Runway 2L-20R and uncertainty regarding the transit connections, these projects are not included in the Authority's Capital Projects to be undertaken during the forecast period. In addition, given the conceptual nature of the BNA Vision 3.0 and BNA Vision 4.0 capital programs, and that they are expected to be undertaken beyond the forecast period of this Report, these projects are not included in the financial analysis herein.

With the rapid growth in passenger traffic the Airport has been experiencing the past several years, the Authority continues to evaluate its capital needs. If rapid growth continues, it is possible that remaining elements of BNA Vision 2.0, BNA Vision 3.0, and BNA Vision 4.0 could be undertaken during the forecast period. While the plan of finance for these elements is not yet known, it would likely include additional future bonds to fund a substantial portion, if not all, of these projects.

3.4.3 Authority CIP Projects

The Authority also plans to undertake certain other capital projects included in Authority Capital Projects, developed in addition to the BNA Vision, as part of the Authority's CIP. Authority CIP projects expected to be funded in whole or in part with proceeds of the Series 2019 Subordinate Bonds are as follows:

- **Terminal Shell Expansion for Delta Sky Club.** The expansion of the building shell to accommodate an expanded Delta Sky Club from approximately 3,000 square feet to approximately 15,000 square feet. This project includes the expansion of the building shell only and does not include the expansion of the Sky Club to be undertaken by Delta. This project is expected to be completed Summer of 2021. The estimated cost to complete this element is $11.0 million, all of which is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.
- **Runway 2R-20L Reconstruction.** This project includes the reconstruction and pavement replacement of existing Runway 2R-20L and is expected to be completed Summer of 2021.The estimated cost to complete this element is $90.0 million, of which $70.0 million is expected to be funded with proceeds from the Series 2019 Subordinate Bonds.

The Authority also intends to undertake certain other capital projects during the forecast period anticipated to be funded in whole with proceeds from future bonds.

- **Concourse A, B & C Upgrades.** This project consists of upgrades and improvements to the interior finishes and flooring of Concourses A, B & C to match the level of finishings expected to be included in Concourse D. This project is expected to be completed by Summer of 2023. The estimated cost to complete this element is $18.0 million.
- **Terminal Apron and Taxilane Expansion, Phase 3.** This element consists of phase 3 of the terminal apron and expansion project (phases 1 and 2 are included in BNA Vision). Phase 3, which is expected to be completed Fall of 2022, has an estimated cost is $30.3 million.
- **Taxiway T1/T2 Intersection.** This project includes full depth removal and replacement of taxiways T1 and T2. The new taxiways will be replaced with concrete for better performance under heavy aircraft. This project is expected to be completed Summer of 2024.The estimated cost to complete this element is $31.6 million.

In addition to these major Authority CIP projects, the Authority anticipates undertaking various Airport improvements, upgrades, and other repair, reconstruction, maintenance, routine vehicle replacement, maintenance equipment repair and replacement, and other ongoing pavement rehabilitation projects to be completed throughout the forecast period. These projects are anticipated to total approximately $312.9 million, and to be funded with approximately $286.3 million of Authority funds and approximately $26.6 million of assumed future grants.

3.5 Authority Capital Projects Plan of Finance

Historically, the Authority has funded capital development at the Airport System from several types of sources. These have generally included grants-in aid, PFC revenues on a pay-as-you-go basis, Authority funds, and bond proceeds backed by Airport Revenues. The plan of finance for the Authority's Capital Projects presented in Exhibit A reflects estimates based on currently available information regarding the estimated project cost and timing, and the estimated receipt of federal, state, and other grants and other funds. As presented in Exhibit A, Authority Capital Projects are estimated to cost approximately $2.9 billion. Additional detail regarding the estimated funding sources for Authority Capital Projects is presented in this section.

3.5.1 Federal, State and Other Grants

The Authority receives federal grants for Airport capital development under the FAA AIP. The Authority received AIP entitlement grants of approximately $3.0 million in FY 2019 based on (1) levels of funding authorized and appropriated by Congress for the program, (2) the number of passengers and amount of cargo at the Airport, and (3) a 75% reduction in entitlement grants associated with the Authority's $4.50 PFC level. The Reliever Airport receives a total of approximately $150,000 per year. 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.

As shown in Exhibit A, the Authority funded approximately $12.5 million of BNA Vision 1.0 projects with State grants. The Authority also expects to receive approximately $46.6 million in federal and state grant funding for the Authority CIP projects during the forecast period.

3.5.2 Bond Proceeds

Most of the Authority Capital Projects are expected to be funded with proceeds from existing bonds, proceeds from the Series 2019 Subordinate Bonds, and future bond proceeds.

As shown in Exhibit A, the Authority funded approximately $116.4 million of BNA Vision 1.0 projects using existing bond proceeds from previously issued bonds. Proceeds from the Series 2019 Subordinate Bonds are anticipated to be used to fund approximately $810.0 million of Authority Capital Projects, including $714.0 million of BNA Vision 1.0 projects, $15.0 million of BNA Vision 2.0 projects, and $81.0 of Authority CIP projects.

Also presented in Exhibit A, the plan of finance for Authority Capital Projects assumes approximately $1.6 billion of proceeds from future bond issuances. Future bond issuances are currently assumed in 2021 and 2023.

Additional information regarding financing assumptions, amounts, and timing of the Series 2019 Subordinate Bonds and future bonds is provided in Section 4.4 of this Report.

3.5.3 Customer Facility Charges

On January 1, 2008, 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 costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the CONRAC and other costs, fees and expenses that may be paid from CFC proceeds. The CFC was initially $4.00, then increased to $4.50 effective January 1, 2010. The $4.50 CFC is a per transaction daily fee and is collected by the on-Airport rental car companies from each of their customers and subsequently remitted to the Authority.

In accordance with the terms of the CONRAC bond agreements, CFCs must be used to establish bond principal, interest, and reserve funds for CFC secured bonds, as well as various other funds for the operation and maintenance of the CONRAC facility. CFCs collected in excess of the various refunded funds can be used by the Authority for any lawful purpose. As shown on Exhibit A, the Authority used approximately $6.5 million in CFC to fund CONRAC-related improvements associated with BNA Vision 1.0 projects.

CFC revenues are not included as Airport Revenues pursuant to the Senior Resolution or the Subordinate Resolution.

3.5.4 Authority Funds

The Authority has historically used some internal funds from the operation of the Airport System to fund certain projects in the CIP. Per the Senior and Subordinate Resolutions, any Revenues remaining in the NAE Fund, after all obligations have been satisfied, can be used by the Authority for any lawful aviation-related use or purpose pertaining to the Authority.

As presented in Exhibit A, the Authority intends to fund approximately $286.3 million of Authority Funds on Authority CIP projects during the forecast period.

3.5.5 Passenger Facility Charge Revenues

Passenger Facility Charge (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 using PFC revenues to pay Debt Service associated with bonds used to fund approved projects.

As presented in Exhibit A, the Authority does not intend to use PFCs on a pay-as-you-go basis to fund the Airport capital program, however, the Authority does intend to use PFC revenues to pay Debt Service associated with PFC approved projects. Additional information regarding PFC revenues is provided in Section 4.7 of this Report.

3.6 Financial Impact for Authority Capital Projects

The estimated financial impacts of the Authority's Capital Projects are incorporated in this Report. It is possible that during the forecast period, the Authority may consider other potential future Airport System improvements not planned at this time. However, it is assumed that the Authority will only undertake construction on any other potential future projects when demand warrants, necessary environmental reviews have been completed, necessary approvals have been obtained, and associated project costs can be supported by a reasonable level of Airport user fees or other discrete funding sources such as state/federal grants, PFCs, Authority funds, CFCs, and/or third-party funds.

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 Senior Resolution, certain obligations of the Subordinate Resolution, and certain provisions contained in the Signatory Passenger Airline Agreements (defined herein) and in other key agreements at the Airport System. Additionally, the planned Series 2019 Subordinate Bonds sources and uses, Debt Service forecasts, Operating Expenses, Airport Revenues forecasts, Debt Service coverage, and other key financial analyses are described in this Chapter.

Exhibits contained at the end of this Chapter present financial results for actual FY 2019 and forecasts for FY 2020 through FY 2028 (also referred to as the forecast period).

4.1 Airport Governing Body

The Authority was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee and created by the Metropolitan Council of the Metropolitan Government of Nashville and Davidson County on February 9, 1970. The Authority is an independent political subdivision of the State of Tennessee.

The Authority owns and operates the Airport System, which provides the Air Service Area with commercial airline passenger service, air cargo services, and general aviation services. The Authority is governed by a ten-member Board of Commissioners that establishes and controls policies for the Authority. Nine of the board members are appointed by the Metropolitan Government Mayor (the Mayor). The tenth member is the Mayor. Board members serve a four-year term and can be reappointed.

4.2 Management Structure

The Board appoints, by contract, a President and Chief Executive Officer (CEO), who is the chief executive and administrative officer responsible for day-to-day operations and planning for all Authority entities. The President heads a full-time staff of professional and technical personnel located at the Airport. In addition to the President and CEO, the senior management team of the Authority is comprised of the General Counsel and Chief Compliance Officer, Vice President of Communication and Public Affairs, Chief Financial Officer, Chief Development Officer, Chief Operating Officer, and the Chief Administrative Officer.

The Authority's Chief Operating Officer oversees the operations and maintenance of the Airport System, as well as, development and engineering, and strategic planning. The Chief Financial Officer oversees finance and procurement for the Authority. The Chief Administrative Officer oversees the human resources and administration, information technology, and risk management. The Chief Development Officer oversees customer experience, marketing, revenue development, and real estate development. The Vice President of Communications and Public Affairs oversees community affairs, government relations, and corporate communications.

4.3 Financial Structure

The Authority's Airport System includes the Airport and the Reliever Airport. For accounting purposes, the Airport System is operated as an independent enterprise by the Authority and is separate from other Authority enterprises. As described in Section 4.3.2, fund amounts deposited into the Revenue Fund are not commingled with any other funds of the Authority and are used and applied only in the manner as specified in the Senior Resolution and Subordinate Resolution. A discussion of the application of Airport Revenues is below.

The Authority funds operations at the Airport System with revenues generated from Airport System rentals, fees, and charges. Capital improvements at the Airport System are funded by the Authority with: (1) federal, state, and other grants-in-aid, (2) revenues generated from Airport System rentals, fees and charges; (3) Airport System revenue bond proceeds; (4) PFC revenues, and (5) CFCs and CFC secured bonds.

The Authority's financial statements include financial reporting for the MNAA Properties Corporation (MPC), a non-profit organization formed in April 2007 for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding Nashville area. The operating expenses of MPC (and any subsidiaries of MPC) are not Operating Expenses of the Authority and income and revenues of MPC (and any subsidiaries of MPC) are not included in Airport Revenues, except for ground rent payments and management fees paid by such entities to the Authority which are included in Airport Revenues. Therefore, all MPC operating expenses and all MPC revenues not included in Airport Revenues have been excluded from the financial analysis in this Report.

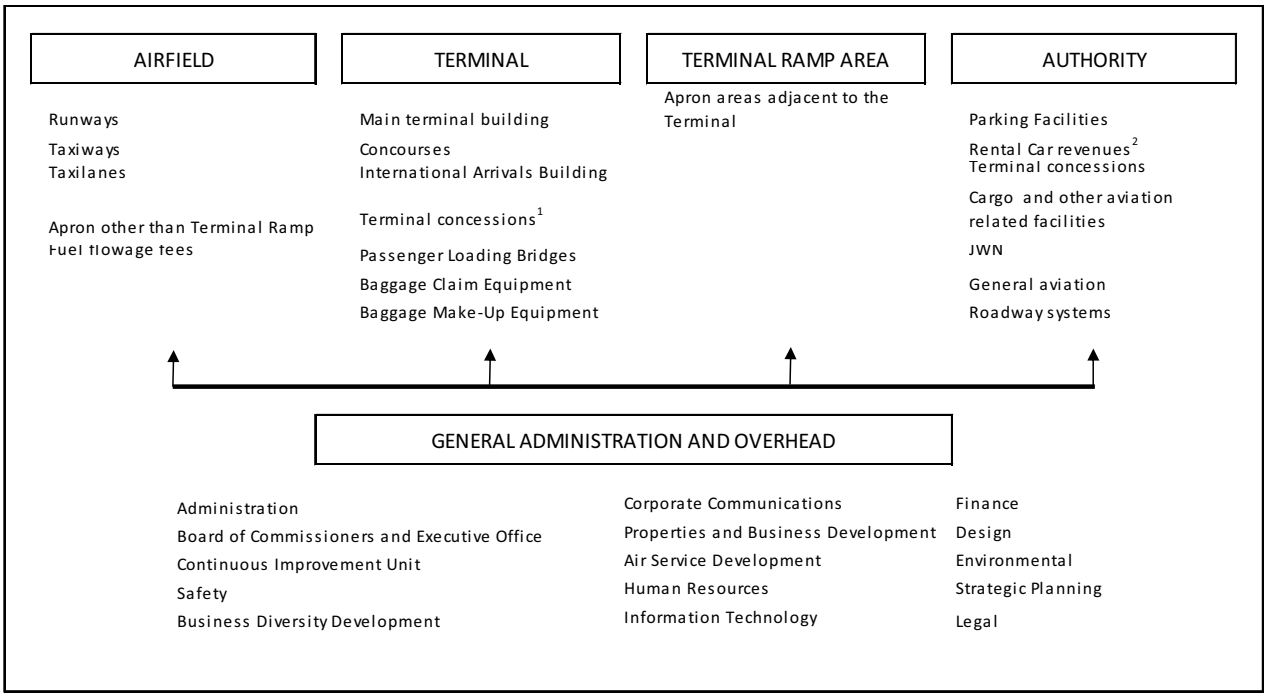
4.3.1 Accounting Structure

Pursuant to the Signatory Passenger Airline Agreements (described in section 4.3.3), the Authority created three Airline cost centers for the purpose of accounting for and allocating costs and revenues at the Airport in order to establish airline rates and charges for the use of the Airfield, the Terminal, and the Terminal Ramp Area. Within the Terminal cost center, costs and revenues are allocated between the Terminal, Passenger Loading Bridges, and Baggage Equipment. In addition to the three Airline cost centers, the Authority also allocates costs and revenues to three Authority cost centers and one indirect cost center. Parking and Ground Transportation, Other Buildings and Areas, and the Reliever Airport comprise the direct Authority cost centers. The General Administration and Overhead cost center represents the Authority's indirect cost center, which is allocated to the direct cost centers. As described below, rate-setting at the Airport is "hybrid" in connection with the Landing Fees being calculated on a residual basis, the Terminal Rental Rates being fixed rates specified in the Signatory Passenger Airline Agreements that were initially derived based upon a compensatory basis using rentable space in the calculation, and Terminal Ramp Area rates being compensatory. In the Airfield cost center, the Airlines have the primary responsibility and risk and benefit from non-airline revenues. In the Terminal and Terminal Ramp Area cost centers the Authority and the Airlines share the responsibility and risk and the benefit from Terminal concessions. Other than the Airfield cost center, the Signatory Airlines are not required to provide for break-even financial operation of the Airport System cost centers.

The Airline cost centers includes Operating Expenses, Debt Service, and Airport Revenues from both passenger and all-cargo airlines. The Series 2019 Subordinate Bonds are payable from Net Revenues, inclusive of both the Airline cost centers and the Authority cost centers.

The Authority's cost center structure for the Airport System is presented in **Figure 4-1** and further described below:

Figure 4-1 Airport System Cost Center Structure



[1] Terminal concessions are shared with the Signatory Airlines.

[2] In FY 2016 and FY 2017, a portion of rental car concessions are shared with the Signatory Airlines.

[3] The Airlines contribute to the cost of JWN in the form of the Reliever Airport Support Costs.

4.3.1.1 Direct Cost Centers

Airline Cost Centers:

- **Airfield.** The cost center to which revenues and expenses associated with the areas and facilities the runways, taxiways, taxilanes, and apron areas (other than the Terminal Ramp Area and other designated apron areas), navigational aids, hazard designation and warning devices, airfield security roads and fencing, blast fencing, lighting, clear zones and safety areas for landing, taking off and taxiing of aircraft, avigation easements, land utilized in connection therewith or acquired for such purpose, and facilities, the acquisition, construction or installation cost of which is wholly or partially paid by the Authority.
- **Terminal.** The cost center to which revenues and expenses associated with Gates, Ticket Counters, Baggage Claim Areas, Baggage Make up Areas, Security Checkpoint Areas, office space, storage areas, concourses, lobbies, VIP lounges, the IAB, employee break rooms and Public Areas located within the "drip-line" of the passenger terminal building at the Airport. For purposes of this definition, the "drip-line" means the footprint (improved or unimproved) inside the outer limits of the passenger terminal building, which in all cases should not extend beyond the roof-drip line.
- **Terminal Ramp Area**. The cost center to which revenues and expenses associated the paved areas adjacent to the Terminal used by Passenger Carriers for parking of aircraft and ground service equipment.

Authority Cost Centers:

- **Parking and Ground Transportation.** The cost center to which revenues and expenses associated with areas and facilities accommodating ground transportation, including Terminal public access roadways and curbside, automobile and employee parking facilities, and rental car operations.
- **Other Buildings and Areas.** The cost center to which revenues and expenses associated with areas and facilities leased or provided for air cargo activities, non-terminal roadways, improved land and buildings, and unimproved land.
- **JWN.** The cost center to which revenues and expenses associated with areas and facilities provided at the Reliever Airport. These include, but are not limited to, hangar, building, land and space rentals and fuel flowage fees.

4.3.1.2 Indirect Cost Centers

General Administration and Overhead

- Expenses associated with salaries, benefits, materials, and supplies of the Airport's administrative staff and not attributable to any direct cost center.

4.3.2 Senior Resolution

The Metropolitan Airport Authority Act, Tenn. Code Ann. §§ 42-4-101 et seq., as amended, the Local Government Public Obligations Act of 1986, Tenn. Code Ann. §§ 9-21-101 et seq., as amended, and the Airport Improvement Revenue Bond Resolution adopted by the Board of Commissioners of the Authority (the Board) on August 15, 1991 (as amended and supplemented, the Senior Resolution), authorize the issuance of senior airport revenue bonds (Senior Bonds) to pay the costs of acquiring and constructing Airport System improvements, among other items. As of November 1, 2019, the Authority had approximately $206,245,000 in aggregate principal amount of Senior Bonds Outstanding.

The Senior Bonds are limited obligations of the Authority, secured by a pledge of and lien on the Net Revenues derived by the Authority from the operation of the Airport System. Net Revenues means for any past period or year, the aggregate of the Airport Revenues minus the Operating Expenses for such period or year and any during such past period, and for any future period or year, the aggregate of the estimated Airport Revenues minus the estimated Operating Expenses for such future period. Airport Revenues include, among other things, all amounts derived from all rates, charges, rentals, fees and any other compensation collected, or received by the Authority in connection with the operation of the Airport System, any money transferred from the Nashville Airports Experience (NAE) Fund, and all investment income earned by the Authority except as otherwise expressly provided in the Senior Resolution. Airport Revenues do not include (1) any income or revenue from any Special Facility (other than rental property attributable to administrative and other expenses of the Airport System) at any time during which there shall be outstanding any Special Facility Revenue Bonds with respect to such Special Facility; (2) any grant or any similar payment from any government or public agency; (3) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated thereunder; (4) the proceeds of any Support Facility; (5) the proceeds of any passenger facility, customer facility or analogous charge or fee that may hereafter be levied (whether levied on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority; or (6) earnings on amounts on deposit in the Construction Fund.

Operating Expenses are the expenses incurred in the maintenance, operation, administration and insuring of the Airport System, including, among other things, salaries, wages and costs of fringe benefits including employee pension or retirement plans, health insurance, payments made to The Metropolitan Government of Nashville and Davidson County for contract services actually performed, and costs of materials, supplies and contractual services.

4.3.2.1 Senior Rate Covenant

In the Senior Resolution, the Authority has covenanted to impose and prescribe a schedule of rates, rentals, fees, and charges for the use and services of and the facilities and commodities furnished by the Airport System, to revise the same from time to time whenever necessary, and to collect the income, receipts, and other money derived therefrom so that (1) the Airport System shall be and always remain financially self-sufficient and self-sustaining, and that (2) rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (i) to pay the principal of, interest on and premium, if any, on the Senior Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operating Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Senior Resolution.

The Authority also covenants to impose, prescribe, adjust, enforce, and collect sufficient rates, rentals, fees and charges to produce Airport Revenues after deducting Operating Expenses, which, together with other available funds, will at least equal 125% of Debt Service on all Senior Bonds Outstanding.

For purposes of calculating the coverage requirements set forth above, transfers from the Nashville Airports Experience (NAE) Fund, if any are needed, (1) shall consist only of deposits made to the NAE Fund in a prior Fiscal Year and (2) shall not exceed 25% of Debt Service on all Senior Bonds Outstanding.

4.3.2.2 Additional Senior Bonds

Pursuant to the Senior Resolution, the Authority is authorized to issue Additional Senior Bonds, subject to meeting certain conditions. To issue such Additional Senior Bonds, the Authority must provide either:

(a) a Designated Financial Officer has certified that, based on the latest available audited financial statements of the Authority, the Airport Revenues after deducting Operating Expenses for that FY as derived from said audited financial statements equaled not less than 100% of average Debt Service on all Senior Bonds Outstanding and the Senior Bonds of the Series then proposed to be issued and any amount required to be deposited in the Airport Improvement Bond Reserve Fund to make up any deficiencies therein; or

(b) an Airport Consultant has certified that estimated Airport Revenues after deducting Operating Expenses to be derived in each of the three full FYs following the FY in which:

  (i) the Authority estimates a substantial portion of the Project or Projects, the costs of acquisition or construction of which are to be financed by the issuance of such Additional Senior Bonds, will be placed in continuous service or in commercial operation, equal not less than 125% of the Debt Service on all Senior Bonds to be Outstanding upon the issuance of such Additional Senior Bonds and including such Additional Senior Bonds and 100% of any amount required to be deposited in the Airport Improvement Bond Reserve Fund to make up any deficiencies therein, or

  (ii) Refunding Senior Bonds are issued, equal not less than 125% of the Debt Service on all Senior Bonds to be Outstanding upon the issuance of such Additional Senior Bonds and including such Additional Senior Bonds and 100% of any amount required to be deposited in the Airport Improvement Bond Reserve Fund to make up any deficiencies therein.

4.3.3 Subordinate Resolution

The Metropolitan Airport Authority Act, Tenn. Code Ann. §§ 42-4-101 et seq., as amended, the Local Government Public Obligations Act of 1986, Tenn. Code Ann. §§ 9-21-101 et seq., as amended, and the Master Subordinate Resolution adopted by the Board of Commissioners of the Authority on October 16, 2019 (as supplemented, herein referred to as the Subordinate Resolution), authorizes the issuance of subordinate airport revenue bonds (Subordinate Bonds) to pay the costs of acquiring and constructing Airport System improvements, among other items. The Series 2019 Subordinate Bonds are the first series of Subordinate Bonds issued under the Subordinate Resolution

The Series 2019 Subordinate Bonds are limited obligations of the Authority, secured by a pledge of and lien on Net Revenues, subject and subordinate, and secured by a lien and pledge on the Net Revenues junior and inferior, to the lien and pledge on the Net Revenues created in the Senior Resolution for the payment and security of the Senior Bonds

4.3.3.1 Subordinate Rate Covenant

In the Subordinate Resolution, the Authority has covenanted to impose and prescribe a schedule of rates, rentals, fees, and charges for the use and services of and the facilities and commodities furnished by the Airport System, to revise the same from time to time whenever necessary, and to collect the income, receipts, and other money derived therefrom so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (i) to pay the principal of, interest on and premium, if any, on the Senior Bonds and Subordinate Bonds Outstanding as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all

Operating Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Subordinate Resolution.

The Authority also covenants to impose, prescribe, adjust, enforce, and collect sufficient rates, rentals, fees and charges to produce Net Revenues, which, together with other available funds, will at least equal 110% of Debt Service on all Senior Bonds and Subordinate Bonds.

For purposes of calculating the coverage requirements set forth above, transfers from the NAE Fund, if any are needed, (1) shall consist only of deposits made to the NAE Fund in a prior Fiscal Year and (2) shall not exceed 10% of Debt Service on all Senior Bonds and Subordinate Bonds Outstanding.

4.3.3.2 Additional Subordinate Bonds

Pursuant to the Subordinate Resolution, the Authority is authorized to issue Additional Subordinate Bonds, subject to meeting certain conditions. To issue such Additional Subordinate Bonds, the Authority must provide either:

(c) a Designated Financial Officer has certified that, based on the latest available audited financial statements of the Authority, the Net Revenues for that FY as derived from said audited financial statements equaled not less than 100% of average Debt Service on all Senior Bonds and Subordinate Bonds Outstanding and the Subordinate Bonds of the Series then proposed to be issued and any amount required to be deposited in the Senior Bond Reserve Fund or the Subordinate Bonds Reserve Fund to make up any deficiencies therein; or

(d) an Airport Consultant has certified that estimated Net Revenues to be derived in each of the three full FYs following the FY in which in which (a) the Authority estimates a substantial portion of the Project or Projects, the costs of acquisition or construction of which are to be financed by the issuance of such Additional Subordinate Bonds, will be placed in continuous service or in commercial operation or (b) Refunding Subordinate Bonds are issued, shall equal not less than one hundred ten percent of the Debt Service on all Senior Bonds and Subordinate Bonds to be Outstanding upon the issuance of such Additional Subordinate Bonds and including such Additional Subordinate Bonds and 100% of any amounts required to be deposited in the Subordinate Bond Reserve Fund to make up any deficiencies therein.

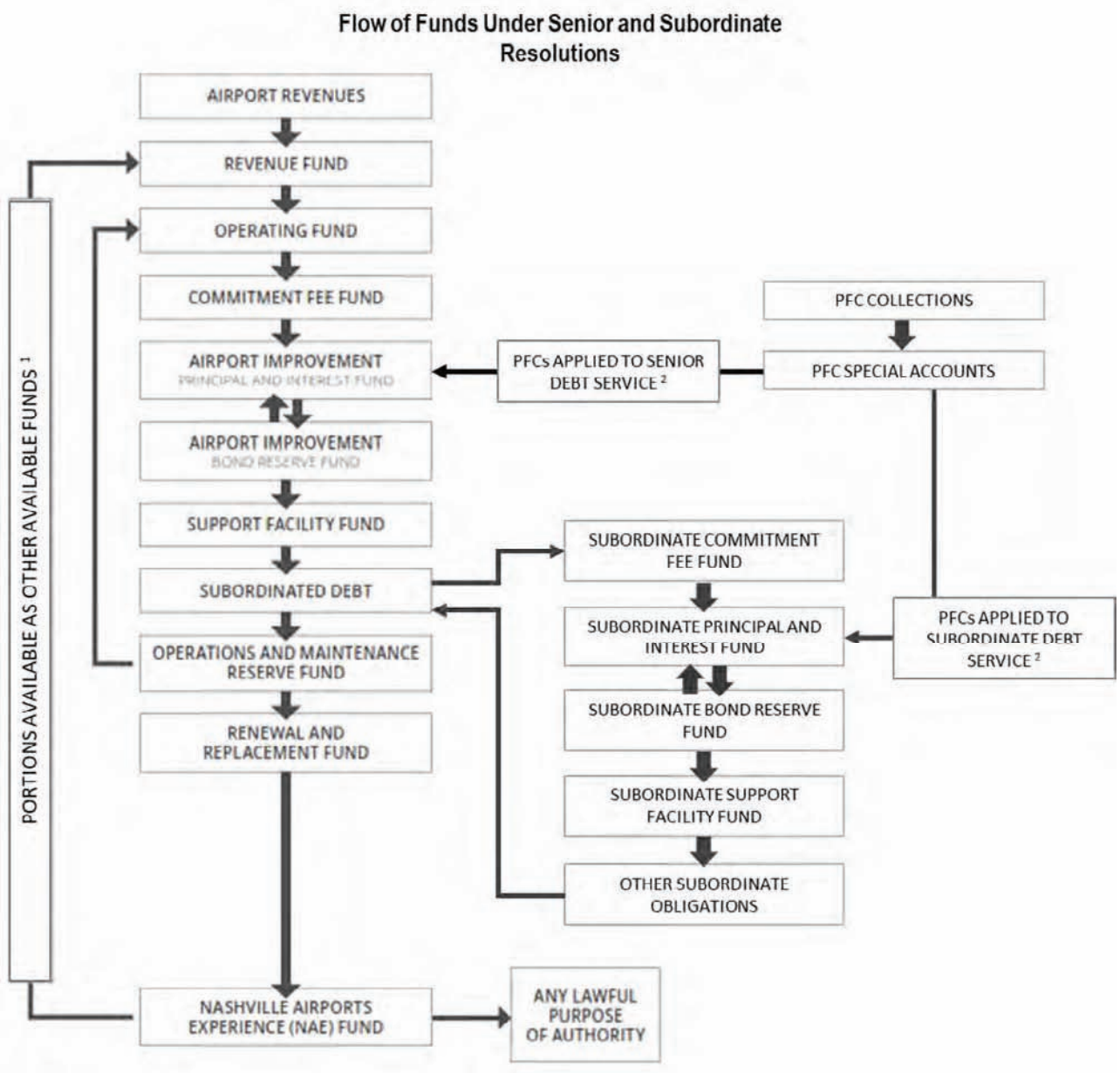
4.3.4 Note Purchase Agreement (Other Subordinate Obligations)

On January 7, 2019, the Authority entered into a Note Purchase Agreement with Bank of America, N.A. with an available commitment of $300 million. The Authority is currently finalizing an increase in the available commitment amount of the Note Purchase Agreement to $400 million. The Note Purchase Agreement provides the Authority a source for interim financing which allows the Authority flexibility on timing and sizing of future bond transactions. The Authority's payment obligations under the Note Purchase Agreement are secured by a pledge of and lien on Net Revenues junior and inferior, to the lien and pledge on the Net Revenues created in the Senior Resolution for the payment and security of the Senior Bonds and in the Subordinate Resolution for the payment and security of the Subordinate Bonds. As of November 1, 2019, $241.5 million was outstanding under the Note Purchase Agreement, of which all or a portion is anticipated to be repaid using a portion of the proceeds of the Series 2019 Subordinate Bonds. The repaid portions of the Note Purchase Agreement will replenish amounts available to the Authority for interim financing of capital projects.

4.3.5 Flow of Funds

The Senior Resolution and the Subordinate Resolution established certain funds and accounts and the priority for the flow of Airport Revenues and certain other amounts to such funds and accounts, as described below. **Figure 4-2** illustrates the flow of funds for the Airport.

Figure 4-2 Flow of Funds



[1] NAE Fund transfers limited to 25% of Senior Debt Service or 10% of Senior and Subordinate Debt Service.
[2] PFCs are applied to debt service at the discretion of the Authority and are not included in Airport Revenues or pledged to the payment of debt service on the Senior Bonds or the Subordinate Bonds.
Source: Senior and Subordinate Resolutions

All Airport Revenues are required to be deposited into the Revenue Fund, which is administered by the Authority. Airport Revenues credited to the Revenue Fund shall be disbursed monthly from the Revenue Fund in the following order of priority:

- **First:** to the Operating Fund, a monthly amount equal to 1/12 of the Operating Expense portion of the Annual Budget;
- **Second:** to the Commitment Fee Fund, a monthly amount, so that there shall be on deposit therein the commitment fees payable to a Financial Institution with respect to a Support Facility as the same become due and payable;
- **Third:** to the Airport Improvement Principal and Interest Fund (Senior Bonds), a monthly amount equal to the required Principal and Interest payments due on Senior Bonds until all required deposits to that account have been made. Deposits required to be made shall not include principal or interest on Senior Bonds paid or to be paid from amounts that are not Airport Revenues;
- **Fourth:** to make up any deficiency in any account in the Airport Improvement Bond Reserve Fund (Senior Bond Reserve Fund;
- **Fifth:** to the Support Facility Fund, until all required deposits to that account have been made;
- **Sixth**: to the to the Subordinate Commitment Fee Fund, a monthly amount, so that there shall be on deposit therein the commitment fees payable to a Financial Institution with respect to a Support Facility provided with respect to Subordinate Bonds as the same become due and payable;
- **Seventh:** to the Subordinate Principal and Interest Fund, a monthly amount equal to the required Principal and Interest payments due on Subordinate Bonds until all required deposits to that account have been made. Deposits required to be made shall not include principal or interest on Subordinate Bonds paid or to be paid from amounts that are not Airport Revenues;
- **Eighth:** to make up any deficiency in any account in the Subordinate Bond Reserve Fund;
- **Ninth**: to the Subordinate Support Facility Fund in amounts sufficient to pay all fees and charges to the Financial Institution in connection with a Support Facility obtained in connection with Subordinate Bonds other than amounts constituting commitment fees or interest on Subordinate Bonds held by such Financial Institution;
- **Tenth:** for the payment of Other Subordinate Obligations and any amounts required to be deposited in any reserve funds established thereof (the obligations payable under the Note Purchase Agreement are payable at this level);
- **Eleventh:** to the Operations and Maintenance Reserve Fund, in amounts sufficient to (i) initially fund to the Operations and Maintenance Reserve Fund in five (5) equal annual installments beginning in Fiscal Year 2016 and (ii) replenish during the next Fiscal Year any withdrawals from the Operations and Maintenance Reserve Fund;
- **Twelfth:** to the Renewal and Replacement Fund, in amounts sufficient to initially fund to the Renewal and Replacement Fund in five (5) annual installments of One Million dollars ($1,000,000) beginning in Fiscal Year 2016 and to replenish during the next Fiscal Year any withdrawals from the Renewal and Replacement Fund; and
- **Thirteenth:** any remaining Airport Revenues shall be deposited in the NAE Fund.

The Senior Resolution and the Subordinate Resolution permit amounts in the NAE Fund to be used to fund any deficiency in any of the funds enumerated above in order of priority; and to the extent needed may be used for any lawful purpose of the Authority.

4.3.6 Signatory Passenger Airline Agreements

The Authority has entered into Signatory Airline Use and Lease Agreements (the Signatory Passenger Airline Agreements) effective through June 30, 2022, with Alaska, Allegiant, American, Delta, Frontier, JetBlue, Southwest, Spirit, and United. The Signatory Passenger Airline Agreements replaced, and are substantially different from, the Authority's prior Amended and Restated Lease Agreements (the Prior Airline Agreements) which were scheduled to expire on September 30, 2017.

The Signatory Passenger Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees and charges to be collected for the use of Airport facilities. Airlines that have executed the Signatory Passenger Airline Agreements and their operating affiliates (together, the Signatory Airlines) accounted for almost 97% of enplaned passengers at the Airport in FY 2019.

The Signatory Passenger Airline Agreements establish three cost centers for the purpose of determining rates and charges payable by the signatory airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridges fees are also assessed. The Signatory Passenger Airline Agreements have a "hybrid" airline rate-setting methodology with the Landing Fees being calculated on a residual basis, the Terminal Rental Rates being fixed rates specified in the Signatory Passenger Airline Agreements that were initially derived based upon a compensatory basis using rentable space in the calculation, and Terminal Ramp Area rates generally established through a compensatory methodology. Other than the Airfield, the signatory airlines are not required to provide for break-even financial operation of the Airport under the Signatory Passenger Airline Agreements.

The Signatory Passenger Airline Agreements govern airline use of certain Airport facilities, including Airfield, Terminal, Terminal Ramp Areas, baggage claim, ticket counters and gate areas and permit the Signatory Airlines to lease Exclusive Premises, Preferential Use Premises, and Joint Use Premises. Exclusive Premises generally includes office space, storage areas, airline club lounges, employee break rooms, and baggage service area space; and Preferential Use Premises is Airport space, including holdroom areas and gates, ticket counters, and baggage makeup areas, leased to a Signatory Airline and to which the Signatory Airline has a higher and continuous priority of use over all other air carriers. Joint Use Premises includes baggage claim areas and baggage makeup equipment. Appendix D of the Official Statement presents a summary of the Signatory Passenger Airline Agreements.

Passenger airlines and cargo carriers operating at the Airport that are not Signatory Airlines or Affiliates of Signatory Airlines (the Non-Signatory Airlines) are subject to rates and charges that reflect a 25 % premium over the rates and charges established in the Signatory Passenger Airline Agreements.

The key provisions of the Signatory Passenger Airline Agreements are summarized in the following sections.

4.3.6.1 Rate-Setting Methodology in the Airline Cost Centers

The Airport has been segregated into six direct cost centers for the purposes of setting airline rates and charges: three Airline cost centers and three Authority cost centers. The Airline cost centers include the Airfield, Terminal, and Terminal Ramp Area cost centers, each of which are direct cost centers, plus their allocated portions of the indirect cost center. The Authority's cost centers include Parking and Ground Transportation, Other Buildings and Area, and JWN, plus their allocated portions of indirect cost centers.

Landing Fees under the Signatory Passenger Airline Agreements are calculated primarily on an Airfield cost center residual basis. Capital costs allocable to the Airfield, including Debt Service on bonds, may be included in the calculation of the Landing Fees with MII approval. The Landing Fee calculation also includes a Signatory Airline contribution for a portion of the net cost for the Reliever Airport through a negotiated annual amount referred to as the Reliever Airport Support Costs. The current Landing Fee calculation methodology is assumed through the forecast period in this Report.

The Terminal Rental Rate under the Signatory Passenger Airline Agreements is calculated on a compensatory basis with fixed rates. There is no specific provision in the Signatory Passenger Airline Agreements for increasing the Terminal Rental Rate to provide for the payment of Debt Service on Outstanding or Additional Bonds or to provide for the payment of Operating Expenses allocable to the Terminal. The fixed Terminal Rental Rates were negotiated to include allowances for bonds that are currently outstanding, the funding of approximately $150.3 million of CIP-related costs for the Terminal from various sources including the Debt Service on Additional Bonds required to support approximately $66.5 million of projects costs, and typical Operating Expense escalations. For purposes of the financial analysis in this Report, the Terminal Rental Rate is assumed to be calculated using a compensatory methodology from FY 2023 through the end of the forecast period.

Operating Expenses, Debt Service, and other allowable capital costs on Passenger Loading Bridges, Baggage Claim Equipment, and Baggage Make-Up Equipment, and the Terminal Ramp Area are also calculated on a compensatory basis. Debt Service on Bonds allocable to the acquisition of Passenger Loading Bridges or for Baggage Claim Equipment, Baggage Make-up Equipment and the Terminal Ramp Area may be included in the Passenger Loading Bridge Fees, Baggage Fees, and Terminal Ramp Area rentals with MII approval. The current compensatory methodology is assumed for each of these fees through the forecast period in this Report.

Additionally, other than revenues allocable to the Airfield, the Authority also shares a portion of terminal and rental car concessions, referred to as Concession Revenue Share, with the Signatory Passenger Airlines in the form of a credit against Terminal Rents.

The Signatory Passenger Airline Agreements allow for the annual calculation and adjustment of Landing Fees, Passenger Loading Bridge Fees, Baggage Fees, and Terminal Ramp Area rentals, on July 1 of each fiscal year, using budgeted Operating Expenses, Debt Service, other recoverable capital costs, and non-airline Airfield revenues. The Signatory Passenger Airline Agreements also allow for a final adjustment of Landing Fees and Revenue Sharing credits after the annual audit of Authority records and combined credits or debits are issued to each Signatory Airline for combined overpayments or underpayments made during the fiscal year.

4.3.6.2 Authority Cost Centers

The Authority's cost centers are not subject an airline rate-setting methodology. Airport Revenues generated in the Authority's cost centers can be used by the Authority to meet various obligations or be used for other authorized aviation-related purposes. The Authority bears the responsibility and risk for the Authority's cost centers, with the exception of a portion of the Reliever Airport.

4.3.6.3 Revenue Sharing

The Signatory Passenger Airline Agreements provide for revenue sharing with the Signatory Passenger Airlines. The Concession Revenue Share, comprised of a portion of in-terminal and rental car concessions, is credited to each Signatory Passenger Airline based on its pro rata share of enplaned passengers to reduce Terminal Rents, described in additional detail in section 4.8.3 herein.

4.3.6.4 Airline Approval of Capital Improvement Projects

The Signatory Airlines agreed in the Signatory Passenger Airline Agreements to a Majority-in-Interest (MII) approval process related to Airfield Capital Improvement Projects. Other than certain capital improvements identified in the Signatory Passenger Airline Agreements (and summarized below), any Airfield capital improvement with a net cost to the Authority in excess of $50,000 and funded in a manner that will directly impact the airline rate base is subject to the MII approval process. The Signatory Passenger Airline Agreements also require MII approval for previously approved Airfield Capital Improvement Projects that increase in net cost by the greater of 20% or $100,000 and this increased cost will be funded through airline rates and charges to be paid by Signatory Airlines. In general, Signatory Airlines vote to approve a capital improvement with MII approval. MII approval is generally defined in the Signatory Passenger Airline Agreements as more than 50% of Signatory Airlines in number that also account for more than 75% of the Signatory Airline Landing Fees paid, during the immediately preceding 12-month period, by all Signatory Airlines.

In the event of MII disapproval, the Authority may only proceed with the Capital Improvement Project only if the Authority confirms in writing to all Signatory Airlines that the Authority will not fund the Capital Improvement Project in any way through rates and charges to be paid by Signatory Airlines.

The Authority may implement, at any time, certain types of Airfield Capital Improvement Projects that are not subject to the MII process. These include the following:

- Capital Improvement Projects that will not be funded through rates and charges to be paid by Signatory Airlines
- Capital Improvement Projects previously approved by a Majority-in-Interest under Prior Airline Use and Lease Agreements or this Agreement
- Capital Improvement Projects with Capital Costs of less than $50,000 of the Authority's share (net of PFCs and federal and state grants) of Capital Costs
- Capital Improvement Projects required by a government agency with jurisdiction over the Airport
- Capital Improvement Projects of an emergency nature, which, if not made, would substantially impair the current operation of the Airport
- Capital Improvement Projects requested, funded, and paid for by an Air Carrier
- Capital Improvement Projects made to satisfy judgments, comply with judicial or administrative orders, or comply with consent decrees against the Authority arising from or relating to its design, construction, ownership, maintenance or use of the Airport, provided that the Authority shall consult with Airline prior to making the determination to undertake such a Capital Improvement Project.

The Authority has secured all MII approvals necessary to complete the portions of the Authority’s Capital Projects being funded with proceeds of the Series 2019 Subordinate Bonds. This includes an approval for $15 million for the extension of Runway 2L-20R environmental assessment, property acquisition, and design but does not include approval for construction of the Runway 2L-20R extension. The Authority has also received MII approval for $70 million for the reconstruction of Runway 2R-20L included in the Authority CIP. No other projects being funded in whole or in part with proceeds of the Series 2019 Subordinate Bonds requires MII approval.

For purposes of the financial analysis in this Report, it is assumed that the Authority will acquire all future MII approvals needed to complete the Authority’s Capital Projects.

4.3.7 Other Agreements

The Authority has entered into an agreement with Fraport USA for the development and management of the concession program at the Airport. The 10-year Lease and Concession Agreement, effective August 15, 2018, engaged Fraport USA to design, construct, lease and manage the concessions space across the Airport's four concourses in the passenger terminal, including: food court restaurants, cafes, pubs, full-service restaurants, newsstands, retail shops, and display advertising, among other specialties. With concessions redevelopment a part of BNA Vision, the Lease and Concession Agreement includes the development and management of more than 90 new food & beverage, specialty retail, passenger services and news and gifts outlets in 133,000 square feet of Airport concession space. The concessions redevelopment includes a transition plan to ensure that concessions will be available to passengers during renovations with staggered store openings between 2019 and 2023.

The following rental car companies operate at the Airport: Advantage, Avis, Budget, Burgner Enterprises Inc. (operating as Thrifty Car Rental), Enterprise, Hertz, Midwest Rental & Leasing LLC (operating as Dollar Rent-a-Car Company), Vanguard Car Rental USA Inc. (which operates the Alamo and National brands and is wholly owned by Enterprise Holdings), and Payless. All of the rental car companies operating at the Airport must collect and remit CFCs. The Authority contracts with ABM Parking Services, Inc. to manage and operate on-Airport automobile parking facilities. In addition, the Airport System has lease and agreements with cargo facility and fixed base operators and tenants leasing hangars and buildings.

Airport non-airline agreements have various terms and conditions. In general, the business terms of the agreements are based on industry standards and practices. Additional summaries of key non-airline agreement terms are provided below:

- Lease and Concession Agreement:
  - Includes development and management of Airport terminal concessions program
  - Term of agreement is August 15, 2018 through January 31, 2029
  - Rent equal to greater of 60% of sublessee rents or MAG (equal to greater of 85% of previous years rents or $11 million)

- Parking Agreement:
  - Includes automobile parking facilities and shuttle bus operations
  - Term of agreement is through June 30, 2021
  - Authority retains parking revenues, pays parking operator a management fee (approximately $300,000 in FY 2019)
  - Off-airport parking competition by five operators
  - Parking revenues described in section 4.6.1.1 herein

- Rental Car Concession Agreement:
  - Concession fees equal to 10% of gross revenues
  - MAG equal to greater of 85% of either prior year concession fees or initial year concession fees
  - Total MAG amounts for FY 2019 were approximately $13.0 million
  - Term of agreement is January 4, 2010 through January 3, 2025

4.4 The Series 2019 Subordinate Bonds and Future Bonds

The Authority is planning to issue the Series 2019 Subordinate Bonds to: (1) fund a portion of the Authority's Capital Projects (as defined herein), (2) fund capitalized interest, (3) refinance certain draws made pursuant to the Note Purchase Agreement (as defined herein), (4) fund a deposit to the debt service reserve account, and (5) pay associated costs of issuance.

Table 4-1 presents a listing of estimated sources and uses of funds for the proposed Series 2019 Subordinate Bonds. The estimated sources and uses of funds and Debt Service for the proposed Series 2019 Subordinate Bonds were prepared by the Authority's financial advisor, PFM Financial Advisors LLC (PFM). Debt Service estimates for the Series 2019 Subordinate Bonds were provided by PFM and include the following assumptions:

- True interest cost (TIC) of approximately 4.0%
- Final maturity of 35 years
- The first principal payment is assumed to occur on 7/1/2025
- A portion of the bond proceeds will fund capitalized interest during construction
- A portion of the bond proceeds will fund a debt service reserve account deposit

Table 4-1 Series 2019 Subordinate Bonds Sources and Uses (Dollars in Thousands)

	Series 2019A (Non-AMT)	Series 2019B (AMT)	Total
Sources			
Par Amount of Bonds	$271,770	$535,930	$807,700
Premium	46,257	81,646	127,903
Total Sources	**$318,027**	**$617,576**	**$935,603**
Project Fund/Note Purchase Agreement Repayment	$284,600	$525,400	$810,000
Capitalized Interest Account	10,061	46,814	56,875
Deposit to Debt Service Reserve Account	21,668	42,028	63,696
Cost of Issuance	1,698	3,334	5,032
Total Uses	**$318,027**	**$617,576**	**$935,603**

Note: Amounts may not add due to rounding.
Source: PFM Financial Advisors LLC November 2019
Compiled by Landrum & Brown

As described in Chapter 3 of this Report, the Authority plans to issue future bonds in addition to the Series 2019 Subordinate Bonds to fund approximately $1.63 billion of Authority Capital Projects costs during the forecast period.

Table 4-2 presents a summary of the planned bond issuances during the forecast period.

Table 4-2 Planned Bond Issuances through the Forecast Period (Dollars in Millions)[1]

Issuance	Assumed Construction Fund Deposit	Lien Status
Series 2019 Subordinate Bonds	$810.0	Subordinate
Future Series 2021	$904.9	Senior [1]
Future Series 2023	$726.6	Senior [1]
TOTAL	**$2,441.5**	

[1] Lien status assumed for the financial analysis in this Report. The Authority may elect to issue one or more series of future bonds on a subordinate lien basis.
Note: Amounts may not add due to rounding.
Source: PFM Financial Advisors LLC, November 2019
Compiled by Landrum & Brown

Debt Service estimates for the assumed future bond issuances in 2021 and 2023 were also provided by PFM and include the following assumptions:

- True interest cost (TIC) of approximately 5.0%
- Final maturity of 30 years
- Assumed issuance dates: July 1, 2021 (Series 2021) and July 1, 2023 (Series 2023)
- A portion of the bond proceeds will fund capitalized interest during construction
- Assumed capitalized interest: partially through January 1, 2024 (Series 2021) and partially through July 1, 2025 (Series 2023)

Exhibit B at the end of this Report presents a summary of annual Debt Service on Senior Bonds and Subordinate Bonds, net of forecast PFCs applied to Debt Service and capitalized interest, for FY 2019 and for the forecast period of FY 2020 through FY 2028. Debt Service on Senior Bonds net of PFCs was approximately $18.1 million in FY 2019 and is forecast to be approximately $13.9 million in FY 2020 and FY 2021 and then expected to increase throughout the forecast period to approximately $102.0 million in FY 2027 and FY 2028, as debt service on assumed future Senior Bonds is forecast to become payable over that time. The Series 2019 Subordinate Bonds will be the first series of bonds issued pursuant to the Subordinate Resolution. Debt Service on the Series 2019 Subordinate Bonds, net of PFCs and capitalized interest, is estimated to be approximately $3.4 million beginning in FY 2020 and forecast to increase each year as projects are completed to approximately $49.6 million in FY 2025, then to remain level through the forecast period.

4.5 Operating Expenses

Table 4-3 presents annual historical Operating Expenses of the Authority for the Airport System from FY 2015 through FY 2019. During this period, total Operating Expenses increased from approximately $78.5 million to approximately $98.7 million, reflecting a CAGR of approximately 5.9%. The primary categories of Operating Expenses that contributed to this increase included purchased services and other operating expenses, which included a one-time settlement payment in FY 2019. As shown on Table 4-3, much of this increase can be attributed to increases in personnel expenses related to pension funding and increases in purchased services. Also, certain operating expenses related to pension and OPEB scheduled funding were reclassified from other expenses to personnel over this period.

Table 4-3 Historical Operating Expenses [1] (Dollars in Thousands)

Operating Expense Category	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015 - FY 2019 CAGR
Personnel [2]	$35,198	$43,261	$42,455	$42,813	$43,342	5.3%
Purchased Services	24,898	26,259	28,388	35,572	39,388	12.2%
Utilities	5,945	5,945	5,299	4,880	5,818	(0.5%)
Materials & Supplies	3,374	3,374	3,509	3,815	4,037	4.6%
Other	9,124	6,908	4,904	3,646	6,104	(9.6%)
Total Operating Expenses	$78,539	$85,747	$84,555	$90,726	$98,689	5.9%

[1] Reflects Authority reports used for setting airline rates and charges, which may differ from Financial Statements
[2] Includes Pension and OPEB Scheduled Funding and does not include the MNAA Properties Corporation (MPC)
Note: Amounts may not add because of rounding.
Source: Metropolitan Nashville Airport Authority Year-End Settlement, October 2019

Exhibit C at the end of this Report presents the Operating Expenses by category and cost center for actual FY 2019 and forecast from FY 2020 through FY 2028. As shown, total Operating Expenses are forecast to increase at a CAGR of approximately 6.8% from FY 2019 through the end of the forecast period in FY 2028. Total Operating Expenses are budgeted to increase 16.5% from FY 2019 to approximately $115.0 million in FY 2020 to account for staffing and contracted service needs related to recent traffic growth.

Overall, the Authority's forecast of Operating Expenses is based on historical trend reviews, the anticipated impacts of inflation, forecast activity levels, and impacts associated with the implementation of the Authority's Capital Projects, including the opening of Concourse D in FY 2021, Terminal Lobby in FY 2024, and Concourse A in FY 2026.

Key Operating Expenses categories and assumptions in forecasting future growth are summarized below. These categories account for more than 95% of the Airport System's total Operating Expenses for budget FY 2020.

- **Personnel Services**. This expense category includes salaries, wages, and benefits associated with Authority staff, including the funding of unfunded pension and other post-employment benefits (OPEB) liabilities. It is the largest single category of Operating Expenses of the Airport System as it represents approximately 46.0% of total Operating Expenses at the Airport System for budget FY 2020. As presented above, these expenses increased at a CAGR of approximately 5.3% for the period FY 2015 through FY 2019, are estimated to total approximately $43.3 million in FY 2019, and are budgeted to increase by approximately 23.8% in FY 2020 to approximately $53.6 million to reflect additional staff requirements associated with traffic growth at the Airport and the implementation of the Authority's Capital Projects.

  During the negotiation of the Signatory Passenger Airline Agreements, it was agreed that unfunded Pension and OPEB liabilities would be recovered from FY 2016 through FY 2022, which accounts for a large portion of the increase from FY 2015 to FY 2016 shown in Table 4-3. Personnel Services expenses are forecast to increase at a CAGR of approximately 7.8% from FY 2019 through FY 2028.

- **Purchased Services**. This expense category includes costs associated with the Authority's outsourcing for parking lot operations, shuttle bus services, contract maintenance, janitorial, professional services and consulting services for the Airport System. It is the second largest category of Operating Expenses at the Airport System as it represents approximately 38.7% of total Operating Expenses at the Airport for budget FY 2020. This category of expenses increased at a CAGR of approximately 12.2% for the period FY 2015 through FY 2019, and is budgeted to increase 12.4% to approximately $44.3 million in FY 2020. Future purchased services Operating Expenses are forecast to increase at a CAGR of approximately 6.0% from FY 2019 through FY 2028.

- **Utilities**. Utilities expenses of the Airport System comprise approximately 5.7% of total Operating Expenses of the Airport System for budget FY 2020. This category of expenses decreased at a CAGR of approximately 0.5% for the period FY 2015 through FY 2019, and is budgeted to increase 7.7% to approximately $6.3 million in FY 2020. Future utilities Operating Expenses are forecast to increase at a CAGR of approximately 7.3% from FY 2019 through FY 2028.

- **Materials & Supplies**. Materials & Supplies expenses of the Airport System comprise approximately 4.8% of total Operating Expenses at the Airport System for budget FY 2020. This category of expenses decreased at a CAGR of approximately 4.6% for the period FY 2015 through FY 2019, and is budgeted to increase 36.0% to approximately $5.5 million in FY 2020. Future material & supplies Operating Expenses are forecast to increase at a CAGR of approximately 8.7% from FY 2019 through FY 2028.

4.5.1 Allocation of Operating Expenses to Cost Centers

For financial planning purposes and to implement the Signatory Passenger Airline Agreements' rate-setting methodologies, the Airport System is divided into cost centers as described earlier in this Chapter. Six of the cost centers are revenue-generating direct cost centers and the remaining cost center is an indirect cost center.

Essential indirect functions allocated to direct cost centers include Administration, Legal, Properties and Business Development, Air Service Development, Human Resources, Information Technology, Finance, Design, Environmental, and Strategic Planning. These expenses are allocated to direct cost centers as defined in the Signatory Passenger Airline Agreements. Indirect expenses are allocated to direct cost centers for the purposes of calculating Landing Fees, Terminal Ramp Area rentals, and, after FY 2022, Terminal Rental Rates.

4.6 Non-Airline Revenue

Table 4-4 presents historical Non-Airline Revenue for the Airport System for the period of FY 2015 to FY 2019. As shown, the five primary categories of Non-Airline Revenue historically accounting for more than 66% of the Airport System's total Operating Revenue is presented along with growth rates during this period. Total Non-Airline Revenue increased from approximately $76.4 million in FY 2015 to $113.3 million in FY 2019, for a CAGR of approximately 10.3% over this period. The three largest Non-Airline Revenue items at the Airport System experienced relatively high levels of growth as all had CAGRs of more than 7.4% between FY 2015 and FY 2019. Non-Airline Revenue on a per-unit or per enplaned passenger basis ranged between $13.17 and $13.71 during this period.

Table 4-4 Historical Airport Non-Airline Revenue (Dollars in Thousands) [1]

Non-Airline Revenue Category	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2015 - 2019 CAGR
Parking	$38,725	$41,890	$43,977	$50,369	$53,153	8.2%
Ground Transportation	2,090	2,708	3,834	4,917	7,311	36.8%
Rental Car	12,039	13,050	13,598	15,187	16,183	7.7%
Terminal Concessions	10,440	9,402	11,368	12,760	13,902	7.4%
Other	13,084	14,220	19,015	19,163	22,701	14.8%
Total Non-Airline Revenues	**$76,378**	**$81,270**	**$91,792**	**$102,396**	**$113,250**	10.3%
Enplaned Passengers	5,604	6,141	6,790	7,466	8,596	11.3%
Non-Airline Revenue per Enplaned Passenger	$13.63	$13.23	$13.52	$13.71	$13.17	
Percent of Total Operating Revenue	66.0%	71.2%	72.8%	66.9%	66.0%	

[1] Reflects categories used for Authority reporting, which may differ from Financial Statements
Note: Amounts may not add because of rounding.
Source: Metropolitan Nashville Airport Authority, October 2019

Exhibit D at the end of this Report presents Non-Airline Revenue of the Airport System for actual FY 2019 and forecast for FY 2020 through FY 2028. FY 2019 Non-Airline Revenues totaled approximately $113.3 million, an increase of approximately 10.6% over FY 2018. Non-Airline Revenues are forecast to be approximately $120.4 million in FY 2020 and are forecast to increase to approximately $182.4 million in FY 2028. This increase in Non-Airline Revenues from FY 2019 through the end of the forecast period in FY 2028 represents a CAGR of approximately 5.4%. In general, the forecast of Non-Airline Revenues is based on historical trend reviews, forecast activity levels, and impacts associated with implementation of the Authority's Capital Projects.

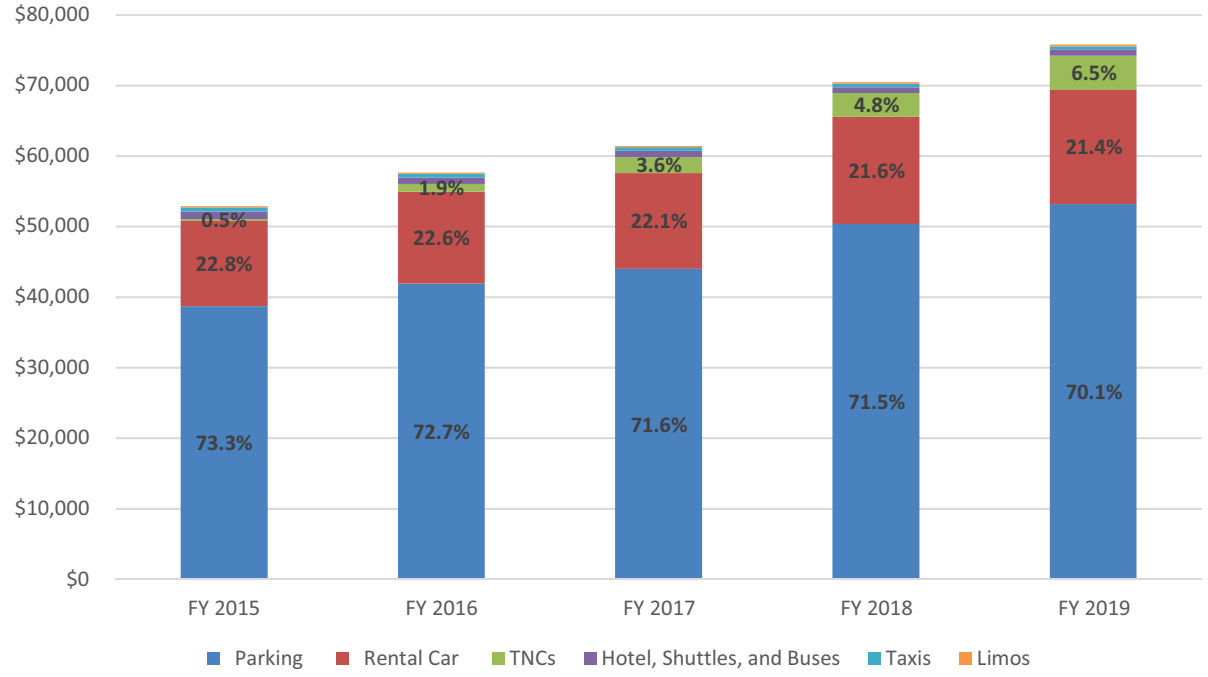
Non-Airline Revenues are further described in the following sections.

4.6.1 Parking, Ground Transportation, and Rental Car

Parking, ground transportation, and rental car revenues represent the largest component of Non-Airline Revenues at the Airport System, accounting for approximately 70.0% of total Non-Airline Revenues budgeted for FY 2020. Automobile parking revenues, TNC fees, rental car concessions, and taxi/limousine/shuttle fees are the primary sources of parking and ground transportation revenue.

Figure 4-3 presents parking, ground transportation, and rental car revenues by type from FY 2015 through FY 2019. As shown, parking revenues, rental car concessions, and TNC fees have increased in each year over this period. Other ground transportation revenues, such as taxi fees and other shuttle and bus revenues, have declined in recent years. While it is difficult to determine the exact reason for these decreases, it could be attributable to the emergence of TNCs during this period. It is important to note that, in aggregate, ground transportation revenues have increased over this period at a CAGR of 36.8%.

Figure 4-3 Parking, Ground Transportation, and Rental Car Revenues



Source: Metropolitan Nashville Airport Authority, October 2019.

4.6.1.1 Parking Revenues

As presented on Table 4-4, parking revenues increased from approximately $38.7 million in FY 2015 to approximately $53.2 million in FY 2019, reflecting a CAGR of approximately 8.2%. The Authority implemented parking rate changes in September 2017 and May 2019. **Table 4-5** presents public parking rates at the Airport since FY 2015, including current rates. As shown in the table, the Authority monitors public parking rates and implements rate changes periodically. Additionally, 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 these increases and the differing products as demand has continued to increase. As of October 2019, five off-airport parking companies provide parking services to passengers.

Table 4-5 Historical Public Parking Rates at the Airport (Daily Maximum Rates)

Parking Facility	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Current
Garage	$21	$21	$23	$23	$24	$24
Frequent Parker Area	$17	$17	-	-	-	-
Long Term A	$16	$16	$18	$18	$18	$18
Long Term B and Economy	$9	$9	$11	$11	$12	$12
Valet	$24	$24	$28	$28	$34	$34
Overflow	$9	-	-	--	--	-
BNA Express Park (covered/uncovered)	-	$9/$11	$9/$11	$9/$11	$12/$14	$12/$14
Parking Revenues ($000)	$38,725	$41,890	$43,977	$50,369	$53,153	

Source: Metropolitan Nashville Airport Authority

The Authority has a management contract for its parking operation and receives gross revenues as opposed to net revenues from a concession agreement. Parking revenues are forecast to be approximately $58.0 million in FY 2020 and are forecast to increase based on growth in enplaned passengers and assumed periodic rate increases reflecting an inflation rate of 3%. Parking garage projects completed as part of BNA Vision 1.0 provide new parking facilities at the Airport which may provide opportunities for additional parking revenues above the amounts forecast, however, for purposes of this Report, no parking revenue impacts related to the implementation of the Authority's Capital Projects have been assumed. The parking management contract expires June 30, 2021, however, for purposes of this Report it is assumed that the Authority will either extend the existing agreement or will generate parking revenues in a similar manner as under the existing agreement.

4.6.1.2 Ground Transportation Concessions

Ground transportation concessions increased at a CAGR of over 36.8% during between FY 2015 and FY 2019; increasing in the aggregate by more than $5.0 million annually. The increase in ground transportation concessions is, in part, attributable to the implementation of a $4.00 pick-up fee based on an annually renewed contractual agreement with Lyft and Uber, which commenced operations at the Airport in October and December 2014, respectively. TNC fees are able to be increased by the Authority pursuant to the contractual agreement with 30 days notice. The financial forecast herein assumes that demand for TNCs will continue to increase, though at a lower rate than experienced historically as the TNC market continues to mature.

Ground transportation revenues are forecast to be approximately $9.4 million in FY 2020 and are forecast to increase based on growth in enplaned passengers and assumed periodic fee increases reflecting common industry practices and an inflation rate of 3%.

As presented on Exhibit D, parking and ground transportation revenues overall are forecast to be approximately $60.5 million in FY 2020 and to increase over the forecast period to $101.2 million in FY 2028, representing a CAGR of approximately 5.9%.

4.6.1.3 Rental Car Concessions

The Authority receives a concession fee annually from the rental car companies which is the greater of an amount equal to 10% of gross receipts for such year, or a MAG amount. The annual MAG equals the greater of an amount equal to 85% of the concession fee paid by the rental car company in the prior year, or the MAG amount for the first year of the concession agreements. Rental car concessions increased at a CAGR of over 7.7% between FY 2015 and FY 2019, compared to a CAGR of 8.9% for enplaned passengers, indicating a slight reduction of rental car revenues per enplaned passenger, attributable in part to the emergence of TNCs. The current rental car concessions agreement expires January 3, 2025; the financial forecast assumes the continuation of the existing agreement, or execution of a similar agreement, through the forecast period.

As presented on Exhibit D, rental car revenues are forecast to be approximately $16.7 million in FY 2020 and to increase over the forecast period to $24.0 million in FY 2028, representing a CAGR of approximately 4.5%.

4.6.2 Terminal

As shown on Table 4-4, Terminal concession revenues increased at a CAGR of approximately 6.5% from FY 2015 to FY 2019, from approximately $10.4 million to $13.9 million. Terminal concession revenues are forecast to remain at the MAG of approximately $13.3 million in FY 2020 and FY 2021 as Fraport USA undertakes the concessions redevelopment program described in Section 4.3.7 of this Report. Terminal concession revenues are then forecast to increase with inflation, growth in enplaned passengers, and increased spend rate for new concession concepts. In addition, the implementation of Terminal projects included in the Authority's Capital Projects is assumed to result in 15% increases in Terminal concession revenues in FY 2023 and FY 2026. Over the forecast period, Terminal concession revenues are forecast to increase to approximately $26.7 million by FY 2028, representing a CAGR of approximately 7.5%.

4.6.3 Other Buildings and Areas

Air cargo revenues; hangar, ground, and land rentals; fixed base operator rents; and other miscellaneous reimbursements and revenues, totaled approximately $16.0 million in FY 2019. These revenues are forecast to increase at a CAGR of approximately 3.0% between FY 2020 and FY 2028.

4.6.4 The Reliever Airport

Revenues at the Reliever Airport are forecast based on current leases. At approximately $975,000 budgeted in FY 2020, these revenues are forecast to increase at a CAGR of approximately 3.0% through FY 2028.

4.6.5 Airfield

Airfield revenues from sources other than Signatory Airlines, comprised of Non-Signatory Airline Landing Fees and fuel flowage fees, totaled approximately $654,000 in FY 2019, are budgeted at approximately $635,000 in FY 2020, and are forecast to increase at a CAGR of approximately 3.0% through FY 2028.

4.7 PFC Revenue

As described in Section 3.7.2 of this Report, PFC revenue is used to pay for certain FAA-approved, PFC-eligible projects, either by using certain PFC revenue to pay for approved project costs on a pay-as-you-go basis or by applying certain PFC revenue to pay Debt Service associated with Senior Bonds and Subordinate Bonds issued to fund PFC approved projects. Pursuant to the Senior Resolution and the Subordinate Resolution, PFC revenues are excluded from the definition of Airport Revenues, and therefore, are not pledged to the payment of Debt Service unless otherwise designated as Airport Revenues pursuant a Supplemental Senior Resolution, which has not occurred. However, the Authority, can, at its sole discretion, use excess PFCs to pay additional Debt Service on PFC-Eligible Bonds.

As of October 2019, the Authority is authorized by the FAA to impose and use approximately $946.9 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 March 1, 2036. As of June 30, 2019, the Authority had collected approximately $406.0 million of its total approved collection authority and had spent approximately $366.5 million on approved projects. As of June 30, 2019, the Authority had an unliquidated balance of approximately $39.4 million of PFCs.

Exhibit E at the end of this Chapter presents the PFC revenue of the Authority from estimated FY 2019 through forecast FY 2028. PFC revenues are driven by enplaned passengers at the Airport as presented on the exhibit. Based on historical trends, the forecast assumes that the Authority will collect PFC revenues from 85.0% of enplaned passengers at a net collection rate of $4.39, which is the $4.50 rate less an $0.11 administrative fee. In FY 2019, PFC revenue is estimated to be approximately $31.4 million. By FY 2028, the Authority is forecast to collect approximately $45.8 million of PFC revenue in that year. As shown in Exhibit E, PFC revenues are forecast to be sufficient to fund the PFCs assumed to be applied to Debt Service during the forecast period. Based on forecast PFC revenue collections, expenditures, and the Authority's current balance of PFCs on hand, the Authority is expected to accumulate additional PFCs to pay on eligible projects by FY 2024. Therefore, it is assumed that the Authority will apply more PFCs than it collects annually to pay eligible Debt Service starting in FY 2025 through the end of the forecast period. Based on this analysis and the assumed PFC spend rate, the Authority would have surplus PFC revenues for several years after the forecast period.

4.8 Airline Revenues

Airline revenues at the Airport are generated through Landing Fees, Terminal Rents, Passenger Loading Bridge Fees, Baggage Fees, and Terminal Ramp Area Rents. The rate-setting formulas for these charges are consistent with the rate-setting methodologies set forth in the Signatory Passenger Airline Agreements (described earlier in this Chapter) through the term of the Signatory Passenger Airline Agreements. These methodologies, along with airline rate-setting methodologies developed for the purposes of forecasting airline revenues from FY 2023 through FY 2028, after the expiration of the Signatory Passenger Airline Agreements, are described below.

4.8.1 Financial Forecasts After Expiration of Signatory Passenger Airline Agreements

The Signatory Passenger Airline Agreements expire in June 2022 and will not be extended under the existing terms. The Authority is currently in preliminary negotiations with the Signatory Airlines regarding new signatory passenger airline agreements upon the expiration of the Signatory Passenger Airline Agreements in FY 2022. At this time, it is uncertain as to the future airline rates and charges methodology to be included in such future airline agreements. Therefore, certain assumptions regarding the future airline rates and charges methodology are used solely for the purposes of this Report to forecast future airline revenues as described below.

The Authority may unilaterally implement, without airline consent or written agreements, rate-setting methodologies that meet the requirements of the FAA's Policy Regarding the Establishment of Airport Rates and Charges ("Rates and Charges Policy") and other applicable requirements of federal law and federal grant assurances. The rate-setting methodologies assumed to forecast airline revenues from FY 2023 through FY 2028 were developed to meet the requirements of the Rates and Charges Policy and the Authority's other federal requirements. Such methodologies, if they are adopted by the Authority, could be challenged by the airlines serving Airport and the Department of Transportation would determine whether the rate-setting methodologies complied with the Authority's federal obligations.

A summary of these airline rates and charges methodologies is as follows:

- Landing Fees are assumed to continue as a cost center residual calculation, generally the same as the current methodology with certain adjustments (described in Section 4.8.2).
- Terminal Ramp Area Rates are assumed to continue as a compensatory calculation, generally the same as the current methodology with certain adjustments (described in Section 4.8.4).
- Terminal Rental Rates are calculated using a commercial compensatory methodology, which differs from the current fixed rate methodology under the Signatory Passenger Airline Agreements.

There is no indication, at this time, that the Authority and the Signatory Airlines will not reach agreement on new signatory passenger airline agreements, but the current Signatory Passenger Airline Agreements still have over two years before expiration, and it is assumed negotiations over new airline agreements will substantially take place over FYs 2020 and 2021 with resolution completed prior to the June 2022 expiration. Beyond FY 2022, 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 Senior Resolution and Subordinate 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.

4.8.2 Landing Fees

Exhibit F-1 at the end of this Report presents the calculation of Landing Fees for estimated FY 2019 and forecast through the expiration of the Signatory Passenger Airline Agreements in FY 2022. Per the cost center residual rate-setting methodology in the Airfield under the Signatory Passenger Airline Agreements, the Authority fully recovers direct and allocated indirect costs for airline use of the Airfield cost center. The Signatory Airline Airfield Net Requirement is reduced by estimated non-airline revenues forecast in each fiscal year.

Exhibit F-2 at the end of this Report presents the calculation of forecast Landing Fees from the expiration of the Signatory Passenger Airline Agreements in FY 2022 through the end of the forecast period. For purposes of this Report, it is assumed that the landing fee will continue as a cost center residual calculation. The landing fee calculation will no longer include amounts approved by the Signatory Airlines to be charged in the Airline Facilities Investment Fund. The landing fee calculation will include the amortized cost of future Airfield project costs funded with Authority funds and Debt Service coverage up to the amount required pursuant to the Senior and Subordinate Resolutions.

As presented in Exhibit F-1 and F-2, the Signatory Airline Landing Fee Rate per 1,000-pound unit of landed weight was $3.09 in FY 2019 and is forecast to be $3.22 in FY 2020. The Signatory Airline Landing Fee rate is forecast to increase to $4.43 in FY 2028.

Total Landing Fees are forecast to increase from approximately $31.3 million in FY 2019 to approximately $59.3 million in FY 2028, representing a CAGR of approximately 7.3%.

4.8.3 Terminal Rents, Passenger Loading Bridge Fees, and Baggage Fees

4.8.3.1 Terminal Rents

Exhibit G-1 at the end of this Report presents the calculation of Terminal Rents for estimated FY 2019 and forecast through the expiration of the Signatory Passenger Airline Agreements in FY 2022. Pursuant to the Signatory Passenger Airline Agreements, the Authority recovers Terminal Rents from the Signatory Passenger Airlines based on a fixed rate per square foot. The fixed rate per square foot increases from $103.07 in FY 2019 to $111.00 in FY 2022. The Authority also recovers rents for unimproved space at fixed rate per square foot of $4.00 each year between FY 2019 and FY 2022.

Exhibit G-2 at the end of this Report present the calculation of forecast Terminal Rents from FY 2023 through FY 2028. For purposes of this Report, from FY 2023 through FY 2028 Terminal Rents are calculated on a commercial compensatory basis and it is assumed that passenger airlines will be charged the calculated rate per square foot. The terminal rate calculation will include Debt Service coverage up to the amount required pursuant to the Senior and Subordinate Resolutions for FY 2023 through FY 2028. Terminal rents for unimproved space are assumed to remain at $4.00 per square foot after the expiration of the Signatory Passenger Airline Agreements through the end of the forecast period.

Terminal Rents are forecast to increase from approximately $18.7 million in FY 2019 to approximately $30.9 million in FY 2022. Then, after the expiration of the Signatory Passenger Airline Agreements, Terminal Rents are forecast to increase to approximately $36.9 million in FY 2023 under the commercial compensatory methodology which allows for the recovery of Terminal Debt Service in the airline rates base, and continue to increase to approximately $82.7 million by FY 2028 as additional Terminal Debt Service becomes payable over the forecast period.

4.8.3.2 Passenger Loading Bridge and Baggage Fees

Costs of operating and maintaining Passenger Loading Bridges and Baggage Systems and Equipment are recovered through Passenger Loading Bridge Fees and Baggage Fees, respectively. This Report assumes a continuation of the existing rate-setting methodologies for these charges after the expiration of the Signatory Passenger Airline Agreements.

Passenger Loading Bridge Fees and Baggage Fees were approximately $11.6 million in FY 2019 and are forecast to decrease to approximately $6.9 million in FY 2020. Passenger Loading Bridge Fees and Baggage Fees are forecast to increase to approximately $9.3 million in FY 2022, then increase to approximately $10.8 million in FY 2023 after the expiration of the Signatory Passenger Airline Agreements and increase to approximately $18.0 million by FY 2028.

4.8.4 Terminal Ramp Area Rentals

Exhibit H-1 at the end of this Report presents the calculation of Terminal Ramp Area Rentals for FY 2019 and forecast through the expiration of the Signatory Passenger Airline Agreements in FY 2022. Per the existing compensatory rate-setting methodology under the Signatory Passenger Airline Agreements, the Authority recovers approximately 80% of direct and allocated indirect costs for airline use of the Terminal Ramp Area cost center.

Exhibit H-2 at the end of this Report presents the calculation of forecast Terminal Rents from FY 2023 through FY 2028. After the expiration of the Signatory Passenger Airline Agreements in FY 2022 through the end of the forecast period, for purposes of this Report, it is assumed that the Terminal Ramp Area rent will continue as a compensatory calculation. The Terminal Ramp Area rate calculation will include Debt Service coverage up to the amount required pursuant to the Senior and Subordinate Resolutions.

The Authority is forecast to continue to recover approximately 80% of direct and allocated indirect costs for airline use of the Terminal Ramp Area cost center throughout the forecast period. Signatory Airline Terminal Ramp Rentals are forecast to increase from approximately $2.1 million in FY 2019 to approximately $8.3 million by FY 2028.

4.8.5 Airline Cost per Enplaned Passenger

A general test of reasonableness for airline costs at an airport is the average airline cost per enplaned passenger, or CPE. **Exhibit I** at the end of this Report presents the forecast of CPE for the airlines at the Airport. As shown, the airline CPE includes the Landing Fees, Terminal Rents, Passenger Loading Bridge Fees, Baggage Fees, and Terminal Ramp Area rentals, offset by revenues shared with the Signatory Airlines, and divided by total enplaned passengers. Airline CPE was $6.67 in FY 2019 and is forecast to be $6.18 in FY 2020. Over the forecast period, airline CPE is expected to increase, attributable to the forecast growth in operating expenses and Debt Service becoming payable on the Series 2019 Subordinate Bonds and assumed future Senior Bonds, to approximately $13.84 by FY 2028. Airline CPE throughout the forecast period appears within reasonable levels of affordability for the airlines and comparable to other major airports undergoing major capital programs.

4.8.6 Concession Revenue Share

Exhibit I also reflects the Concession Revenue Share, which, pursuant to the Signatory Passenger Airline Agreements, consists of an In-Terminal Concession Share, equal to 50% of in-terminal concessions. As shown in Exhibit I, revenue sharing is forecast to total approximately $6.6 million in FY 2020 and increase to approximately $8.0 million in FY 2022.

For purposes of this Report, revenue sharing is not assumed beyond the expiration of the Signatory Passenger Airline Agreements. However, it should be noted that this is subject to change as the Authority is in preliminary negotiations with the Signatory Airlines and any potential future revenue sharing has not been determined at this time.

4.9 Net Revenues and Debt Service Coverage

Exhibit J presents Net Revenues and Senior Debt Service coverage ratios for the Airport System throughout the forecast period. As presented, Net Revenues are forecast to increase from approximately $73.0 million in FY 2019 to approximately $175.4 million in FY 2028. Per the Senior Resolution, the Authority may make balances in the NAE Fund available for Senior Debt Service coverage. For purposes of calculating the Senior Debt Service coverage, transfers from the NAE Fund (1) shall consist only of deposits made to the NAE Fund in a prior Fiscal Year and (2) shall not exceed 25% of Debt Service on all Senior Bonds Outstanding. Total amounts available to meet the Senior Debt Service coverage are forecast to increase from $4.5 million in FY 2019 to $25.5 million in FY 2028. Senior Debt Service coverage including Other Available Funds was 4.28x in FY 2019, and when excluding Other Available Funds was 4.03x in FY 2019. As the Authority issues Additional Senior Bonds to fund its capital projects, Senior Debt Service coverage is forecast to be 5.01x (with Other Available Funds) and 4.76x (without Other Available Funds) in FY 2020 and increase to 5.71x and 5.46x, respectively, by FY 2021, and then decrease as Debt Service on assumed Additional Senior Bonds is anticipated to become payable to 1.97x and 1.72x in FY 2026 and remain approximately at that level through FY 2028. Senior Debt Service coverage ratios with Other Available Funds are forecast to be 0.25x higher in each year than without Other Available Funds.

Exhibit J also presents Senior and Subordinate Debt Service coverage ratios for the throughout the forecast period. Per the Subordinate Resolution, the Authority may make balances in the NAE Fund available for Senior and Subordinate Debt Service coverage. For purposes of calculating the Senior and Subordinate Debt Service coverage, transfers from the NAE Fund (1) shall consist only of deposits made to the NAE Fund in a prior Fiscal Year and (2) shall not exceed 10% of Debt Service on all Senior Bonds and Subordinate Bonds Outstanding. Total amounts available to meet the Senior and Subordinate Debt Service coverage are forecast to increase from $1.8 million in FY 2019 to $13.2 million in FY 2028. As the Authority issues Additional Senior Bonds and the Series 2019 Subordinate Bonds to fund its capital projects, the Senior and Subordinate Debt Service coverage ratios are forecast to be 3.92x (with Other Available Funds) and 3.82x (without Other Available Funds) in FY 2020, then decrease as additional Debt Service on the Series 2019 Subordinate Bonds becomes payable. Debt Service coverage ratios are forecast to further decrease and range between 1.30x and 2.55x through the forecast period (without Other Available Funds), as Debt Service on assumed Additional Senior Bonds is anticipated to become payable. Senior and Subordinate Debt Service coverage ratios calculated with Other Available Funds are forecast to be 0.10x higher than Net Revenue coverage in each year.

As required pursuant to the Senior Rate Covenant, (1) the Airport System is financially self-sufficient and self-sustaining; (2) rates, rentals, fees and charges imposed, prescribed and collected produce Airport Revenues at least sufficient (i) to pay the principal of, interest on and premium, if any, on the Senior Bonds Outstanding as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operating Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Senior Resolution; and (3) Airport Revenues after deducting Operating Expenses, which, together with other available funds, will at least equal 125% of Debt Service on all Senior Bonds Outstanding.

As required pursuant to the Subordinate Rate Covenant, (1) the Airport System is financially self-sufficient and self-sustaining; (2) rates, rentals, fees and charges imposed, prescribed and collected produce Airport Revenues at least sufficient (i) to pay the principal of, interest on and premium, if any, on the Senior Bonds and the Subordinate Bonds Outstanding as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operating Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Subordinate Resolution; and (3) Net Revenues, which, together with other available funds, will at least equal 110% of Debt Service on all Senior Bonds and Subordinate Bonds Outstanding.

Table 4-6 presents Net Revenues and Debt Service coverage ratios throughout the forecast period.

Table 4-6 Debt Service Coverage Forecast and Passenger Airline CPE Forecast (Dollars in Thousands, Except For CPE)

Fiscal Year	Net Revenues[2]	Senior Net Debt Service [1]	Subordinate Net Debt Service [1]	Senior Debt Service Coverage Ratio [2]	Senior and Subordinate Debt Service Coverage Ratio [2]	Airline CPE
2019 Actual[3]	$73,026	$18,116	$0	4.03x	4.03x	$6.67
2020	$65,874	$13,850	$3,414	4.76x	3.82x	$6.18
2021	$75,795	$13,893	$15,827	5.46x	2.55x	$6.36
2022	$96,009	$18,026	$19,694	5.33x	2.55x	$8.13
2023	$103,578	$27,930	$20,457	3.71x	2.14x	$8.37
2024	$117,521	$48,663	$23,539	2.41x	1.63x	$9.85
2025	$130,724	$65,104	$29,591	2.01x	1.38x	$10.78
2026	$160,111	$93,188	$29,580	1.72x	1.30x	$13.14
2027	$171,018	$102,061	$29,588	1.68x	1.30x	$13.77
2028	$175,359	$101,941	$29,589	1.72x	1.33x	$13.84

[1] Net of PFCs applied to Debt Service and capitalized interest.
[2] Does not include any amounts transferred from Nashville Airports Experience Fund.
[3] Reflects Authority reports used for setting airline rates and charges, which may differ from Financial Statements.
Source: Landrum & Brown

4.10 Application of Airport Revenues

Exhibit K presents the application of Airport Revenues for the Airport System throughout the forecast period. As presented, the Airport is expected to experience an annual net surplus (amount deposited into the NAE Fund) after the payment of Operating Expenses and Debt Service and required deposits to the Operations and Maintenance Reserve Fund and the Renewal and Replacement Fund in each year of the forecast period. The net surplus is forecast in FY 2020 to be approximately $41.9 million. Over the forecast period, the annual deposit to the NAE Fund is expected to range between $34.9 million and $56.9 million, based on forecast growth in revenues and expenses and the various timing of Debt Service becoming payable.

4.11 Sensitivity Analysis

To assess the sensitivity of the baseline financial forecasts presented herein, an additional scenario was developed associated with a slowing in the growth of passenger activity forecast at the Airport. This sensitivity analysis is provided only for informational purposes and should not be considered an expected forecast of future results. A description of the scenario and results is provided below.

4.11.1 Sensitivity Analysis Scenario

While enplaned passengers at the Airport have increased 13.6% through the first three months of FY 2020 as compared to FY 2019, for financial feasibility purposes, the sensitivity analysis scenario is assumed to begin in FY 2020 and extend through the forecast period.

Key assumptions related to the sensitivity analysis scenario are as follows:

- A 50% reduction of forecast enplaned passenger traffic growth occurs in each year of the forecast period, as shown on Figure 2-13 of this Report.
- A 50% reduction of forecast landed weight growth occurs in each year of the forecast period, as shown on Figure 2-13 of this Report.
- As a result of the assumed reduction in enplaned passenger growth, PFC revenues are reduced from the baseline forecast by approximately 5% in FY 2020 increasing to approximately 15% below the baseline forecast by FY 2028.
- Non-airline revenues are forecast to be approximately 4% less than the baseline forecast starting in FY 2020, and forecast to be approximately 13% below the baseline forecast by FY 2028, reflecting the assumed reduced passenger growth at the Airport. These categories primarily include terminal concession revenues, parking and ground transportation revenues, rental car revenues, and other passenger-driven revenues. Overall, non-airline revenues are forecast to increase at a CAGR of 3.6%.
- Assumptions regarding airline rate setting methodologies presented herein are assumed through the Forecast Period.
- For purposes of this sensitivity analysis, it is assumed that under this reduced passenger activity growth scenario that the Authority would conduct a thorough analysis of its facilities, operating conditions, and the Authority Capital Development Program. It is assumed under this scenario that the Authority would elect to delay the construction of the expansion of Concourse A. This $650 million project assumed in the baseline forecast to be funded with proceeds from future bonds would be delayed beyond the forecast period. Therefore, Debt Service, Operating Expense, and terminal space impacts associated with this project are not included in this scenario.

4.11.1 Sensitivity Analysis Results

Table 4-7 presents enplaned passengers assumed for the sensitivity analysis and the resulting Net Revenues, Debt Service coverage, and CPE forecasts under the scenario. As shown, under this sensitivity analysis scenario, the Authority is forecast to continue to satisfy its obligations pursuant to the Senior Resolution and Subordinate Resolution and maintain airline CPE levels consistent with other large U.S. airports.

Table 4-7 Sensitivity Analysis Results: Debt Service Coverage Forecast and Passenger Airline CPE Forecast

(Dollars in Thousands, Except For CPE)

Fiscal Year	Sensitivity Enplaned Passengers	Net Revenues[2]	Senior Net Debt Service[1]	Subordinate Net Debt Service[1]	Senior Debt Service Coverage Ratio [2]	Senior and Subordinate Debt Service Coverage Ratio [2]	Airline CPE
2019 Actual[3]	8,596	$73,026	$18,116	$0	4.03x	4.03x	$6.67
2020	9,086	$61,767	$13,850	$3,414	4.46x	3.58x	$6.52
2021	9,352	$69,028	$13,893	$15,827	4.97x	2.32x	$6.90
2022	9,492	$86,916	$18,026	$19,694	4.82x	2.30x	$9.02
2023	9,625	$91,466	$27,930	$20,457	3.27x	1.89x	$9.37
2024	9,759	$103,375	$48,663	$23,539	2.12x	1.43x	$11.18
2025	9,894	$114,422	$65,104	$29,591	1.76x	1.21x	$12.40
2026	10,030	$116,945	$61,400	$29,580	1.90x	1.29x	$12.49
2027	10,165	$118,634	$60,938	$29,588	1.95x	1.31x	$12.78
2028	10,299	$120,260	$60,491	$29,589	1.99x	1.34x	$13.09

[1] Net of PFCs applied to Debt Service and capitalized interest.
[2] Does not include any amounts transferred from Nashville Airports Experience Fund.
[3] Reflects Authority reports used for setting airline rates and charges, which may differ from Financial Statements.
Source: Landrum & Brown

Exhibit A

AUTHORITY CAPITAL PROJECTS - PLAN OF FINANCE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in millions)

(Fiscal Years Ending June 30)

Project	Federal and State	Existing Bond Proceeds	Series 2019 Bonds	Future Bonds	CFC	Authority Funding	TOTAL
BNA Vision 1.0							
Parking Garages, Transportation Center, and Administration Building	$12.5	$83.5	$198.7	$73.4	$6.5	$0.0	$374.6
International Arrival Building Rehabilitation	0.0	7.2	0.0	0.0	0.0	0.0	7.2
Concourse D & Terminal Wings	0.0	0.8	296.7	0.0	0.0	0.0	297.5
Terminal Lobby & IAF	0.0	21.2	183.4	276.8	0.0	0.0	481.4
Terminal Access Roadway	0.0	1.0	0.0	159.5	0.0	0.0	160.5
Terminal Apron & Taxilane Expansion	0.0	2.0	23.7	19.9	0.0	0.0	45.6
Employee Parking Lot	0.0	0.3	7.7	0.0	0.0	0.0	8.0
Eastside Electrical Vault	0.0	0.4	3.8	0.0	0.0	0.0	4.2
Art Allowance	0.0	0.0	0.0	4.5	0.0	0.0	4.5
Subtotal - BNA Vision 1.0	$12.5	$116.4	$714.0	$534.1	$6.5	$0.0	$1,383.5
BNA Vision 2.0 [1]							
Runway 2L-20R Extension - EA & Property Acquisition	$0.0	$0.0	$5.5	$0.0	$0.0	$0.0	$5.5
Runway 2L-20R Extension - Design	0.0	0.0	9.5	20.5	0.0	0.0	30.0
Satellite Concourse (Concourse E)	0.0	0.0	0.0	190.0	0.0	0.0	190.0
Concourse A Site Preparation	0.0	0.0	0.0	78.0	0.0	0.0	78.0
Concourse A Terminal Expansion	0.0	0.0	0.0	650.0	0.0	0.0	650.0
Deicing Treatment	0.0	0.0	0.0	45.0	0.0	0.0	45.0
Curbside Expansion	0.0	0.0	0.0	34.0	0.0	0.0	34.0
Subtotal - BNA Vision 2.0	$0.0	$0.0	$15.0	$1,017.5	$0.0	$0.0	$1,032.5
Capital Improvement Plan							
Runway 2R-20L Reconstruction	$20.0	$0.0	$70.0	$0.0	$0.0	$0.0	$90.0
Terminal Apron and Taxilane Expansion: Ph 3	0.0	0.0	0.0	30.3	0.0	0.0	30.3
Concourse A, B & C Upgrades	0.0	0.0	0.0	18.0	0.0	0.0	18.0
Taxiway T1/T2 Intersection	0.0	0.0	0.0	31.6	0.0	0.0	31.6
Terminal Shell Expansion for Delta Sky Club	0.0	0.0	11.0	0.0	0.0	0.0	11.0
Other CIP Projects [2]	26.6	0.0	0.0	0.0	0.0	286.3	312.9
Subtotal - Capital Improvement Plan	$46.6	$0.0	$81.0	$79.9	$0.0	$286.3	$493.8
TOTAL AUTHORITY CAPITAL PROJECTS	**$59.2**	**$116.4**	**$810.0**	**$1,631.5**	**$6.5**	**$286.3**	**$2,909.8**

Note: Amounts may not add due to rounding.

[1] BNA Vision 2.0 also includes the construction of the Runway 2L-20R Extension, however, that project is not included in Authority Capital Projects as defined.

[2] Includes projects included in the Authority's 2020-2024 CIP plus other assumed expenditures from FY 2025 through FY 2028.

Source: Metropolitan Nashville Airport Authority, PFM Financial Advisors LLC

Exhibit B

NET DEBT SERVICE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	Actual	Forecast								
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Senior Debt Service										
Outstanding Senior Bonds	$26,719	$14,721	$14,763	$14,799	$14,839	$14,692	$14,738	$14,792	$14,838	$14,894
Future Senior Bonds - Series 2021	0	0	0	5,862	21,079	49,307	73,304	73,302	73,301	73,293
Future Senior Bonds - Series 2023	0	0	0	0	0	1,998	4,261	58,548	58,547	58,553
Less: PFCs Applied to Debt Service	($8,603)	($870)	($870)	($2,635)	($7,988)	($17,333)	($27,198)	($53,454)	($44,624)	($44,799)
Senior Net Debt Service	$18,116	$13,850	$13,893	$18,026	$27,930	$48,663	$65,104	$93,188	$102,061	$101,941
Senior Net Debt Service by Cost Center										
Airfield	$4,813	$1,075	$1,086	$3,993	$6,566	$10,390	$12,668	$14,140	$14,153	$14,175
Terminal Building	4,270	3,728	3,745	4,669	7,443	12,197	17,298	43,896	52,741	52,587
Terminal Ramp	69	61	62	64	1,656	3,819	4,028	4,027	4,034	4,032
Other	8,964	8,987	8,999	9,300	12,264	22,258	31,109	31,125	31,133	31,147
Senior Net Debt Service	$18,116	$13,850	$13,893	$18,026	$27,930	$48,663	$65,104	$93,188	$102,061	$101,941
Subordinate Debt Service										
Proposed Series 2019 Bonds	$0	$3,414	$25,249	$29,116	$29,879	$38,659	$49,605	$49,594	$49,601	$49,603
Less: PFCs Applied to Debt Service	$0	$0	($9,422)	($9,422)	($9,422)	($15,119)	($20,014)	($20,015)	($20,012)	($20,013)
Subordinate Net Debt Service	$0	$3,414	$15,827	$19,694	$20,457	$23,539	$29,591	$29,580	$29,588	$29,589
Subordinate Net Debt Service by Cost Center										
Airfield	$0	$118	$220	$3,579	$4,342	$4,490	$5,505	$5,499	$5,501	$5,505
Terminal Building	0	0	4,854	5,407	5,407	8,342	10,989	10,988	10,990	10,988
Terminal Ramp	0	573	1,069	1,069	1,069	1,069	1,314	1,312	1,309	1,311
Other	0	2,723	9,685	9,639	9,639	9,639	11,784	11,781	11,789	11,785
Subordinate Net Debt Service	$0	$3,414	$15,827	$19,694	$20,457	$23,539	$29,591	$29,580	$29,588	$29,589

Note: Amounts may not add due to rounding.

Source: Metropolitan Nashville Airport Authority (Outstanding), PFM Financial Advisors LLC (Series 2019 and Future), Landrum & Brown, Inc. (PFCs applied to debt service)

Exhibit C

OPERATION AND MAINTENANCE EXPENSES **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	Actual [1]	Budget	Forecast								2019-2028
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	CAGR
By Category											
Personnel	$43,342	$53,636	$56,318	$60,342	$63,359	$68,716	$72,152	$77,599	$81,479	$85,553	7.8%
Purchased Services	39,388	44,276	46,147	48,982	51,148	54,920	57,265	61,056	63,675	66,407	6.0%
Business Promotion	1,715	2,118	2,181	2,247	2,315	2,384	2,456	2,530	2,606	2,684	5.1%
Materials & Supplies	4,037	5,491	5,730	6,125	6,423	6,968	7,274	7,816	8,162	8,524	8.7%
Utilities	5,818	6,265	6,542	7,235	7,558	8,628	9,017	10,040	10,497	10,976	7.3%
Insurance	1,257	1,629	1,699	1,833	1,913	2,105	2,197	2,385	2,491	2,601	8.4%
Membership & Training	653	975	1,006	1,038	1,072	1,106	1,142	1,178	1,216	1,256	7.5%
Travel Expenses	385	425	438	452	466	480	495	511	527	543	3.9%
Other Operating Expenses	2,094	200	207	214	222	230	238	246	254	263	-20.6%
Total Airport System O&M Expenses [2]	$98,689	$115,014	$120,268	$128,469	$134,474	$145,536	$152,237	$163,361	$170,907	$178,807	6.8%
By Cost Center											
Airfield	$19,454	$21,215	$22,178	$22,914	$23,943	$24,584	$25,700	$26,525	$27,731	$28,992	4.5%
Terminal	34,300	41,897	43,979	49,761	52,270	61,233	64,271	72,694	76,300	80,085	9.9%
Terminal Ramp	2,405	2,742	2,870	2,969	3,106	3,193	3,342	3,454	3,615	3,784	5.2%
Baggage System	2,079	2,128	2,234	2,346	2,581	2,710	2,845	2,988	3,137	3,294	5.2%
Passenger Loading Bridges	536	582	606	630	655	681	708	737	766	797	4.5%
Other (includes JWN, excludes MPC)	39,916	46,449	48,402	49,849	51,920	53,136	55,370	56,963	59,358	61,856	5.0%
Total Airport System O&M Expenses [2]	$98,689	$115,014	$120,268	$128,469	$134,474	$145,536	$152,237	$163,361	$170,907	$178,807	6.8%

Note: Amounts may not add due to rounding.

[1] Actual 2019 O&M Expenses may differ from the O&M Expenses provided in the Authority's FY 2019 CAFR.

[2] Excludes expenses related to the MNAA Properties Corporation (MPC).

Source: Metropolitan Nashville Airport Authority (Actual and Budget); Landrum and Brown, Inc. (Forecast)

Exhibit D

NON-AIRLINE REVENUE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	Actual [1]	Forecast									2019-2028
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	CAGR
Non-Airline Revenue											
Airfield	$654	$635	$672	$692	$712	$732	$752	$772	$793	$814	2.5%
Parking/Ground Transportation	60,464	67,520	75,482	78,874	82,271	85,797	89,464	93,268	97,173	101,190	5.9%
Rental Cars	16,183	16,702	17,930	18,735	19,542	20,380	21,251	22,154	23,082	24,036	4.5%
In-Terminal Concessions	13,902	13,280	13,280	15,922	18,996	19,811	20,657	24,634	25,666	26,726	7.5%
Other Buildings and Areas	15,988	16,468	16,962	17,471	17,995	18,535	19,091	19,664	20,253	20,861	3.0%
Miscellaneous	5,125	4,815	4,960	5,109	6,544	6,738	6,937	7,142	7,352	7,567	4.4%
John C. Tune Airport	934	975	1,004	1,034	1,065	1,097	1,130	1,164	1,199	1,235	3.1%
Total Non-Airline Revenue [2]	$113,250	$120,396	$130,290	$137,838	$147,126	$153,089	$159,282	$168,799	$175,518	$182,430	5.4%

Note: Amounts may not add due to rounding.

[1] Actual 2019 non-airline revenues may differ from revenues provided in the Authority's FY 2019 CAFR.

[2] Excludes revenues related to the MNAA Properties Corporation (MPC).

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit E

PFC REVENUE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

	Actual	Forecast								
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PFC Collections										
Enplaned Passengers (000s)	8,596	9,576	10,136	10,439	10,732	11,031	11,337	11,649	11,962	12,277
% Enplaned Passengers paying PFCs	83.3%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
PFC Enplaned Passengers	7,156	8,139	8,615	8,873	9,122	9,376	9,636	9,902	10,168	10,435
PFC Rate	$4.50	$4.50	$4.50	$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	0.11	0.11	0.11
Adjusted PFC Rate	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39
Total PFC Collections	$31,417	$35,731	$37,821	$38,953	$40,046	$41,162	$42,304	$43,468	$44,636	$45,812
PFCs Applied to Debt Service										
PFCs Applied to Senior Debt Service	$8,603	$870	$870	$2,635	$7,988	$17,333	$27,198	$53,454	$44,624	$44,799
PFCs Applied to Subordinate Debt Service	0	0	9,422	9,422	9,422	15,119	20,014	20,015	20,012	20,013
Total PFCs Applied to Debt Service [1]	$8,603	$870	$10,292	$12,057	$17,410	$32,452	$47,212	$73,468	$64,636	$64,812

Note: Amounts may not add due to rounding.

[1] Based on forecast PFC collections, the Authority is expected to build a surplus of PFCs on hand between FY 2019 and FY 2024. PFCs applied to debt service are forecast to exceed PFC collections from FY 2025 through FY 2028 as the Authority spends down portions of this surplus.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit F-1

SIGNATORY AIRLINE AGREEMENTS - LANDING FEE AND REVENUE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

		Actual	Forecast		
		2019	2020	2021	2022
Airfield Requirement					
Airfield O&M Expenses		$19,454	$21,215	$22,178	$22,914
Airline Facilities Investment - Airfield [1]		7,267	13,646	12,000	18,694
Senior Airfield Debt Service		4,813	1,075	1,086	3,993
Subordinate Airfield Debt Service		0	118	220	3,579
Reliever Airport Contribution		431	442	453	464
Total Airfield Requirement		$31,964	$36,496	$35,937	$49,645
Less: Airfield Non-Airline Revenue		(654)	(635)	(672)	(692)
Less: Non-Signatory Landing Fees		(2,128)	(2,214)	(2,076)	(2,819)
Net Signatory Airfield Requirement	[A]	$29,182	$33,648	$33,189	$46,134
Landed Weight					
Signatory Cargo Carrier Landed Weight		202	223	230	237
Signatory Passenger Airline Landed Weight		9,253	10,227	10,766	11,019
Total Signatory Landed Weight	[B]	9,455	10,450	10,996	11,255
Non-Signatory Landed Weight		497	550	550	550
Landing Fee					
Required Signatory landing fee rate (per 1,000 pound unit)	[C=A/B]	**$3.09**	**$3.22**	**$3.02**	**$4.10**
Non-Signatory Landing Fee Rate (per 1,000 pound unit) [2]	[C*1.25]	**$4.28**	**$4.03**	**$3.78**	**$5.13**
Landing Fee Revenue					
Signatory Cargo Carrier Landing Fees		$624	$718	$694	$970
Signatory Passenger Airline Landing Fees		28,558	32,930	32,513	45,177
Total Signatory Landing Fees		$29,182	$33,648	$33,207	$46,147
Non-Signatory Landing Fees		$2,128	$2,214	$2,076	$2,819
Total Landing Fees		$31,310	$35,862	$35,283	$48,965

Note: Amounts may not add due to rounding.

[1] Financial analysis assumes Authority will obtain all required MII approvals for Airfield projects expected to be funded through the Airline Facilities Investment Fund.

[2] FY 2019 Non-Signatory Landing Fee rate reflects budgeted FY 2019 plus 25% premium.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit F-2

FORECAST LANDING FEE AND REVENUE - FY 2023 - FY 2028 **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

		Forecast					
		2023	2024	2025	2026	2027	2028
Airfield Requirement							
Airfield O&M Expenses		$23,943	$24,584	$25,700	$26,525	$27,731	$28,992
Airfield Amortization		0	1,387	2,929	4,323	5,718	7,112
Senior Airfield Debt Service		6,566	10,390	12,668	14,140	14,153	14,175
Airfield Senior Debt Service Coverage (25%)		1,641	2,598	3,167	3,535	3,538	3,544
Subordinate Airfield Debt Service		4,342	4,490	5,505	5,499	5,501	5,505
Airfield Subordinate Debt Service Coverage (10%)		434	449	550	550	550	551
Reliever Airport Operating Deficit [1]		0	0	0	0	0	0
O&M Reserve Fund		171	107	186	138	201	210
Renewal and Replacement Fund		0	0	0	0	0	0
Total Airfield Requirement		$37,099	$44,004	$50,705	$54,710	$57,392	$60,088
Less: Airfield Non-Airline Revenue		(712)	(732)	(752)	(772)	(793)	(814)
Net Airfield Requirement	[A]	$36,387	$43,272	$49,954	$53,938	$56,599	$59,274
Landed Weight							
Cargo Carrier Landed Weight		361	369	377	385	392	400
Passenger Airline Landed Weight		11,693	11,940	12,195	12,454	12,716	12,977
Total Landed Weight	[B]	12,054	12,309	12,571	12,839	13,108	13,378
Landing Fee							
Landing fee rate (per 1,000 pound unit)	[C=A/B]	**$3.02**	**$3.52**	**$3.97**	**$4.20**	**$4.32**	**$4.43**
Landing Fee Revenue							
Cargo Carrier Landing Fees		$1,090	$1,297	$1,497	$1,616	$1,695	$1,774
Passenger Airline Landing Fees		35,297	41,975	48,456	52,322	54,904	57,500
Total Landing Fees		$36,387	$43,272	$49,954	$53,938	$56,599	$59,274

Note: Amounts may not add due to rounding.

[1] For purposes of this analysis, no operating deficit is assumed from FY 2023 through FY 2028.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit G-1

SIGNATORY AIRLINE AGREEMENTS TERMINAL RENTAL RATE AND REVENUE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

	Actual	Forecast		
	2019	2020	2021	2022
Terminal Rental Rate (per square foot)	**$103.07**	**$105.65**	**$108.29**	**$111.00**
Terminal Rental Revenue				
Signatory Airline leased space (square feet) - excluding Joint Use	178,542	187,423	228,503	275,648
Signatory Airline Terminal Rentals	$18,402	$19,801	$24,745	$30,597
Unimproved Terminal Space				
Unimproved Space Rentals	$95	$95	$95	$95
Non-Signatory Terminal Rents:				
Non-Signatory Terminal Rental Rate (125%)	$128.84	$132.06	$135.36	$138.75
Non-Signatory Office Space (square feet)	1,642	1,200	1,200	1,200
Non-Signatory Terminal Rentals	$212	$158	$162	$167
Total Terminal Rentals	$18,709	$20,055	$25,002	$30,858

Note: Amounts may not add due to rounding.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit G-2

FORECAST TERMINAL RENTAL RATE AND REVENUE - FY 2023 - FY 2028 **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

		Forecast					
		2023	2024	2025	2026	2027	2028
Terminal Requirement							
Terminal O&M Expenses		$52,270	$61,233	$64,271	$72,694	$76,300	$80,085
Terminal Amortization		0	92	183	275	366	458
Senior Terminal Net Debt Service		7,443	12,197	17,298	43,896	52,741	52,587
Terminal Senior Debt Service Coverage (25%)		1,861	3,049	4,325	10,974	13,185	13,147
Subordinate Terminal Net Debt Service		5,407	8,342	10,989	10,988	10,990	10,988
Terminal Subordinate Debt Service Coverage (10%)		541	834	1,099	1,099	1,099	1,099
O&M Reserve Fund		418	1,494	506	1,404	601	631
Renewal and Replacement Fund		0	0	0	0	0	0
Terminal Requirement	[A]	$67,940	$87,240	$98,672	$141,329	$155,283	$158,995
Rentable Terminal Space (square feet)	[B]	510,816	616,397	651,591	651,591	651,591	651,591
Terminal Rental Rate (per square foot)	[C=A/B]	**$133.00**	**$141.53**	**$151.43**	**$216.90**	**$238.31**	**$244.01**
Terminal Rental Revenue							
Airline leased space (square feet) - excluding Joint Use		276,848	323,022	338,413	338,413	338,413	338,413
Airline Terminal Rentals		$36,821	$45,718	$51,247	$73,401	$80,648	$82,576
Unimproved Terminal Space							
Unimproved Space Rentals		$95	$95	$95	$95	$95	$95
Total Terminal Rentals		$36,916	$45,813	$51,341	$73,496	$80,743	$82,671

Note: Amounts may not add due to rounding.
Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit H-1

SIGNATORY AIRLINE AGREEMENTS - TERMINAL RAMP AREA RATE AND REVENUE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

		Actual	Forecast		
		2019	2020	2021	2022
Terminal Ramp Area Requirement					
Terminal Ramp O&M Expenses		$2,405	$2,742	$2,870	$2,969
Authority Facilities Investment - Terminal Ramp		312	12	0	0
Senior Terminal Ramp Debt Service		69	61	62	64
Subordinate Terminal Ramp Debt Service		0	573	1,069	1,069
Terminal Ramp Area Requirement	[A]	$2,785	$3,387	$4,001	$4,101
Rentable Terminal Ramp (square feet)	[B]	1,348,900	1,348,900	1,348,900	1,348,900
Terminal Ramp Area Rate (per square foot)	[C=A/B]	**$2.06**	**$2.51**	**$2.97**	**$3.04**
Terminal Ramp Area Revenue					
Signatory Airline Leased Terminal Ramp Area space (square feet)		1,021,936	1,088,657	1,088,657	1,088,657
Signatory Airline Terminal Ramp Area Rentals		$2,110	$2,734	$3,229	$3,310
Non-Signatory Terminal Ramp Area Use Fees		$15	$30	$30	$30
Total Terminal Ramp Area Revenue		$2,125	$2,764	$3,259	$3,340

Note: Amounts may not add due to rounding.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit H-2

FORECAST TERMINAL RAMP AREA RATE AND REVENUE - FY 2023 - FY 2028 **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

		Forecast					
		2023	2024	2025	2026	2027	2028
Terminal Ramp Area Requirement							
Terminal Ramp O&M Expenses		$3,106	$3,193	$3,342	$3,454	$3,615	$3,784
Terminal Ramp Amortization		0	0	0	0	0	0
Senior Lien Terminal Ramp Debt Service		1,656	3,819	4,028	4,027	4,034	4,032
Terminal Ramp Senior Lien Debt Service Coverage (25%)		414	955	1,007	1,007	1,008	1,008
Subordinate Lien Terminal Ramp Debt Service		1,069	1,069	1,314	1,312	1,309	1,311
Terminal Ramp Subordinate Lien Debt Service Coverage (10%)		107	107	131	131	131	131
O&M Reserve Fund		23	15	25	19	27	28
Renewal and Replacement Fund		0	0	0	0	0	0
Terminal Ramp Area Requirement	[A]	$6,375	$9,157	$9,847	$9,949	$10,124	$10,294
Rentable Terminal Ramp (square feet)	[B]	1,348,900	1,348,900	1,348,900	1,348,900	1,348,900	1,348,900
Terminal Ramp Area Rate (per square foot)	[C=A/B]	**$4.73**	**$6.79**	**$7.30**	**$7.38**	**$7.51**	**$7.63**
Terminal Ramp Area Revenue							
Airline Leased Terminal Ramp Area space (square feet)		1,088,657	1,088,657	1,088,657	1,088,657	1,088,657	1,088,657
Airline Terminal Ramp Area Revenue		$5,145	$7,390	$7,948	$8,029	$8,170	$8,308
Ramp Use Fees		$30	$30	$30	$30	$30	$30
Total Terminal Ramp Area Revenue		$5,175	$7,420	$7,978	$8,059	$8,200	$8,338

Note: Amounts may not add due to rounding.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit I

AIRLINE COST PER ENPLANEMENT **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

	Actual	Forecast								
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Airline Cost per Enplanement										
Passenger Airline Landing Fee Revenue	$30,686	$35,144	$34,589	$47,995	$35,297	$41,975	$48,456	$52,322	$54,904	$57,500
Terminal Rentals	18,709	20,055	25,002	30,858	36,916	45,813	51,341	73,496	80,743	82,671
Terminal Ramp Fees	2,125	2,764	3,259	3,340	5,175	7,420	7,978	8,059	8,200	8,338
Baggage System Fees	11,156	6,439	6,653	8,725	10,229	10,849	11,555	15,483	16,869	17,353
Passenger Loading Bridge Fees	436	501	521	542	564	586	610	634	659	686
Per Use Fees	1,135	927	1,106	1,358	1,656	2,028	2,242	3,062	3,336	3,415
Less: Revenue Sharing [1]	(6,951)	(6,640)	(6,640)	(7,961)	0	0	0	0	0	0
Total Passenger Airline Revenue	$57,296	$59,188	$64,490	$84,858	$89,837	$108,671	$122,182	$153,057	$164,712	$169,963
Enplaned Passengers	8,596	9,576	10,136	10,439	10,732	11,031	11,337	11,649	11,962	12,277
Airline Cost per Enplaned Passenger	$6.67	$6.18	$6.36	$8.13	$8.37	$9.85	$10.78	$13.14	$13.77	$13.84
Airline Cost per Enplaned Passenger (2019 dollars) [2]	$6.67	$6.00	$6.00	$7.44	$7.44	$8.50	$9.03	$10.68	$10.87	$10.61

Note: Amounts may not add due to rounding.

[1] For the purposes of this Report, no revenue sharing has been assumed after the expiration of the Signatory Passenger Airline Agreements in FY 2022. The Authority is in preliminary negotiations with the Signatory Passenger Airlines and future revenue sharing has not been determined at this time.

[2] Assumes inflation rate of 3%.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit J

NET REVENUE AND DEBT SERVICE COVERAGE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands, except rates)

(Fiscal Years Ending June 30)

		Actual	Forecast								
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenues											
Total Passenger Airline Revenues [1]		$57,296	$59,188	$64,490	$84,858	$89,837	$108,671	$122,182	$153,057	$164,712	$169,963
Cargo Carrier Revenues		1,168	1,304	1,283	1,781	1,090	1,297	1,497	1,616	1,695	1,774
Non-Airline Operating Revenues		113,250	120,396	130,290	137,838	147,126	153,089	159,282	168,799	175,518	182,430
Total Revenues	[A]	$171,714	$180,888	$196,063	$224,477	$238,053	$263,057	$282,961	$323,471	$341,925	$354,166
Less:											
O&M Expenses	[B]	$98,689	$115,014	$120,268	$128,469	$134,474	$145,536	$152,237	$163,361	$170,907	$178,807
Net Revenue	[C=A-B]	$73,026	$65,874	$75,795	$96,009	$103,578	$117,521	$130,724	$160,111	$171,018	$175,359
Plus: Other Available Funds for Senior Debt Service Coverage [2]	[D]	$4,529	$3,463	$3,473	$4,507	$6,982	$12,166	$16,276	$23,297	$25,515	$25,485
Funds Available for Senior Debt Service Coverage	[E=C+D]	$77,555	$69,337	$79,268	$100,515	$110,561	$129,686	$147,000	$183,408	$196,534	$200,844
Other Available Funds for Senior and Subordinate Debt Service Coverage [3]	[F]	$1,812	$1,726	$2,972	$3,772	$4,839	$7,220	$9,470	$12,277	$13,165	$13,153
Funds Available for Senior and Subordinate Debt Service Coverage	[G=C+F]	$74,837	$67,601	$78,767	$99,781	$108,417	$124,741	$140,194	$172,387	$184,183	$188,512
Senior Lien Debt Service (Net of PFCs)	[H]	$18,116	$13,850	$13,893	$18,026	$27,930	$48,663	$65,104	$93,188	$102,061	$101,941
Subordinate Lien Debt Service (Net of PFCs)	[I]	0	3,414	15,827	19,694	20,457	23,539	29,591	29,580	29,588	29,589
Total Net Debt Service	[J=H+I]	$18,116	$17,264	$29,720	$37,720	$48,386	$72,203	$94,695	$122,767	$131,650	$131,531
Senior Lien Debt Service Coverage (Net Revenue and Other Available Funds)	[K=E/H]	**4.28**	**5.01**	**5.71**	**5.58**	**3.96**	**2.66**	**2.26**	**1.97**	**1.93**	**1.97**
Senior Lien Debt Service Coverage (Net Revenue)	[L=C/H]	**4.03**	**4.76**	**5.46**	**5.33**	**3.71**	**2.41**	**2.01**	**1.72**	**1.68**	**1.72**
Senior and Subordinate Debt Service Coverage (Net Revenue and Other Available Funds)	[M=G/J]	**4.13**	**3.92**	**2.65**	**2.65**	**2.24**	**1.73**	**1.48**	**1.40**	**1.40**	**1.43**
Senior and Subordinate Debt Service Coverage (Net Revenue)	[N=C/J]	**4.03**	**3.82**	**2.55**	**2.55**	**2.14**	**1.63**	**1.38**	**1.30**	**1.30**	**1.33**

Note: Amounts may not add due to rounding.

[1] Net of revenue sharing through FY 2022.

[2] Equal to 25% of Senior Lien Net Debt Service available from the NAE Fund.

[3] Equal to 10% of Senior Lien Net Debt Service and 10% of Subordinate Lien Net Debt Service available from the NAE Fund.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

Exhibit K

APPLICATION OF REVENUE **NASHVILLE INTERNATIONAL AIRPORT**

(dollars in thousands)

(Fiscal Years Ending June 30)

	Actual	Forecast								
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Revenue	$171,714	$180,888	$196,063	$224,477	$238,053	$263,057	$282,961	$323,471	$341,925	$354,166
Application of Revenue										
1 - Operating Fund for payment of Operating Expenses	$98,689	$115,014	$120,268	$128,469	$134,474	$145,536	$152,237	$163,361	$170,907	$178,807
2 - Committee Fee Fund	0	0	0	0	0	0	0	0	0	0
3 - Airport Improvement Principal and Interest Fund Senior Debt Service (net of PFCs)	18,116	13,850	13,893	18,026	27,930	48,663	65,104	93,188	102,061	101,941
4 - Airport Improvement Bond Reserve Fund	0	0	0	0	0	0	0	0	0	0
5 - Support Facility Fund	0	0	0	0	0	0	0	0	0	0
6 - Subordinate Commitment Fee Fund	0	0	0	0	0	0	0	0	0	0
7- Subordinate Principal and Interest Fund Subordinate Debt Service (net of PFCs)	0	3,414	15,827	19,694	20,457	23,539	29,591	29,580	29,588	29,589
8 - Subordinate Bond Reserve Fund	0	0	0	0	0	0	0	0	0	0
9 - Subordinate Support Facility Fund	0	0	0	0	0	0	0	0	0	0
10 - Other Obligations (includes Note Purchase Agreement)	2,072	2,072	0	0	0	0	0	0	0	0
11 - Operations and Maintenance Reserve Fund	3,639	3,638	876	1,367	1,001	1,844	1,117	1,854	1,258	1,317
12 - Renewal and Replacement Fund	1,000	1,000	0	0	0	0	0	0	0	0
13 - Nashville Airports Experience (NAE) Fund	48,199	41,900	45,199	56,922	54,191	43,474	34,912	35,489	38,111	42,511
Total Application of Revenue	$171,714	$180,888	$196,063	$224,477	$238,053	$263,057	$282,961	$323,471	$341,925	$354,166
Estimated Days Cash on Hand [1]	338	334	353	400	478	457	447	428	425	431

Note: Amounts may not add due to rounding.

[1] Estimated based on FY end Operations and Maintenance Reserve Fund, Renewal and Replacement Fund, and NAE Fund balances and annual operating expenses.

Source: Metropolitan Nashville Airport Authority (Actual); Landrum and Brown, Inc. (Forecast)

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY AND REPORT OF THE INDEPENDENT AUDITORS THEREON FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

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Metropolitan Nashville Airport Authority

(A Component Unit of the Metropolitan Government of Nashville and Davidson County, Tennessee)

Financial Statements and Other Information

Years Ended June 30, 2019 and 2018

DIXON HUGHES GOODMAN LLP

The Metropolitan Nashville Airport Authority (the "Authority") is pleased to present its Annual Financial Report for the years ended June 30, 2019 and 2018.

Responsibility and Controls

The Authority has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's internal financial staff. Dixon Hughes Goodman LLP, our external auditors, also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with Accounting Principles Generally Accepted in the United States of America.

Audit Assurance

The unmodified opinion of our independent external auditors, Dixon Hughes Goodman LLP, is included in this report.

BOARD OF COMMISSIONERS

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Vice Chair
Aubrey B. Harwell, III

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Metropolitan Government of Nashville & Davidson County

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William "Bill" H. Freeman
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Christy Smith
Nancy Sullivan, P.E.

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Vice President & Chief Administrative Officer

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Assistant Vice President, Legal Affairs

Traci C. Holton
Assistant Vice President, Development and Engineering & Chief Engineer

W. David Griswold
Assistant Vice President, Chief of Police

Effective: September 1, 2019

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Commissioners
Metropolitan Nashville Airport Authority
Nashville, Tennessee

We have audited the accompanying financial statements of the Metropolitan Nashville Airport Authority (the "Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Nashville Airport Authority as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Authority implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* in fiscal year 2019. As a result, no interest cost were capitalized in fiscal year 2019.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension and OPEB liabilities, and schedules of pension and OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers this information 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 auditing standards generally accepted in the United States of America, 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.

Dixon Hughes Goodman LLP

Memphis, Tennessee
October 25, 2019

The following Management's Discussion and Analysis (MD&A) of the Metropolitan Nashville Airport Authority (the Authority or MNAA) is presented to assist the reader in focusing on significant financial issues, by providing an overview of the Authority's financial activity, and in identifying changes in the Authority's financial position. Management encourages the reader to consider the MD&A in conjunction with the information contained in the Authority's financial statements.

Basic Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with Accounting Principles Generally Accepted and promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Please refer to Note 2 to the financial statements for a summary of the Authority's significant accounting policies.

The *Statement of Net Position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing the change in the Authority's net position during the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the inflows and outflows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided within the Statements of Cash Flows to assist in understanding the difference between cash flows from operating activities and operating income.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Airport Activity Highlights

Nashville International Airport (BNA) experienced another year of record growth in fiscal year 2019, surpassing 17.1 million passengers and approximately 8.6 million enplanements. Enplanements were up 15.1 percent, 10.0 percent and 10.6 percent, in fiscal years 2019, 2018, and 2017, making Nashville one of the fastest-growing airports in the United States. Since 2010, BNA has had consistent enplanement growth of 3 percent or better every year. Nashville International Airport is currently served by 14 airlines with 267 daily flights to 70 nonstop markets.

In fiscal year 2019, Nashville maintained its A+ and A1 ratings from Standard & Poor's and Moody's rating services, respectively. In 2017, Moody's revised the outlook for general airport revenue bonds (GARB) to positive from stable and also upgraded the Authority's special facility bonds to A2 from A3 with a "stable" outlook. In making their decisions, Moody's cited strong parking growth well above 2015 bond issue projections, strong economic fundamentals of the service area, and growing and unique tourism attractions that drive destination passengers. Moody's further noted the strong growth in rental car transaction days that resulted in higher-than-expected debt service coverage and accumulation of strong liquidity balances.

The Authority was the only U.S. airport to receive a rating upgrade from more than one rating agency for its general airport revenue bonds (GARB) during fiscal year 2014. In making their decisions, rating agencies cited the airport's low and declining debt levels and the above-average growth of the Metropolitan Nashville area's population base, economy, and passenger enplanement levels. They further noted the airport had one of the strongest recoveries in

passenger enplanement levels from the economic downturn, driven by travel demand from area residents, as well as growing tourism supported by a new convention center.

Nashville International Airport continued to add new air service in fiscal year 2019. BNA added two additional carriers – Sun Country Airlines and Viva Aerobu – as well as nonstop service to new domestic destinations, including Allentown, Burbank, Cedar Rapids, Fayetteville, Grand Rapids, Harrisburg, Portland, San Jose, and Sarasota.

The Authority's reliever airport, John C Tune (JWN), undertook a $2 million project to provide site development for a new aircraft hangar with attached office and shop space, including aircraft asphalt taxilane, asphalt apron and vehicle parking. Construction began during fiscal year 2019.

The business development organization of the Authority, MNAA Properties Corporation (MPC) continues an occupancy level near 100 percent.

Operational Highlights

Enplanements increased 15.1, 10.0, and 10.6 percent in fiscal years 2019, 2018 and 2017, respectively. Certified gross landed weights also increased 15.2 percent, totaling approximately 10.0 billion pounds in 2019. Nashville International Airport served approximately 17.1 million total passengers in fiscal year 2019, operating an average of 267 daily flights to 70 nonstop markets. In 2016, the Authority unveiled BNA Vision, an approximately $1.4 billion comprehensive plan designed to accommodate the region's booming population growth and meet the needs to the airport's record-breaking passenger increase. BNA Vision includes expanded parking, concourse and lobby areas, adding new gates, developing a state-of-the-art International Arrivals Building, increasing federal security lanes and the potential for an on-site hotel, among other projects. For additional details, please visit www.bnavisionnashville.com.

Several of the most common indicators of activity during 2019, 2018, and 2017 appear below:

	2019	2018	2017
Enplanements	**8,596,307**	7,466,332	6,790,099
% increase (decrease)	**15.1%**	10.0%	10.6%
Aircraft landed weight (all–000)	**9,952,397**	8,640,900	7,953,656
% increase (decrease)	**15.2%**	8.6%	10.4%
Aircraft operations (passenger)	**154,955**	137,614	126,273
% increase (decrease)	**12.6%**	9.0%	11.8%
Aircraft operations (all other)	**72,470**	72,743	75,811
% increase (decrease)	**-0.4%**	-4.0%	0.0%
Load factors	**79.2%**	86.0%	84.0%
% increase (decrease)	**-6.8%**	2.4%	-0.8%

Load factors are the percentages of seats occupied on all passenger aircraft, both arriving and departing, which decreased 6.8 percent in 2019. Available seats increased by 24.9 percent, as well as an increase of 12.6 percent in passenger aircraft operations and a 0.4 percent decrease in other non-passenger aircraft operations in 2019.

The Authority approved the imposition of Customer Facility Charges (CFCs) for rental car customers and began collecting a $4.00 CFC per transaction day, effective January 1, 2008. The CFC rate increased to $4.50 effective January 1, 2010. This non-operating revenue source is to pay for costs, fees, and expenses associated with the planning, design, construction, financing, maintenance, and operation of the CONRAC facility as well as other costs, fees, and expenses that may be paid from CFC proceeds. Since the imposition of the CFC fee, the Authority has collected over $127.7 million, with almost $15.1 million collected in fiscal year 2019. Transaction days have consistently improved in recent years.

The following summarizes average transaction days by fiscal year:

2019	2018	2017	2016	2015	2014	2013
278,626	263,851	251,138	237,266	216,523	200,472	191,020

Summary of Operations and Changes in Net Position

The Authority's Statement of Revenues, Expenses and Changes in Net Position for the three most recent fiscal years provide considerable insight about the financial impact of activities during the respective years. The following represents a summary of changes in net position over the past three fiscal years with "% Change" representing the change from 2019 to 2018 and 2018 to 2017:

	2019	2018	% Change	2017	% Change
Operating revenues	**$ 170,032,594**	$ 154,479,617	10.1	$ 128,096,221	20.6
Operating expenses	**99,713,931**	85,262,244	16.9	77,564,577	9.9
Operating income before depreciation	**70,318,663**	69,217,373	1.6	50,531,644	37.0
Depreciation	**44,497,442**	39,914,221	11.5	38,979,958	2.4
Operating income	**25,821,221**	29,303,152	-11.9	11,551,686	>100.0
Non-operating revenues	**54,476,980**	45,235,559	20.4	40,903,990	10.6
Non-operating expenses	**29,700,013**	11,176,971	>100.0	10,381,669	7.7
Income before capital contributions	**50,598,188**	63,361,740	-20.1	42,074,007	50.6
Capital contributions	**18,178,942**	15,010,688	21.1	14,552,791	3.1
Increase in net position	**68,777,130**	78,372,428	-12.2	56,626,798	38.4
Net position, beginning of year	**657,510,531**	579,138,103	13.5	522,511,305	10.8
Net position, end of year	**$ 726,287,661**	$ 657,510,531	10.5	$ 579,138,103	13.5

Operating and Nonoperating Revenue Highlights

Operating revenue increased from fiscal year 2019 compared to 2018 by $15,552,977 and by $26,383,396 from fiscal year 2018 to 2017. The revenue increase is attributable to increased overall airport traffic, and a contractual reimbursement from the airlines for a baggage handling project. Detail summary of activity for fiscal year 2019 and 2018 are as follows: increases in signatory airlines 14.9 and 56.8 percent; parking 5.5 and 14.5 percent; concessions 11.1 and 14.2 percent; space rental 1.4 and 10.1 percent. Other revenues increased 28.2 percent in 2019 and decreased 34.7 percent in 2018. In addition, MPC total operating revenues increased of $69,640 in 2019 compared to a decrease of $39,936 in 2018. The increase in revenues for MPC in 2019 was due to a rental rate adjustment from tenants. JWN saw an increase in operating revenue of $55,580 in 2019 and $18,365 in 2018. JWN revenues increased year over year due to additional space rental and aircraft landings, which resulted in an increase of fuel flowage fees.

Non-operating revenues increased 20.4 and 10.6 percent in 2019 and 2018, respectively. Customer Facility Charges (CFCs), which fund debt service for the CONRAC facility, as well as other costs, fees, and expenses were up 5.6 and 5.4 percent in 2019 and 2018. CFC revenues were approximately $15.1, $14.3 and $13.6 million for fiscal years 2019, 2018 and 2017, respectively. Passenger facility charges (PFC) collections improved 11.0 percent in 2019 and 8.9 percent in 2018, due increased growth in passenger enplanements. Investment income increased 258.4 percent in 2019 and 194.4 percent in 2018. The increase is attributable to better market conditions and changes in investment strategy.

The following summarizes all the Authority's revenues for the fiscal years ended June 30, 2019, 2018, and 2017 with "% Change" representing the change from 2019 to 2018 and 2018 to 2017:

	2019	2018	% Change	2017	% Change
Operating revenues:					
Signatory airline	**$ 55,264,548**	$ 48,091,521	14.9	$ 30,671,634	56.8
Parking	**53,153,828**	50,369,200	5.5	43,977,208	14.5
Concession	**37,203,600**	33,498,728	11.1	29,338,439	14.2
Space rental	**16,885,811**	16,648,433	1.4	15,121,337	10.1
Other	**7,524,807**	5,871,735	28.2	8,987,603	-34.7
Total operating revenues	**170,032,594**	154,479,617	10.1	128,096,221	20.6
Nonoperating revenues:					
Investment income	**7,703,826**	2,149,363	>100.0	730,198	>100.0
Passenger facility charges	**31,416,941**	28,300,013	11.0	25,982,494	8.9
Customer facility charges	**15,094,273**	14,290,386	5.6	13,561,430	5.4
Other nonoperating revenues, net	**261,940**	495,797	-47.2	629,868	-21.3
Total nonoperating revenues	**54,476,980**	45,235,559	20.4	40,903,990	10.6
Capital contributions	**18,178,942**	15,010,688	21.1	14,552,791	3.1
Total revenues and capital contributions	**$ 242,688,516**	$ 214,725,864	13.0	$ 183,553,002	17.0

On September 24, 2015, the Authority executed the Metropolitan Nashville Airport Authority Signatory Airline Use and Lease Agreement July 1, 2015 - June 30, 2022 (the New Agreement) with American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines. The New Agreement was effective retroactively to July 1, 2015. This Agreement was substantially different from and replaced the Authority's Prior Amended and Restated Lease Amendments (the Prior Agreement) which was scheduled to expire on September 30, 2017. The Prior Agreement was "residual" in nature and generally provided for break-even financial operation of the Nashville International Airport (the Airport), including the full recovery on a cost center basis of debt service on Majority-in-Interest (MII) approved capital improvement projects. The Prior Agreement had five revenue sources that comprised signatory airline fees and charges including ramp fees (RF), main terminal (MT), north (NC) and south concourse (SC) fees, as well as landing fees (LF).

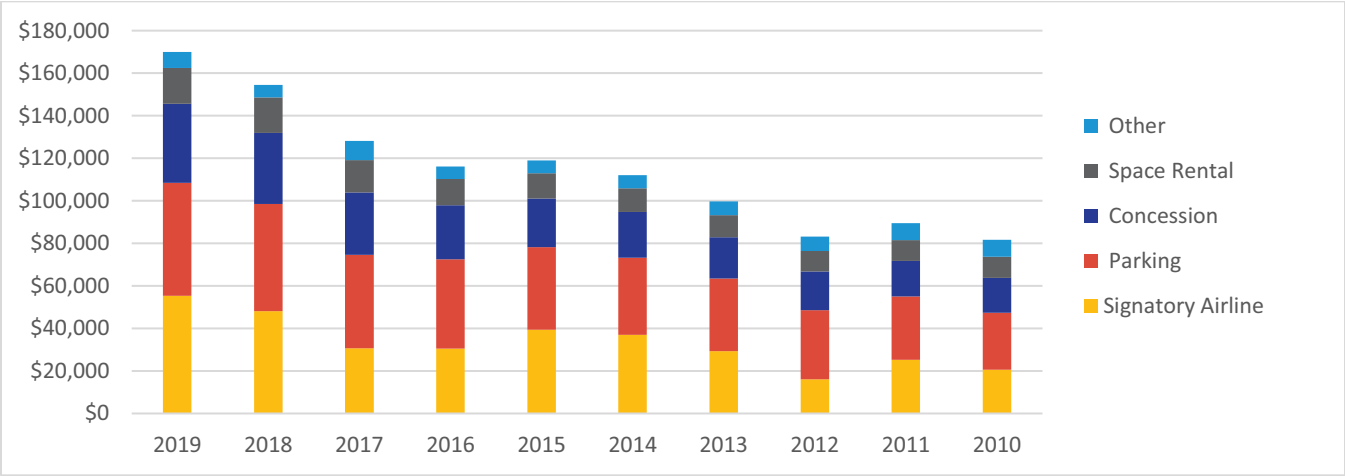
The New Agreement establishes three cost centers for determining rates and charges payable by the signatory airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridge fees are also assessed. The New Agreement has a "hybrid" airline rate-setting methodology with the Landing Fees being calculated on a residual basis (as described below) and the Terminal Rental Rates (as described below) and Terminal Ramp Area rates being compensatory. Other than the Airfield, the signatory airlines are not required to provide for break-even financial operation of the Airport per the New Agreement.

Signatory Landing Fees under the New Agreement are calculated on a primarily residual basis and are currently budgeted at $3.07 and $3.43 for fiscal years 2020 and 2019, respectively. The terminal rental rate per square foot for fiscal year 2020 is $105.65, the terminal rental rate per square foot was $103.07 and $100.55 for fiscal year 2019 and 2018, respectively. While the terminal ramp rental rate for fiscal year 2020 is $2.07, the ramp rental rate was $2.23 and $2.34 for 2019 and 2018, respectively.

Capital costs allocable to the Airfield, including debt service on Bonds, are included in the calculation of the Landing Fees with MII approval. While debt service on Bonds allocable to the Airfield are included in the Landing Fees, the New Agreement does not include a provision for any coverage for bonds. The terminal rental rate under the new agreement is calculated on a compensatory basis with fixed rates.

The following chart demonstrates the 10-year trend for MNAA's operating revenues from 2010 through 2019:

Operating Revenues (000s)



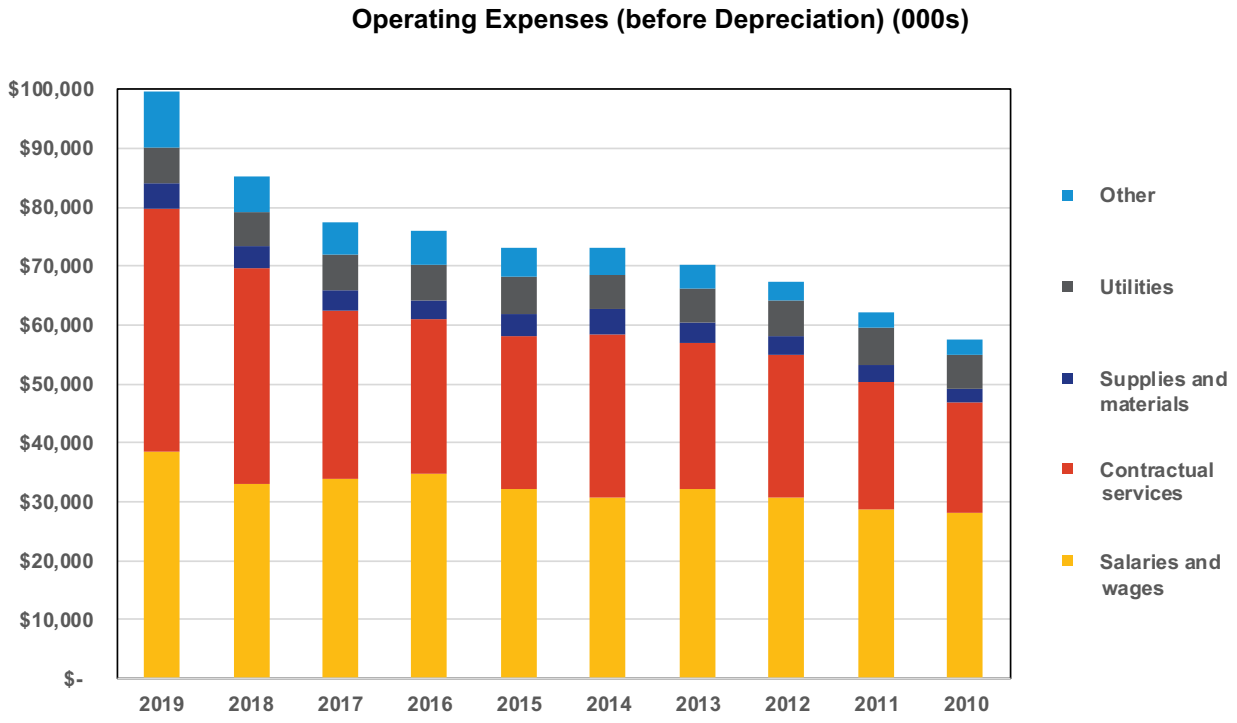
Operating and Nonoperating Expenses Highlights

The Authority's expenses increased in 2019 for BNA while they decreased for MPC and JWN. The following represents a summary of expenses for the fiscal years ended June 30, 2019, 2018, and 2017, with "% Change" representing the change from 2019 to 2018 and 2018 to 2017:

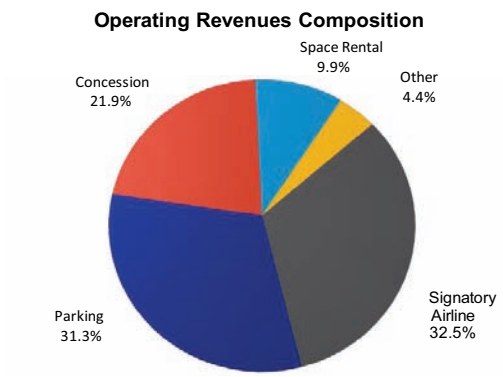
	2019	2018	% Change	2017	% Change
Operating expenses:					
Salaries and wages	**$ 38,469,934**	$ 32,879,302	17.0	$ 33,862,254	-2.9
Contractual services	**41,434,039**	36,801,980	12.6	28,610,678	28.6
Materials and supplies	**4,046,799**	3,840,490	5.4	3,509,520	9.4
Utilities	**6,140,029**	5,639,206	8.9	5,971,391	-5.6
Other	**9,623,130**	6,101,266	57.7	5,610,734	8.7
Total operating expenses before provision for depreciation	**99,713,931**	85,262,244	16.9	77,564,577	9.9
Provision for depreciation	**44,497,442**	39,914,221	11.5	38,979,958	2.4
Total operating expenses	**144,211,373**	125,176,465	15.2	116,544,535	7.4
Non-operating expenses:					
Interest expense	**13,267,265**	10,262,472	29.3	10,299,910	-0.4
Other non-operating	**16,432,748**	763,641	>100.0	81,759	>100.0
Bond issue cost	**-**	150,858	>100.0	-	>100.0
Total non-operating expenses	**29,700,013**	11,176,971	>100.0	10,381,669	7.7
Total expenses	**$ 173,911,386**	$ 136,353,436	27.5	$ 126,926,204	7.4

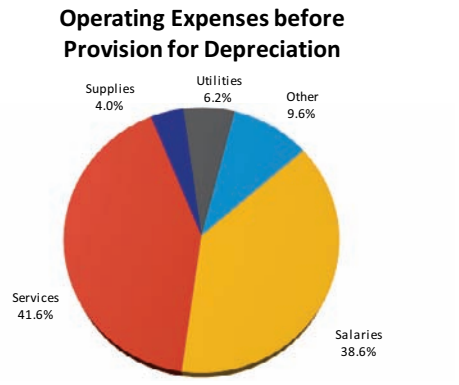
Operating expenses before provision for depreciation increased by approximately $14.5 million in 2019 and approximately $7.7 million in 2018. The largest increase was salaries and wages of $5.6 million (17 percent) in 2019 compared to a decrease of $1 million in 2018 (2.9 percent). Contractual services increased $4.6 million (12.6 percent) in 2019 compared to $8.2 million (28.6 percent) in 2018. Depreciation expense increase by 11.5 percent from 2019 to 2018 and 2.4 percent from 2018 to 2017. Other operating expenses increase $3.5 million or 57.7 percent in 2019 compared to $0.5 million (8.7 percent) in 2018. Materials and supplies and utilities both increased from 2019 to 2018 by 5.4 and 8.9 percent compared to an increase in material and supplies of 9.4% and a decrease in utilities of 5.6 percent from 2018 to 2017.

The following chart demonstrates the 10-year trend for MNAA's operating expenses from 2010 through 2019:



The composition of all MNAA operating revenues and operating expenses are presented here for 2019:





Financial Position Summary

The Statements of Net Position depict the Authority's financial position as of June 30 and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority. Following is a condensed summary of the Authority's financial position as of June 30, 2019, 2018, and 2017. The "% Change" reflects changes from 2019 to 2018 and 2018 to 2017, as follows:

	2019	2018	% Change	2017	% Change
ASSETS					
Current assets	$ **268,665,380**	$ 214,282,828	25.4	$ 190,783,356	12.3
Capital assets, net	**898,230,481**	710,656,338	26.4	617,061,803	15.2
Other noncurrent assets	**79,022,204**	107,282,457	-26.3	179,092,315	-40.1
Total assets	**1,245,918,065**	1,032,221,623	20.7	986,937,474	4.6
DEFERRED OUTFLOWS	**8,472,363**	6,629,356	27.8	3,206,783	>100.0
Total assets and deferred outflows	**$ 1,254,390,428**	$1,038,850,979	20.7	$ 990,144,257	4.9
LIABILITIES					
Current liabilities	**$ 97,948,194**	$ 70,717,676	38.5	$ 59,544,844	18.8
Noncurrent liabilities	**425,833,039**	307,694,050	38.4	349,762,744	-12.0
Total liabilities	**523,781,233**	378,411,726	38.4	409,307,588	-7.5
DEFERRED INFLOWS	**4,321,534**	2,928,722	47.6	1,698,566	72.4
NET POSITION					
Net investment in capital assets	**529,485,036**	502,944,702	5.3	441,689,611	13.9
Restricted	**84,216,077**	80,171,526	5.0	80,758,915	-0.7
Unrestricted	**112,586,548**	74,394,303	51.3	56,689,577	31.2
Total net position	**726,287,661**	657,510,531	10.5	579,138,103	13.5
Total liabilities, deferred inflows, and net position	**$ 1,254,390,428**	$1,038,850,979	20.7	$ 990,144,257	4.9

Current assets increased by $54.5 million (25.4 percent) in 2019 and $23.5 million (12.3 percent) in 2018. Net capital assets increased by $187.6 million or 26.4 percent from 2019 to 2018 and $93.6 million, or 15.2 percent, from 2018 to 2017. Total liabilities increased by $145.4 million, or 38.4 percent from 2019 to 2018 and decreased $30.9 million or 7.5 percent from 2018 to 2017. The current portion of maturities for airport revenue bonds increased in 2019 to $18,240,000 from $15,215,000 in 2018 above $13,735,000 in 2017.

The net pension asset decreased by $1.7 million in fiscal year 2019, from an $442,000 asset to a $1,279,000 liability. Other postemployment benefits (OPEB) liability decreased by approximately $6.0 million in fiscal year 2019 from $10,795,000 to $4,789,000. The Authority previously adopted a funding plan in which MNAA made $50 million in contributions to the retirement plan fiduciary since fiscal year 2010. The Board of Commissioners adopted 3-905, Funding Policy of the Retirement Plan for Employees of the Metropolitan Nashville Airport Authority (the Plan) on September 16, 2015. This policy requires the Authority to fund, at minimum, the actuarially determined contribution (ADC) each fiscal year to the Plan. The Authority has stated that during the term of the new airline agreement, it expects to fund combined contributions of approximately $12 million each fiscal year to fund the retirement plan and the OPEB Trust.

The restricted portion of the Authority's net position shown below, $84,216,077, represents 11.6% of total net position. This compares with $80,171,526 (12.2% of total net position) in restricted net position as of June 30, 2018. These resources are subject to restrictions on use and are not available for spending as they have already been committed as follows:

Passenger facility charge projects and related debt services	$ 42,365,166
Customer facility charge projects and related debt service	18,695,376
Debt service and other	23,155,535
Total restricted net position	$ 84,216,077

The unrestricted net position of $112,586,548 may be used to meet the Authority's ongoing obligations.

Cash Management Policies and Cash Flow Activities

All cash receipts are deposited daily into interest-bearing accounts. All investment types are in compliance with laws of the State of Tennessee and the Investment Policy adopted by the Board of Commissioners. Cash balances increased in fiscal year 2019 primarily due operating activities.

	2019	2018	2017
Cash flows provided by (used in):			
Operating	**$ 73,678,223**	$ 40,902,599	$ 52,538,633
Non-capital financing	**(1,401,387)**	(1,390,822)	(867,378)
Capital and related financing	**(46,967,110)**	(101,865,149)	(86,042,077)
Investing	**6,473,021**	2,947,362	755,198
Net increase(decrease) in cash and cash equivalents	**31,782,747**	(59,406,010)	(33,615,624)
Cash and cash equivalents:			
Beginning of year	**293,111,380**	352,517,390	386,133,014
End of year	**$ 324,894,127**	$ 293,111,380	$ 352,517,390

Capital Activities

Capital assets, net of accumulated depreciation, increased from $710,656,338 in 2018 to $898,230,481 in 2019. The 2019 capital improvement budget was $716.9 million. The largest projects included in the budget were; $424 million for Terminal Lobby and International Arrival Facility, $185 million for Terminal Garage C and Authority Administrative Office, and $50 million for Terminal Garage C. The Authority continues to seek out federal and state support for eligible projects whenever possible. Additional funding is provided through PFCs, CFCs, airline rates and charges, and the issuance of debt. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Note 4 to the financial statements provides additional information about the additions, retirements, and transfers during the years ended June 30, 2019 and 2018.

Debt Administration

The Authority's most recent debt issuance was May 2018. The Authority issued CONRAC Refunding Series 2018 bonds in the principal amount of $27,358,295. The bonds, together with available Customer Facility Charge ("CFC") revenues shall be used to refund the Series 2010 Bonds maturing in the years 2021 through and including 2029 and pay the costs of issuance of the bond of $150,858. As part of the refunding, the Authority used available CFCs to reduce the outstanding principal on the 2010 CONRAC bonds of $18,106,705. The CONRAC Refunding Series 2018 bonds are payable from and secured by a pledge of certain rental payments derived from CFCs under leases with rental car agencies (Note 10).

The remaining CONRAC Refunding Series 2018 bonds contain serial bonds at an interest rate of 3.4 percent, maturing in progressive annual amounts ranging from $3,028,385 on July 1, 2021, to $3,838,790 on July 1, 2028.

As of June 30, 2019, the Authority's principal balance of outstanding long-term revenue bonds was $255,023,295 compared with $270,238,295 at the end of the prior year. The current portion of revenue bonds is $18,420,000 and is due on July 1, 2019.

There are currently no bonds issued under the PFC resolution. The last of these bonds matured on July 1, 2012. A portion of 2009A, 2010A, and 2015A bonds are being paid for with draws from PFC collections as a result of eligible projects. These dollars are being reimbursed back to the Authority as needed to cover both principal and interest payments until maturity. These bond series were issued under the MNAA master resolution as general airport revenue bonds rather than as a special revenue bond (under the PFC resolution), which result in lower financing costs.

More detailed information about the Authority's debt can be found in Note 5 to the financial statements.

Airport bond activity for the year ended June 30, 2019 is summarized as follows:

	Balance July 1, 2018	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2019
Series 2003B	$ 14,785,000	$ -	(1,550,000)	$ -	$ -	$ 13,235,000
Series 2008A	7,400,000	-	(3,600,000)	-	-	3,800,000
Series 2009A	12,160,000	-	(4,190,000)	-	-	7,970,000
CONRAC Series 2010	8,535,000	-	(2,695,000)	-	-	5,840,000
CONRAC Series 2018	27,358,295	-	-	-	-	27,358,295
Series 2015A	91,855,000	-	(1,650,000)	-	-	90,205,000
Series 2015B	108,145,000	-	(1,530,000)	-	-	106,615,000
Total	270,238,295	-	(15,215,000)	-	-	255,023,295
Plus unamortized premium	24,158,916	-	-	-	(1,142,405)	23,016,511
	294,397,211	-	(15,215,000)	-	(1,142,405)	278,039,806
Less current portion	(15,215,000)					(18,420,000)
	$ 279,182,211					$ 259,619,806

Request for Information

This financial report is designed to provide detailed information on the Authority's operations to the Authority's Board of Commissioners, management, investors, creditors, customers and all others with an interest in the Authority's financial affairs and to demonstrate the Authority's accountability for the assets it controls and the funds it receives and expends. Questions concerning any of the information provided in this report or any request for additional information should be made in writing to the Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, Tennessee, 37214-4114.

Metropolitan Nashville Airport Authority
Statements of Net Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	**$ 189,270,185**	$ 134,761,391
Accounts receivable (net of allowance for doubtful accounts of $88,485 in 2019 and $149,099 in 2018)	**7,048,787**	6,428,918
Inventories	**540,570**	537,937
Prepaid expenses and other	**2,274,445**	2,682,948
Total current unrestricted assets	**199,133,987**	144,411,194
Restricted assets:		
Cash and cash equivalents	**57,198,094**	52,666,919
Short-term investments	**1,580,000**	900,000
Passenger facility charges receivable	**2,945,620**	3,806,684
Customer facility charges receivable	**1,468,341**	1,354,784
Amounts due from governmental agencies	**6,339,338**	11,143,247
Total current restricted assets	**69,531,393**	69,871,634
Total current assets	**268,665,380**	214,282,828
Noncurrent assets:		
Unrestricted assets:		
Accounts receivable	**207,777**	-
Restricted assets:		
Cash and cash equivalents	**78,425,848**	105,683,070
Capital assets:		
Land and land improvements	**649,248,005**	637,387,261
Land held for future expansion	**36,701,068**	36,701,068
Buildings and building improvements	**422,874,975**	315,970,461
Equipment, furniture and fixtures	**183,211,887**	182,051,284
Construction in progress	**233,273,254**	153,579,003
Total capital assets	**1,525,309,189**	1,325,689,077
Less accumulated depreciation	**(627,078,708)**	(615,032,739)
Total capital assets, net	**898,230,481**	710,656,338
Net pension asset	**-**	441,851
Other assets	**388,579**	1,157,536
Total noncurrent assets	**977,252,685**	817,938,795
Total assets	**1,245,918,065**	1,032,221,623
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	**4,739,292**	1,843,825
Deferred outflows from OPEB	**503,855**	1,007,712
Deferred amount on refunding	**3,229,216**	3,777,819
Total deferred outflows of resources	**8,472,363**	6,629,356
Total assets and deferred outflows of resources	**$ 1,254,390,428**	$ 1,038,850,979

See accompanying notes.

Metropolitan Nashville Airport Authority
Statements of Net Position
June 30, 2019 and 2018 **(Continued)**

	2019	2018
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Trade accounts payable	**$ 60,054,700**	$ 41,757,112
Accrued payroll and related items	**4,944,248**	4,414,542
Unearned income	**4,051,195**	981,217
Current maturities of notes payable	**622,182**	595,516
Accrued interest payable	**296,638**	80,992
Total payable from unrestricted assets	**69,968,963**	47,829,379
Payable from restricted assets:		
Trade accounts payable and other	**3,593,195**	1,811,850
Accrued interest payable	**5,966,036**	5,861,447
Current maturities of airport revenue bonds	**18,420,000**	15,215,000
Total payable from restricted assets	**27,979,231**	22,888,297
Total current liabilities	**97,948,194**	70,717,676
Noncurrent liabilities:		
Airport revenue bonds, less current maturities	**259,619,806**	279,182,211
Notes payable, less current maturities	**158,279,309**	15,766,131
Fair value of derivative financial instrument	**8,445**	118,789
Unearned income	**1,858,773**	1,831,630
Net pension liability	**1,278,902**	-
Net OPEB liability	**4,787,804**	10,795,289
Total noncurrent liabilities	**425,833,039**	307,694,050
Total liabilities	**523,781,233**	378,411,726
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow from pensions	**5,063**	698,414
Deferred inflow from OPEB	**4,316,471**	2,230,308
Total deferred inflows of resources	**4,321,534**	2,928,722
NET POSITION		
Net investment in capital assets	**529,485,036**	502,944,702
Restricted for:		
Net pension asset	**-**	441,851
Passenger facility charge projects and debt service	**42,365,166**	39,359,559
Customer facility charge projects and debt service	**18,695,376**	18,488,396
Debt service and other	**23,155,535**	21,881,720
Total restricted net position	**84,216,077**	80,171,526
Unrestricted net position	**112,586,548**	74,394,303
Total net position	**726,287,661**	657,510,531
Total liabilities, deferred inflows of resources, and net position	**$ 1,254,390,428**	$ 1,038,850,979

See accompanying notes.

Metropolitan Nashville Airport Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Signatory airline	**$ 55,264,548**	$ 48,091,521
Parking	**53,153,828**	50,369,200
Concession	**37,203,600**	33,498,728
Space rental	**16,885,811**	16,648,433
Other	**7,524,807**	5,871,735
	170,032,594	154,479,617
Operating expenses:		
Salaries and wages	**38,469,934**	32,879,302
Contractual services	**41,434,039**	36,801,980
Materials and supplies	**4,046,799**	3,840,490
Utilities	**6,140,029**	5,639,206
Other	**9,623,130**	6,101,266
	99,713,931	85,262,244
Operating income before provision for depreciation	**70,318,663**	69,217,373
Provision for depreciation	**44,497,442**	39,914,221
Operating income	**25,821,221**	29,303,152
Nonoperating revenues (expenses):		
Investment income	**7,703,826**	2,149,363
Passenger facility charges	**31,416,941**	28,300,013
Customer facility charges	**15,094,273**	14,290,386
Interest expense	**(13,156,921)**	(10,262,472)
Loss on disposal of property and equipment	**(15,926,784)**	(703,900)
Gain (loss) on derivative financial instrument	**(110,344)**	495,797
Other nonoperating, net	**(244,024)**	(210,599)
	24,776,967	34,058,588
Income before capital contributions	**50,598,188**	63,361,740
Capital contributions	**18,178,942**	15,010,688
Increase in net position	**68,777,130**	78,372,428
Total net position - beginning of year	**657,510,531**	579,138,103
Total net position - end of year	**$ 726,287,661**	$ 657,510,531

See accompanying notes.

Metropolitan Nashville Airport Authority
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from customers	**$ 172,734,915**	$ 150,949,093
Cash paid to employees	**(43,215,691)**	(41,337,055)
Cash paid to suppliers	**(55,789,267)**	(68,649,699)
Other payments	**(51,734)**	(59,740)
Net cash provided by operating activities	**73,678,223**	40,902,599
Cash flows from noncapital financing activities:		
Advance for airline support services	**(576,556)**	(523,444)
Interest paid on long-term debt	**(824,831)**	(867,378)
Net cash used in noncapital financing activities	**(1,401,387)**	(1,390,822)
Cash flows from capital and related financial activities:		
Receipt of passenger facility charges	**32,278,005**	27,960,640
Receipt of customer facility charges	**14,980,716**	14,158,183
Purchases and construction of property and equipment	**(232,074,365)**	(97,633,892)
Interest paid on long-term debt	**(12,995,024)**	(18,769,884)
Payments on long-term debt	**(15,810,515)**	(38,191,240)
Proceeds from issuance of long-term debt	**143,135,359**	4,664,046
Payment for bond issuance cost	**-**	(150,858)
Contributions from governmental agencies	**23,502,877**	6,076,419
Receipts from sale of capital assets	**15,837**	21,437
Net cash used in capital and related financing activities	**(46,967,110)**	(101,865,149)
Cash flows from investing activities:		
Purchase of investments	**(1,580,000)**	(900,000)
Proceeds from the sale and maturities of investments	**900,000**	1,698,000
Interest received on investments	**7,153,021**	2,149,362
Net cash provided by investing activities	**6,473,021**	2,947,362
Net increase (decrease) in cash and cash equivalents	**31,782,747**	(59,406,010)
Cash and cash equivalents:		
Beginning of year	**293,111,380**	352,517,390
End of year	**$ 324,894,127**	$ 293,111,380

See accompanying notes.

Metropolitan Nashville Airport Authority
Statements of Cash Flows
Years Ended June 30, 2019 and 2018 **(Continued)**

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 25,821,221**	$ 29,303,152
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for depreciation	**44,497,442**	39,914,221
Amortization of unearned rental income	**4,485**	(34,904)
Payments for nonoperating expenses	**(51,734)**	(59,740)
Changes in operating assets and liabilities:		
Accounts receivable	**(390,076)**	(3,574,422)
Inventories	**(2,633)**	(24,341)
Prepaid expenses	**325,450**	224,768
Other assets	**174,553**	213,843
Trade accounts payable	**4,951,032**	(16,983,603)
Accrued payroll and related items	**981,624**	(328,583)
Unearned income	**3,094,242**	74,171
Other fiduciary obligations	**-**	317,274
Net pension liability/asset and related deferred inflows/outflows of resources	**(2,309,916)**	517,600
Net OPEB liability and related deferred inflows/outflows of resources	**(3,417,467)**	(8,656,837)
Net cash provided by operating activities	**$ 73,678,223**	$ 40,902,599
Cash and cash equivalents - end of year consist of:		
Unrestricted cash and cash equivalents	**$ 189,270,185**	$ 134,761,391
Restricted cash and cash equivalents	**135,623,942**	158,349,989
	$ 324,894,127	$ 293,111,380
Noncash investing and financing activities:		
Deferred bond refundings	**$ 548,603**	$ 3,614,351
Interest expense, net of bond premium amortization	**898,079**	915,357
Net noncash financing activities	**$ 1,446,682**	$ 4,529,708
Change in fair value of derivative financial instruments	**$ (110,344)**	$ 495,797
In-kind capital contribution	**$ -**	$ 4,945

See accompanying notes.

1. Metropolitan Nashville Airport Authority

The creation of the Metropolitan Nashville Airport Authority (the "Authority") was authorized by Public Chapter 174 of the Public Acts of the 86th General Assembly of the State of Tennessee, 1969 Session. The Metropolitan Council of the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government") created the Authority to operate as a separate enterprise. The Authority owns and operates Nashville International Airport and John C. Tune Airport, a general aviation reliever airport. Based upon the criteria set forth by the Governmental Accounting Standards Board ("GASB"), it has been determined that the Authority is a component unit of the Metropolitan Government.

The Authority's Board of Commissioners consists of ten members who serve without compensation, nine of whom are appointed by the Metropolitan Government Mayor and approved by the Metropolitan Government Council, with the tenth being the Mayor (or his designee). There are provisions whereby commissioners may be removed by vote of the Metropolitan Government Council. All appointments to the Authority are for a term of four years. The terms are staggered to provide for continuity of Authority development and management. The Board of Commissioners appoints a President and charges him with the responsibility for day-to-day operations.

The Authority formed the MNAA Properties Corporation ("MPC"), a Tennessee non-profit corporation, for the purpose of supporting and facilitating the operations of the Authority and to help the economic development of the surrounding area. The Commissioners of the Authority constitute the Board of Directors of MPC. During fiscal year 2008, MPC Holdings, LLC, a limited liability company in which MPC is the sole member, purchased two separate multi-tenant buildings and commenced operation. Both facilities are on Nashville International Airport property. In July 2012, MPC Holdings, LLC purchased a small commercial building adjoining Nashville International Airport.

During November 2009, the Board of Commissioners approved the formation of a Tennessee nonprofit limited liability company, MPC CONRAC, LLC. This entity was created in connection with the special facilities financing for the Authority's consolidated rental car facility. MPC CONRAC, LLC is a single-member LLC, wholly owned by MPC. The formation of MPC CONRAC, LLC created an appropriate entity to execute various agreements and secure financing and services for the consolidated rental car ("CONRAC") facility, which was completed in November 2011, and is located at Nashville International Airport.

MPC, including its subsidiaries MPC Holdings, LLC and MPC CONRAC, LLC, is considered to be a blended component unit for financial reporting purposes based on the following: (i) the Authority's Board of Commissioners constitutes the Board of Directors of MPC; (ii) management of the Authority has operational responsibility for MPC; (iii) the Authority is financially accountable for MPC, including MPC's fiscal dependence on the Authority and MPC's potential to provide specific financial benefits or burden to the Authority; and (iv) MPC was created for the benefit of the Authority. The Authority does not issue separate financial statements for the blended component unit (see Note 23).

The accompanying financial statements also include the accounts of the Arts at the Airport Foundation, a nonprofit organization that facilitates the display and performance of artists within the Nashville International Airport terminal. The Arts at the Airport Foundation qualifies as a blended component unit of the Authority due to it being fiscally dependent on the Authority and due to the Authority's appointment of the voting majority of its governing board. The financial operations of the Arts at the Airport Foundation are generally immaterial to the Authority's financial statements and; thus, not shown separately in the financial statements.

2. Summary of Significant Accounting Policies

Measurement focus, basis of accounting, and basis of presentation

The financial statements of the Authority are presented using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred. The financial statements include the operations of Nashville International Airport, John C. Tune Airport, and MPC, including MPC CONRAC, LLC, as noted earlier.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives of capital assets, the fair value of derivative financial instruments, the allowance for doubtful accounts, pension valuation, other postemployment benefits valuation, and certain self-insured liabilities. Actual results could differ from those estimates.

Budgets

The Authority prepares an annual operating budget and capital improvement budget and submits for approval to the Board of Commissioners. A five-year capital improvement program, including modifications and reasons therefore, is also submitted each year.

The Authority is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data is not included in the basic financial statements. All budgets are prepared in accordance with bond covenants and airport lease and use agreements. Unexpended operating appropriations lapse at year-end.

Operating and nonoperating revenues and expenses

The Authority distinguishes operating revenues and operating expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal, ongoing operations such as space rental and fees, landing fees, parking and other miscellaneous income. Transactions that are capital, financing, or investing related are reported as nonoperating revenues. Such nonoperating revenues include passenger facility charges (“PFCs”) as described in Note 9 and customer facility charges (“CFCs”) as described in Note 10.

Expenses from employee wages and benefits, purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Revenues are reported net of discounts and allowances. Bad debts are expensed using the allowance method. The provision for bad debts was $52,715 and $163,590 for the years ended June 30, 2019 and 2018, respectively. The allowance for doubtful accounts was $88,485 and $149,099 at June 30, 2019 and 2018, respectively.

The Authority’s operating revenues are presented in five components as follows:

<u>Signatory airline</u>

Signatory Airline revenue consists of the revenues earned from the signatory airlines operating at Nashville International Airport primarily for terminal space rentals and landing fees. The Authority entered into New Airline Agreements effective July 1, 2015 (See Note 12). The New Airline Agreements have a “hybrid” airline rate-setting

methodology with the landing fees being calculated on a residual basis and the terminal rental rates and terminal ramp area rates being compensatory. Other than the airfield, the signatory airlines are no longer required to provide for break-even financial operation of the airport per the New Airline Agreements.

Parking

Parking revenue is generated primarily from the operation of Authority-owned parking facilities at Nashville International Airport. This amount is presented net of parker incentive programs.

Concession

Concession revenue is generated through concessionaires and tenants who pay monthly fees for using airport facilities to offer their goods and services to the public. Payments to the Authority are based on negotiated agreements with concessionaires to remit amounts usually based either on a minimum guarantee or on a percentage of gross receipts.

Space rental

Space rental revenue includes non-signatory airline terminal space rental, car rental companies' space rental, and certain other income received from leases of Authority-owned property.

Other

Other revenue consists primarily of non-signatory airline landing fees, cargo airline landing fees, and the Authority's portion of fixed-based operators' fuel sales.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less. Certain cash and cash equivalents are reported as noncurrent as these amounts are held for the liquidation of long-term debts.

Investments

Investments consist primarily of securities of U.S. Agencies. Investments are accounted for in accordance with GASB Statement No. 72, *Fair Value Measurement and Application,* which requires that certain investments be recorded at fair value (e.g., quoted market prices).

Amounts due from governmental agencies

The Authority has grants for aid in construction and equipment from the Federal Airport Improvement Program ("AIP") of the Federal Aviation Administration ("FAA"), the U.S. Department of Homeland Security ("DHS"), and the Tennessee Department of Transportation ("TDOT"). Amounts due from governmental agencies under the terms of grant agreements are accrued as the related reimbursable costs are incurred.

Inventories

Inventories are stated at cost under the first-in, first-out method and consist primarily of supplies and maintenance repair parts.

Restricted assets and payables from restricted assets

Restricted assets consist of cash and cash equivalents, investments, and other resources which are restricted legally or by enabling legislation. The Authority's restricted assets are to be used for purposes specified in the respective bond indentures or other authoritative or legal documents as is the case with the collection of CFCs for the consolidated rental car facility or for purposes specified by the PFC program, as administered by the FAA. Restricted assets not generally available for use within the next year are reported as noncurrent assets.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then use unrestricted resources as needed.

Capital assets

Capital assets are stated at cost, except for contributions of property received from governmental agencies, which are recorded at acquisition value at the time of contribution. The Authority's policy is to capitalize assets with a cost of $25,000 or more at Nashville International Airport and $10,000 at John C. Tune Airport and MPC. Routine maintenance and repairs are expensed as incurred. Provision for depreciation of property and equipment is made on a basis considered adequate to depreciate the cost of depreciable assets over their estimated useful lives and is computed on the straight-line method.

Asset lives used in the calculation of depreciation are generally as follows:

Land improvements	10 to 30 years
Buildings and building improvements	10 to 30 years
Equipment, furniture and fixtures	3 to 15 years

Derivative financial instrument

The Authority's derivative financial instrument consists of an interest rate swap agreement, and is accounted for at fair value in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

Postemployment benefits

Postemployment pension benefits are accounted for under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27* ("GASB No. 68"), which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred inflows/outflows of resources, note disclosures, and required supplementary information. See additional information regarding the Authority's pension benefits in Note 16. The Authority's Retirement Plan issues a separate, publicly available, financial report under the requirement of GASB Statement No. 67.

Postemployment benefits other than pension benefits are accounted for under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which establishes standards for the measurement, recognition, and display of postemployment benefits expense and related liabilities, assets, deferred inflows/outflows of resources, note disclosures, and required supplementary information. See additional information regarding the Authority's Other Postemployment Benefits (OPEB) in Note 17.

Compensated absences

Compensated absences are accrued as payable when earned by employees and are cumulative from one fiscal year to the next. The compensated absences liability is reported with accrued payroll and related items in the accompanying statements of net position.

Self-insurance

The Authority is self-insured, up to certain limits, for employee group health insurance claims. The Authority has purchased reinsurance in order to limit its exposure. The cost of claims reported and an estimate of claims incurred but not reported are charged to operating expenses. Liabilities for unpaid claims are accrued based on management's estimate using historical experience and current trends and are included in accrued payroll and related items on the statements of net position. The appropriateness of the self-insurance accrued liabilities is continually reviewed and updated by management.

Deferred outflows/Inflows of resources

The statement of net position will report a separate section for deferred outflows of resources and/or deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and, therefore, not recognized as an outflow of resources (expense) until then. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and, therefore, not recognized as an inflow of resources (revenue) until then.

The Authority has several items that qualify for reporting as deferred outflows/inflows of resources. These are losses on bond refundings; GASB No. 68 deferred inflows and outflows from earnings on investments, changes in assumptions, changes in benefit terms, and other experience gains or losses related to the Authority's pension plan, and GASB No. 75 deferred inflows and outflows earnings on investments, changes in assumptions, changes in benefit terms, and other experience gains or losses relating to the Authority's OPEB plan.

A deferred loss on refunding results from the difference between the net carrying amount of the original debt and the reacquisition price, shown as a deferred outflow of resources in the accompanying statements of net position. This amount is deferred and amortized over the term of the new bonds or old bonds, whichever is shorter, using the effective interest method or the straight-line method, when not materially different.

GASB No. 68 and GASB No. 75 variances can occur due to actuarial assumptions that differ between the actual plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions, changes in benefit terms, and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the accompanying statements of net position. These deferred outflows/inflows are amortized in accordance with the provisions of GASB No. 68 and GASB No. 75. Additional items are determined annually based on each subsequent year's variances from actuarial assumptions.

Unearned income

Current unearned income represents incremental amounts due to airlines under the signature airline agreements (Note 12). Incremental amounts due from airlines are reflected in accounts receivable. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses for the year. Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses for the year. Amounts due from or to airlines are typically settled in one to three months after period end, and are therefore recorded as a current asset or liability.

Noncurrent unearned income consists of unearned rental income. Unearned rental income represents lease rentals received in advance under certain ground leases entered into with developers (Note 19). The unearned rental income is being recognized in nonoperating income on a straight-line basis over the terms of the related leases. Unearned revenues are included within liabilities in the accompanying statements of net position as such amounts may be returned to the counterparty if the related agreements were terminated.

Components of net position

The Authority's net position classifications are defined as follows:

Net investment in capital assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, capital lease obligations or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position

This component of net position represents restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation.

Unrestricted net position

This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Taxes

The Authority is exempt from payment of federal and state income, property, and certain other taxes.

Fair value measurements

Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Authority's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Recent accounting pronouncements applicable to the authority

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, addresses the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Authority adopted this standard and provided the required disclosure in fiscal year 2019.

GASB Statement No. 84, *Fiduciary Activities,* improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activates. Effective for reporting periods beginning after December 15, 2018. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model

for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Federal Aviation Administration (FAA) has issued a policy statement governing all leases for aeronautical uses as exempt from recognizing a lease receivable and a deferred inflow of resources in their financial statements. Effective for reporting periods beginning after December 15, 2019. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Authority adopted this standard in fiscal year 2019. As a result, there was no interest capitalization in fiscal year 2019. Under the previous accounting policy, the Authority capitalized $4,354,243 in fiscal year 2018.

GASB No. 91, Conduit Debt Obligations, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted.

3. Cash and Cash Equivalents and Investments

The Authority's deposit and investment policy is governed by the laws of the State of Tennessee and bond trust indentures and supplemental resolutions, which govern the investment of bond proceeds. Permissible investments generally include direct obligations of, or obligations guaranteed by, the U.S. Government, obligations issued or guaranteed by specific agencies of the U.S. Government, secured certificates of deposit, secured repurchase agreements, and specifically rated obligations of state governments, commercial paper and money market funds.

Cash and cash equivalents

The Authority's unrestricted and restricted cash and cash equivalent bank balances totaling $319,401,428 and $293,675,542 at June 30, 2019 and 2018, respectively, (with a carrying value of $324,892,127 and $293,111,380) represent a variety of time deposits and cash equivalents.

Cash deposits, maintained at four financial institutions, are carried at cost plus interest, which approximates fair value. Cash deposits are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance or the bank must be a member of the State's Bank Collateral Pool.

The amount of collateral required to secure public deposits for Collateral Pool participants ranges between 90% and 115% of the average daily balance of public deposits held, depending on the participant's status and compliance with certain benchmarks established by the Collateral Pool. Collateral securities pledged by the participating banks are pledged to the State Treasurer on behalf of the Collateral Pool. The securities pledged to

protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Authority's financial institutions are members of the State of Tennessee's Bank Collateral Pool that collateralizes public funds accounts, including those of the Authority. Financial institutions participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for the Authority. The amount of collateral required to secure these public deposits must be equal to 105% of the average daily balance of public deposits held.

Cash equivalents are held at another financial institution, and consist of money market and other short-term investments with original maturities of three months or less. Investment risk for such cash equivalent funds is governed by the Authority's investment policy.

The Tennessee Local Government Investment Pool ("LGIP") uses amortized costs rather than fair value to report net position to compute share prices. The LGIP maintains a weighted average maturity of 60 days or less.

Investments

As of June 30, 2019 and 2018, the Authority had the following investments and related maturities:

			Investment Maturities (in Years)		
Investment Type	**Credit Rating**	**Fair Value**	**Less than 1**	**1–5**	**6–10**
June 30, 2019:					
U.S. Agencies	**AA+/Aaa**	**$ 1,580,000**	**$ 1,580,000**	**$ -**	**$ -**
June 30, 2018:					
U.S. Agencies	AA+/Aaa	$ 900,000	$ 900,000	$ -	$ -

The carrying amount of investments is reflected in short-term restricted investments in the accompanying statements of net position at June 30, 2019 and 2018.

Interest rate risk

The Authority's investment policy states that the investment portfolio may be allocated among U.S. Treasury Obligations (0 - 100%), U.S. Agency Instruments (0 - 100%), Repurchase Agreements (0 - 20%), Commercial Paper (0 - 25%), Money Market Mutual Funds (0 - 25%), Corporate Debt (0 - 15%), Asset-Backed Securities (0 - 25%), CMOs/Mortgage-Backed Securities (0 - 25%), and Cash Equivalents (0 - 100%). In addition, the maximum maturity of investments is 270 days (commercial paper), 180 days (repurchase agreements), 365 days (certificates of deposit, time deposits and bankers acceptances), 5 years (all other corporate debt), and 10 years (all other investments). To control the volatility of the portfolio and limit exposure to interest rate risk, the Authority's Chief Financial Officer ("CFO") determines a duration target for the portfolio, which typically does not exceed 3 years.

Credit risk

The investment policy specifies acceptable credit ratings by instrument type but overall long-term credit ratings range from "A2" to "AAA" by Moody's and "A" to "AAA" by Standard & Poor's. Acceptable short-term credit rating levels are "A1" or better by Standard & Poor's and "P1" or better by Moody's.

Custodial credit risk

All investment securities purchased by the Authority are held in third-party safekeeping at a financial institution, acting solely as agent of the Authority and qualified to act in this capacity. As a means to limit custodial credit risk, all trades of marketable securities are executed on the basis of delivery versus payment and avoid the physical delivery of securities (bearer form) to ensure that securities are deposited with a custodian prior to the release of Authority funds. The Authority's investments at June 30, 2019 and 2018, are collateralized by securities held by the Authority's agent in the Authority's name. The Authority's investments in the LGIP are held the State Treasury, not in the name of the Authority.

Concentration of credit risk

The investment policy requires that no more than 10% of the Authority's portfolio may be invested in the securities of any single issuer with a maturity of less than 365 days and not more than 5% of the Authority's portfolio may be invested in the securities of any single issuer with a maturity greater than one year except that 100% of the Authority's portfolio may be invested in U.S. Treasury Obligations and U.S. Agency Instruments.

4. Capital Assets

Capital assets and related accumulated depreciation activity for the years ended June 30, 2019 and 2018, were as follows:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 60,267,703	$ -	$ -	$ -	**$ 60,267,703**
Land held for future expansion	36,701,068	-	-	-	**36,701,068**
Construction in progress	153,579,003	247,653,595	-	(167,959,344)	**233,273,254**
Total capital assets not being depreciated	250,547,774	247,653,595	-	(167,959,344)	**330,242,025**
Capital assets not being depreciated:					
Land improvements	577,119,558	-	(22,212,591)	34,073,335	**588,980,302**
Building and building Improvements	315,970,461	39,690	(24,080,684)	130,945,508	**422,874,975**
Equipment, furniture and fixtures	182,051,284	322,198	(2,102,096)	2,940,501	**183,211,887**
Total capital assets being depreciated	1,075,141,303	361,888	(48,395,371)	167,959,344	**1,195,067,164**
Less accumulative depreciation:					
Land improvements	(369,228,638)	(19,683,473)	15,379,230	-	**(373,532,881)**
Building and building Improvements	(169,571,169)	(15,787,760)	15,061,569	-	**(170,297,360)**
Equipment, furniture and fixtures	(76,232,932)	(9,026,209)	2,010,674	-	**(83,248,467)**
Total accumulated depreciation	(615,032,739)	(44,497,442)	32,451,473	-	**(627,078,708)**
Net capital assets being depreciation	460,108,564	(44,135,554)	(15,943,898)	167,959,344	**567,988,456**
Net capital assets	$ 710,656,338	$ 203,518,041	$ (15,943,898)	$ -	**$ 898,230,481**

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 60,267,703	$ -	$ -	$ -	$ 60,267,703
Land held for future expansion	36,701,068	-	-		36,701,068
Construction in progress	72,814,778	134,239,643	-	(53,475,418)	153,579,003
Total capital assets not being depreciated	169,783,549	134,239,643	-	(53,475,418)	250,547,774
Capital assets being depreciated:					
Land improvements	561,704,513	-	(1,307,711)	16,722,756	577,119,558
Buildings and building improvements	298,911,276	-	-	17,059,185	315,970,461
Equipment, furniture, and fixtures	165,348,939	-	(2,991,132)	19,693,477	182,051,284
Total capital assets being depreciated	1,025,964,728	-	(4,298,843)	53,475,418	1,075,141,303
Less accumulated depreciation:					
Land improvements	(350,550,172)	(19,375,740)	697,274	-	(369,228,638)
Buildings and building improvements	(157,770,064)	(11,801,105)	-	-	(169,571,169)
Equipment, furniture, and fixtures	(70,366,238)	(8,737,376)	2,870,682	-	(76,232,932)
Total accumulated depreciation	(578,686,474)	(39,914,221)	3,567,956	-	(615,032,739)
Net capital assets being depreciated	447,278,254	(39,914,221)	(730,887)	53,475,418	460,108,564
Net capital assets	$ 617,061,803	$ 94,325,422	$ (730,887)	$ -	$ 710,656,338

The amount of construction in progress at June 30, 2019, is attributable to the following:

D Concourse Expansion	$ 89,300,826
Terminal Garage “C”	40,361,734
Terminal & Taxilane Expansion	22,356,501
Terminal & Landside Area Programming & Initial Design	14,951,590
Taxiway Alpha South	11,001,008
Terminal Lobby & International Arrivals Facility	9,800,439
Baggage Handling System Improvements	9,154,915
Other Projects	36,346,241
Total construction in progress	$ 233,273,254

During fiscal year 2019, $167,959,344 of construction in progress was substantially completed and transferred to capital assets as follows:

Terminal Garage “A”	$ 118,684,725
Taxiway Lima Rehabilitation	12,303,248
Employee Parking Lot Expansion	7,242,238
Other projects	29,729,133
Total transferred to capital assets	$ 167,959,344

The amount of construction in progress at June 30, 2018, is attributable to the following:

Long Term Parking Garage	$ 84,168,554
Terminal & Landside Area Programming & Initial Design	20,455,734
D Concourse Expansion	6,882,646
Terminal & Taxilane Expansion	5,480,340
Reconstruct Taxiway Alpha South	4,665,344
Taxiway Lima Rehabilitation	4,415,846
Other projects	27,510,539
Total construction in progress	$ 153,579,003

During fiscal year 2018, $53,475,418 of construction in progress was substantially completed and transferred to capital assets as follows:

Taxiway Sierra South	$ 8,154,544
Passenger Boarding Bridge Replacement	8,085,810
Interim International Arrivals Building	6,703,870
Other projects	30,531,194
Total transferred to capital assets	$ 53,475,418

5. Airport Bonds

Airport improvement revenue bonds, Series 2003B

During November 2003, the Authority issued Series 2003B taxable bonds in the principal amount of $19,585,000. These bonds were issued to provide funding for a portion of the projected unfunded liability of the Metropolitan Nashville Airport Authority Retirement Plan for Employees (See Note 16).

The remaining Series 2003B bonds contain serial bonds at interest rates ranging from 5.49% to 5.94%, with annual sinking fund requirements in progressive annual amounts ranging from $575,000 on July 1, 2019, to $1,280,000 on July 1, 2033. The annual amounts accumulated in the sinking fund will be used to pay bond holders on July 1, 2023, and 2033. The 2003B bonds are subject to an extraordinary optional redemption, in whole at any time, at a redemption price equal to the principal amount plus accrued interest to the date of redemption only in the event of the destruction or damage to all or substantially all of the Nashville International Airport or the condemnation of the airport facility.

Airport improvement revenue bonds, refunding Series 2008A

During June 2008, the Authority issued Refunding Series 2008A in the principal amount of $37,600,000. These bonds were issued to provide funds to refund $37,600,000 aggregate outstanding principal amount of the Authority's Series 1993 bonds. The purpose of the refunding was to replace the liquidity facility agreement with a direct pay letter of credit. There was no significant economic gain as a result of the refunding. There were no changes to the debt service schedule or other terms of the bonds. The refunding of the Series 1993 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,124,070. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized through fiscal year 2020.

The Series 2008A issue contains serial bonds bearing interest at a weekly variable rate. In order to limit its exposure to changes in interest rates, the Authority transferred its existing 1993 interest rate swap agreement to the 2008A bonds ("2008A Swap Agreement"), resulting in a fixed interest rate of 4.49% (See Note 8). The 2008A bonds mature on July 1, 2019 with a final principal payment of $3,800,000.

Airport improvement revenue bonds, Series 2009A

During March 2009, the Authority issued Series 2009A bonds in the principal amount of $36,000,000. The bonds were issued to provide funds for the majority of the costs associated with the second phase of the terminal renovation project, and to fund a deposit to the debt service reserve account for the Series 2009A bonds.

The remaining Series 2009A bonds contain serial bonds at interest rates ranging from 4.125% to 5.25%, maturing on July 1, 2019. The debt service reserve account and interest earned on that account will be used to pay a portion of the final principal payment on July 1, 2019.

Special facility revenue bonds (MPC CONRAC LLC Project) Series 2010

During February 2010, the Authority issued CONRAC Series 2010 bonds in the principal amount of $66,300,000. The bonds, together with customer facility charge ("CFC") collections on hand and collected during the construction period, were used for the development and construction of a new consolidated rental car ("CONRAC") facility and related improvements, including quick turnaround facilities at the Airport, to fund certain deposits to the debt service reserve fund and coverage fund, and to pay bond issue costs of $2,268,828. The CONRAC Series 2010 bonds are payable from and secured by a pledge of certain rental payments derived from CFCs under leases with rental car agencies (Note 10). The bonds maturing in the years 2021 through and including 2029 were refunded with the Special facility revenue bond (MPC CONRAC LLC Project) Refunding Series 2018 bonds in May 2018.

The remaining CONRAC Series 2010 bonds contain serial bonds at interest rates ranging from 4.816% to 5.787%, maturing in progressive annual amounts ranging from $2,840,000 on July 1, 2019, to $3,000,000 on July 1, 2020.

Airport improvement revenue bonds, Series 2015A&B

During December 2015, the Authority issued Series 2015A bonds in the principal amount of $91,855,000 and Series 2015B in the principal amount of $108,145,000, collectively the "Series 2015A&B Bonds". The Series 2015A&B Bonds were issued to finance certain capital improvement at Nashville International Airport and John C. Tune Airport, fund capitalized interest on the Series 2015A&B Bonds, make deposits to the reserve accounts in the Airport Improvement Bond Reserve Fund, and pay certain costs of their issuance. The bonds were issued at a premium of $13,825,131 and $13,078,625 for 2015A and 2015B, respectively. This amount is being amortized through 2045. Interest on the 2015B bonds is treated as a preference item in calculating alternative minimum tax.

Interest on the Series 2015A&B Bonds is payable on each January 1 and July 1, commencing July 1, 2016.

The Series 2015A bonds contain serial bonds at interest rates ranging from 4% to 5%, maturing in amounts ranging from $1,730,000 on July 1, 2019, to $3,575,000 on July 1, 2035. $20,730,000 of term bonds at 5% are due on July 1, 2040, and $26,460,000 of term bonds at 5% are due on July 1, 2045.

The Series 2015B bonds contain serial bonds at interest rates ranging from 4% to 5%, maturing in amounts ranging from $2,080,000 on July 1, 2019, to $4,475,000 on July 1, 2035. $23,525,000 of term bonds at 5% are due on July 1, 2040, $17,130,000 of term bonds at 5% are due on July 1, 2043, and $12,825,000 of term bonds at 3.875% are due on July 1, 2045.

The Series 2015A&B bonds maturing on and after July 1, 2026, are subject to redemption prior to maturity, at the option of the Authority, at a redemption price equal to the principal amount plus interest to the date of redemption. The first optional call date is July 1, 2025.

Special facility revenue bond (MPC CONRAC LLC Project) Refunding Series 2018 bonds

During May 2018, the Authority issued CONRAC Refunding Series 2018 bonds in the principal amount of $27,358,295. The bonds, together with $23,334,428 available customer facility charge ("CFC") revenues were placed in an irrevocable trust to advance refund the Series 2010 Bonds maturing in the years 2021 through 2029 and pay the costs of issuance of the bond of $150,858. Accordingly, the trust account assets and the liability on the defeased bonds are not included in the Authority's financial statements. At June 30, 2019, $45,680,000 of defeased bonds remain outstanding. The difference between the reacquisition price and the net carrying amount of the refunded debt was $3,614,352, This difference, reported as a deferred outflows of resources, and is being amortized through fiscal year 2029. The refunding resulted in an economic gain of approximately $6,400,000.

The CONRAC Refunding Series 2018 bonds are payable from and secured by a pledge of certain rental payments derived from CFCs under leases with rental car agencies (Note 10). The remaining CONRAC Refunding Series 2018 bonds contain serial bonds at an interest rate of 3.4%, maturing in progressive annual amounts ranging from $3,028,385 on July 1, 2021, to $3,838,790 on July 1, 2028.

All of the Authority's bonds were issued under the Airport Improvement Revenue Bond Resolution adopted by the Board of Commissioners of the Authority on August 15, 1991, (as amended and supplemented, the "General Resolution") and a nineteenth Supplemental Resolution adopted by the Board on October 21, 2015. The Authority is using PFC revenues that were approved under PFC Program Application for its annual debt service costs on the 2009A bonds and the Series 2010A bonds, and anticipate using PFC funds for approximately $4,400,000, and $8,400,000 of the Series 2015A and Series 2015B bonds, respectively (Note 9). Although the CONRAC Series 2010 and 2018 Bonds were issued under the General Resolution, the CFCs are not in and of themselves a part of airport revenues or net revenues as defined in the General Bond Resolution. Therefore, airport revenues derived by the Authority from the operation of the Airport are not pledged for payment of and do not constitute security for the CONRAC Series 2010 and 2018 Bonds. All other bonds are secured by a pledge of and lien on net revenues derived by the Authority from the operation of the airports.

The following shows the composition of restricted cash and cash equivalents and investments as of June 30, 2019 and 2018 (the restricted funds relate primarily to airport bonds and related activity):

	2019	2018
Principal and Interest Funds:		
Airport Improvement Revenue Bonds, Series 2003B	$ 966,329	$ 1,983,780
Airport Improvement Revenue Bonds, Series 2008A	1,580,000	900,000
Airport Improvement Revenue Bonds, Series 2009A	8,182,963	4,479,357
CONRAC Series 2010 & 2018 Bonds	3,646,961	3,173,284
Airport Improvement Revenue Bonds, Series 2015A	3,919,243	3,879,975
Airport Improvement Revenue Bonds, Series 2015B	4,649,711	4,137,331
Bond Reserve Funds:		
Airport Improvement Revenue Bonds, Series 2009A	14,270	3,723,673
CONRAC Series 2010 & 2018 Bonds	3,643,015	3,594,552
Airport Improvement Revenue Bonds, Series 2015A	6,359,355	6,224,145
Airport Improvement Revenue Bonds, Series 2015B	7,520,330	7,360,436
Construction Funds:		
PFC accounts	39,419,547	35,552,876
Airport Improvement Revenue Bonds, Series 2009A	281,893	283,030
Airport Improvement Revenue Bonds, Series 2015A	12,488,761	32,306,698
Airport Improvement Revenue Bonds, Series 2015B	30,693,593	34,840,309
CIP Payments Account	6,579	50,327
Other Funds:		
Various CONRAC accounts	10,684,770	13,418,830
Energy improvement	18,040	18,040
Fiduciary obligations	2,039,069	1,804,781
Other	1,089,513	1,518,565
	$ 137,203,942	$ 159,249,989

Airport bond activity for the years ended June 30, 2019 and 2018, is summarized as follows:

2019:

	Balance July 1, 2018	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2019
Series 2003B	$ 14,785,000	$ -	(1,550,000)	$ -	$ -	$ 13,235,000
Series 2008A	7,400,000	-	(3,600,000)	-	-	3,800,000
Series 2009A	12,160,000	-	(4,190,000)	-	-	7,970,000
CONRAC Series 2010	8,535,000	-	(2,695,000)	-	-	5,840,000
CONRAC Series 2018	27,358,295	-	-	-	-	27,358,295
Series 2015A	91,855,000	-	(1,650,000)	-	-	90,205,000
Series 2015B	108,145,000	-	(1,530,000)	-	-	106,615,000
Total	270,238,295	-	(15,215,000)	-	-	255,023,295
Plus unamortized premium	24,158,916	-	-	-	(1,142,405)	23,016,511
	294,397,211	-	(15,215,000)	-	(1,142,405)	278,039,806
Less current portion	(15,215,000)					(18,420,000)
	$ 279,182,211					$ 259,619,806

2018:

	Balance July 1, 2017	New Borrowings	Principal Repayment	Refundings	Amortization	Balance June 30, 2018
Series 2003B	$ 14,785,000	$ -	$ -	$ -	$ -	$ 14,785,000
Series 2008A	10,800,000	-	(3,400,000)	-	-	7,400,000
Series 2009A	16,180,000	-	(4,020,000)	-	-	12,160,000
Series 2010A	3,835,000	-	(3,835,000)			-
CONRAC Series 2010	56,695,000	-	(20,801,705)	(27,358,295)	-	8,535,000
CONRAC Series 2018	-	27,358,295		-	-	27,358,295
Series 2015A	91,855,000	-		-	-	91,855,000
Series 2015B	108,145,000	-		-	-	108,145,000
Total	302,295,000	27,358,295	(32,056,705)	(27,358,295)	-	270,238,295
Plus unamortized premium	25,296,995	-	-	-	(1,138,079)	24,158,916
	327,591,995	27,358,295	(32,056,705)	(27,358,295)	(1,138,079)	294,397,211
Less current portion	(13,735,000)					(15,215,000)
	$ 313,856,995					$ 279,182,211

Aggregate maturities of the Authority's bonds outstanding at June 30, 2019, including the annual sinking fund requirements of the Series 2003B and CONRAC Series 2010 bonds, are as follows:

Year ending June 30,	Principal	Interest	Total
2020	$ 18,995,000	$ 11,595,959	$ 30,590,959
2021	7,600,000	11,056,692	18,656,692
2022	7,863,385	10,713,927	18,577,312
2023	8,212,780	10,402,992	18,615,772
2024	8,560,775	9,994,576	18,555,351
2025-2029	48,506,355	44,396,037	92,902,392
2030-2034	38,900,000	35,358,431	74,258,431
2035-2039	40,960,000	25,241,470	66,201,470
2040-2044	51,235,000	16,273,218	67,508,218
2045-2046	24,190,000	2,729,955	26,919,955
	$ 255,023,295	$ 177,763,257	$ 432,786,552

The interest amounts on the 2008A variable rate debt, which has an interest rate swap agreement associated with it, were computed based on the fixed rate in the agreement plus an estimate for additional fees where applicable.

The Revenue bonds contain default provisions as defined in the agreements. In each and every case of default, unless cured by the Authority within 30 days after written notice, the Trustee may declare all of the Outstanding Bonds and accrued interest immediately due and payable. Upon the event of default, the Trustee may demand the Authority Net Revenues and all Funds and Accounts established under the General Resolution be transferred to and administered by the Trustee. The Trustee may exercise any of the following remedies to the extent they are legally available:

(i) the Trustee may protect and enforce its rights and the rights of the holders of the Bonds by suit or suits of equity.

(ii) the Trustee may obtain the appointment of receiver, where the receiver may enter upon and take possession of the Airport and fix rates and charges and collect all Airport Revenues. The receiver will collect and dispose of Airport Revenues in accordance with the terms and conditions of the General Resolution or as the court directs.

6. Notes Payable

In October 2007, MPC Holdings, LLC, entered into a term note in the amount of $7,600,000 with a financial institution, the proceeds of which were used to provide financing for the purchase of International Plaza. During November 2012, the note was amended to bear interest at a fixed rate of 3.01%, and extend payments through November 2017. Principal and interest payments are due in monthly installments of $31,640 through November 2017. The principal balance outstanding was $0 at June 30, 2019 and 2018, respectively. The note is collateralized by the building. The note was paid in full in November, 2017.

In March 2008, MPC Holdings, LLC, entered into a term note in the amount of $1,360,000 with a financial institution. Proceeds were used to purchase a multi-purpose building on airport property from a major tenant. During March 2013, the note was amended to bear interest at a fixed rate of 3.12% with principal and interest payments of $5,758 per month. The amended note matured on April 1, 2018. The principal balance outstanding was $0 at June 30, 2019 and 2018, respectively. The note was paid in full in in April, 2018.

There was no activity for 2019. Activity with respect to the MPC notes for 2018 is as follows:

Description	Balance July 1, 2017	Principal Repayments	Balance June 30, 2018
MPC Note 1 – IBP Loan	$ 4,678,848	$ (4,678,848)	$ -
MPC Note 2 – MPB Loan	854,840	(854,840)	-
	$ 5,533,688	$ (5,533,688)	$ -

Intercompany Loan Agreement

During March 2018, BNA entered into an agreement for an intercompany loan with MNAA Properties Corporation (MPC). MPC had a Guarantee Agreement with Suntrust Bank with a maturity date of April 1, 2018. As MPC did not have sufficient funds to pay the Guarantee Agreement in full, BNA agreed to provide this credit facility to MPC. The credit facility amount was $400,000, with a maturity date of April 1, 2021 with an annual interest rate of 3.25% and monthly total payments of $11,677 (principal and interest) where the last payment will be made March 31, 2021.

Description	Balance July 1, 2018	New Borrowings	Principal Repayments	Balance June 30, 2019
MPC Intercompany Loan	$ 378,785	$ -	$ (140,732)	$ 238,053

Description	Balance July 1, 2017	New Borrowings	Principal Repayments	Balance June 30, 2018
MPC Intercompany Loan	$ -	$ 400,000	$ (21,215)	$ 378,785

Energy savings performance contract

The Authority has entered into an energy savings performance contract with an energy service company (ESCO) that conducted a comprehensive energy audit and identified improvements to save energy. The ESCO worked with the Authority to design and construct the approved projects, as well as to assist it with project financing. The ESCO guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. After the contract ends, the Authority continues to benefit with additional energy cost savings as a result of the contract.

The Authority agreed to an energy saving project known as “Comprehensive Energy and Operational Services”, Phases I and II. The project primarily included lighting retrofits and replacement of a chiller, but also a conceptual design for a quarry geothermal system.

In June 2011, the Authority entered into a financing agreement in the amount of $1,807,000 with a financial institution, the proceeds of which were used to make certain energy enhancements at Nashville International Airport. The principal balance outstanding was $0 at June 30, 2019 and 2018.

In December 2012, the Authority entered into another financing agreement in the amount of $2,777,500 with a financial institution for phase II of the energy enhancement project. The annual interest rate is 1.85%. Principal and interest payments are due in progressive monthly installments between $23,700 and $31,178 from January 2014 through November 2022. The principal balance outstanding was $1,221,141 and $1,539,976 at June 30, 2019 and 2018, respectively.

In July 2015, the Authority entered into an equipment lease purchase agreement in the amount of $4,300,000 with a financial institution providing for the equipment to be installed in the Geothermal project. The annual interest rate

In July 2015, the Authority entered into an equipment lease purchase agreement in the amount of $4,300,000 with a financial institution providing for the equipment to be installed in the Geothermal project. The annual interest rate is 2.78%. Principal payments are due annually beginning July 2017; interest payments are due semi-annually beginning January 2016. The final principal and interest payment is due in July 2030. The principal balance outstanding was $3,751,705 and $4,028,386 at June 30, 2019 and 2018.

The anticipated aggregate principal and interest maturities of the Energy Loans are as follows at June 30, 2019:

Year ending June 30,	Principal	Interest	Total
2020	$ 622,182	$ 120,130	$ 742,312
2021	645,159	105,751	750,910
2022	660,032	90,980	751,012
2023	453,087	76,928	530,015
2024	303,474	67,850	371,324
2025 - 2029	1,604,444	208,299	1,812,743
2030 - 2031	684,468	19,116	703,584
	$ 4,972,846	$ 689,054	$ 5,661,900

Activity with respect to the Energy Loans for fiscal years 2019 and 2018, is as follows:

Description	Balance July 1, 2018	Principal Additions	Principal Repayments	Balance June 30, 2019
Energy Loan Phase II	$ 1,539,976	$ -	$ (318,835)	$ 1,221,141
Geothermal Loan	4,028,386	-	(276,681)	3,751,705
	$ 5,568,362	$ -	$ (595,516)	$ 4,972,846

Description	Balance July 1, 2017	Principal Additions	Principal Repayments	Balance June 30, 2018
Energy Loan Phase I	$ 30,819	$ -	$ (30,819)	$ -
Energy Loan Phase II	1,838,391	-	(298,415)	1,539,976
Geothermal Loan	4,300,000	-	(271,614)	4,028,386
	$ 6,169,210	$ -	$ (600,848)	$ 5,568,362

BNA credit facility loan agreement

On December 5, 2016, the Authority entered into a Credit Facility Loan Agreement (BNA Credit Facility 1) with a financial institution. The Lender made available to the Authority a non-revolving line of credit in the maximum principal of $100,000,000, the proceeds of which were to be used to finance a portion of the cost of the Authority's capital improvement program, including land acquisition and the acquisition, construction, rehabilitation, replacement, repair, renovation, improvement and reconstruction of terminal, airfield, parking, hangar, roadway, hotel, multi-modal transit facilities and the acquisition of airport equipment and other facilities and improvements as necessary and appropriate for the operation of such airport facilities at the Nashville International Airport or John C. Tune Airport. The note was payable from, but not secured by, available revenues of the Authority, including, without limitation, various grant funds to be received by the Authority for these projects. The Loan carried interest at a variable rate equal to LIBOR (as adjusted by Lender on the first calendar day of each month) plus 75 basis points per annum. Interest on this Credit Facility during fiscal years 2019 and 2018 were $441,634 and $145,280, respectively.

On January 7, 2019, the Authority entered into a new Credit Facility Loan Agreement (BNA Credit Facility 2) with a financial institution, which repaid the draws on BNA Credit Facility 1 in full. The Lender made available to the Authority a non-revolving line of credit in the maximum principal amount of $300,000,000, the proceeds of which were to be used to finance a portion of the cost of the Authority's capital improvement program, including land acquisition and the acquisition, construction, rehabilitation, replacement, repair, renovation, improvement and reconstruction of terminal, airfield, parking, hangar, roadway, hotel, multi-modal transit facilities and the acquisition of airport equipment and other facilities and improvements as necessary and appropriate for the operation of such airport facilities at the Nashville International Airport or John C. Tune Airport. Principal and interest on this line of credit are payable from the net revenues subject and subordinate, and secured by a lien and pledge on the net revenues junior and inferior, to the lien and pledge on the Net Revenues created under the General Resolution for the payment and security of the Bonds but on a parity with the Parity Other Obligations. The note matures on January 7, 2022. The taxable portion of the Credit Facility bears interest at a variable interest rate equal to 1 month LIBOR plus 40 basis points. The nontaxable portion of the Credit Facility bears interest at a variable interest rate equal to 80% of 1 month LIBOR plus 33 basis points. The rates at June 30, 2019 were 2.5657% for the taxable Credit Facility, and 2.04041% for the nontaxable credit facility. Interest on this Credit Facility totaled $1,112,926 during fiscal year 2019. Total draws on this Credit Facility were $153,928,645 at June 30, 2019. Accrued interest on this line of credit was $244,490 at June 30, 2019.

Activity with respect to the BNA Credit Facility Loan Agreements for fiscal years 2019 and 2018 are as follows:

Description	Balance July 1, 2018	Principal Additions	Principal Repayments	Transfers	Balance June 30, 2019
BNA Credit Facility 1	$ 10,793,285	$ 48,460,827	$ -	$ (59,254,112)	$ -
BNA Credit Facility 2	-	94,674,533	-	59,254,112	153,928,645
	$ 10,793,285	$ 143,135,360	$ -	$ -	$ 153,928,645

Description	Balance July 1, 2017	Principal Additions	Principal Repayments	Transfers	Balance June 30, 2018
BNA Credit Facility	$ 6,129,239	$ 4,664,046	$ -	$ -	$ 10,793,285

The Credit Facility contains default provisions as defined in the agreements In the Event of Default, the Obligations shall bear interest at the Default Rate – PRIME plus 3%. In the Event of Default, the lender may make one of more of the following actions at any time and from time to time (the actions may be taken at the same time or at different times):

(i) The lender may terminate the Available Commitment and declare the outstanding amount due under the obligations immediately due and payable.

(ii) The lender may sell or otherwise transfer all or a portion of the Notes.

(iii) At the expense of the Authority, the lender may cure any Default, Event of Default or event of nonperformance, bringing all delinquent balances current and adding the delinquent balances to the total outstanding owed by the Authority.

7. Other Noncurrent Liabilities

Other noncurrent liabilities activity for the years ended June 30, 2019 and 2018, is as follows:

Other Noncurrent Liabilities Description	Balance July 1, 2018	Net Cash Receipts (Prepayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2019
Fair value of derivative financial instruments	$ 118,789	$ -	$ -	$ (110,344)	$ 8,445
Unearned rental income	1,831,630	62,047	(34,904)	-	1,858,773
	$ 1,950,419	$ 62,047	$ (34,904)	$ (110,344)	$ 1,867,218

Other Noncurrent Liabilities Description	Balance July 1, 2017	Net Cash Receipts (Prepayments)	Amortization	Change in Derivative Instruments	Balance June 30, 2018
Fair value of derivative financial instruments	$ 614,586	$ -	$ -	$ (495,797)	$ 118,789
Unearned rental income	1,854,640	11,894	(34,904)	-	1,831,630
	$ 2,469,226	$ 11,894	$ (34,904)	$ (495,797)	$ 1,950,419

8. Derivative Financial Instruments

The Authority maintained a pay-fixed, receive-variable interest rate swap agreement during 2019 and 2018, in order to manage its exposure to market risk from fluctuations in interest rates.

2008A interest rate swap agreement

During 2008, in connection with the refunding of the Authority's Series 1993 bonds with the Series 2008A bonds, the Authority's 1993 Swap Agreement was transferred from the 1993 bonds to the 2008A bonds. All the terms of the 1993 Swap Agreement, now the "2008A Swap Agreement," remained intact and apply to the Series 2008A bonds. In general, the 2008A Swap Agreement provided that the Authority will pay a fixed rate of 4.49% to the counterparty on a notional amount, which is equal to the principal amount of the Series 2008A bonds outstanding.

The fair value of the interest rate swap agreement was a liability of $8,445 and $118,789 at June 30, 2019 and 2018, respectively. Other details of the interest rate swap are as follows:

Description	Notional Amount June 30, 2019	Maturity Date	Terms	Counterparty Credit Rating Moody's / S&P
2008A Swap	$ 3,800,000	7/1/2019	pay 4.49% fixed; receive SIFMA	A2/A

The fair value of the interest rate swap is recorded in noncurrent liabilities in the statements of net position. Changes in the fair value of the interest rate swap are included in nonoperating revenues (expenses) in the statement of revenues, expenses and changes in net position.

Credit risk

The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. There were no such instruments in asset positions at June 30, 2019 or 2018. The Authority relies primarily on the credit rating of the counterparty to assess credit risk.

Interest rate risk

The Authority is exposed to interest rate risk on its interest rate swap. On its pay-fixed, receive-variable interest rate swap, as the variable swap index decreases, the Authority's net payments to the counterparty increase.

Basis risk

The Authority is exposed to basis risk on its pay-fixed interest rate swap because the variable-rate payments received by the Authority are, in certain circumstances, based on a rate or an index other than interest rates the Authority pays on its hedged variable-rate debt.

Termination risk

The Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a derivative instrument is in a liability position, the Authority would be liable to the counterparty for a payment equal to the liability.

Arrangements made in the Authority's interest rate swap agreements do not alter the Authority's obligation to pay the principal and interest on the related debt.

9. Passenger Facility Charges

On January 1, 1993, the airlines began collecting a Passenger Facility Charge ("PFC") on qualifying enplaning passengers at Nashville International Airport on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. Both the fee and intended projects must be reviewed and approved by the FAA. Federal guidance on the PFC program has been updated from time to time since 1993, and the current maximum fee that can be authorized through federal regulation is $4.50 per enplaning passenger. PFCs are recorded as nonoperating revenue. PFC revenue during fiscal years 2019 and 2018 totaled $31,416,941 and $28,300,013, respectively.

Effective September 2010, the Authority was allowed to collect a $3.00 PFC per enplaning passenger. In May 2015, the Authority began collecting at a $4.50 PFC per enplaning passenger. The Authority anticipates remaining at this $4.50 collection level. The following project summary has been approved by the FAA as of June 30, 2019:

Airfield development	$ 220,910,934
Terminal development	173,710,898
Land acquisition	21,260,411
	$ 415,882,243

As of June 30, 2019, cumulative expenditures to date on approved PFC projects totaled $366,532,285.

10. Customer Facility Charges

On January 1, 2008, the Authority began requiring the car rental companies at Nashville International Airport to charge a Customer Facility Charge ("CFC") to be used to pay, or to reimburse the Authority, for costs, fees and expenses associated with the planning, design, construction, financing, maintenance and operation of the Consolidated Rental Car ("CONRAC") Facility, and other costs, fees, and expenses that may be paid from CFC proceeds. The CFC is a $4.50 per transaction day fee and is collected by on-airport car rental companies from each of their customers and subsequently remitted to the Authority. The Authority has pledged the CFC proceeds as collateral security for the payment of the CONRAC Series 2010 and 2018 bonds issued in February 2010 and May 2018, respectively. Additionally, in accordance with the terms of the CONRAC Series 2010 and 2018 bond agreements, CFCs must be used to establish bond principal, interest, and reserve funds, as well as various other funds for the operation and maintenance of the CONRAC facility (See Note 5). The Authority can use CFCs collected in excess of the various refunded funds for any lawful purpose. CFC revenue during fiscal years 2019 and 2018 totaled $15,094,273 and $14,290,386, respectively. CFC revenue is reported as non-operating revenues.

The Authority is leasing the facility to MPC CONRAC LLC under a lease agreement and is leasing-back the facility from MPC CONRAC LLC under a sublease agreement. In turn, the Authority will lease the CONRAC facility to on-airport rental car companies under the consolidated rental car lease agreements. Under these lease agreements, on-airport rental car companies have agreed to collect the CFC on all vehicle rental transactions as specifically set forth in the CFC enabling resolution and the related lease agreements.

Net position relating to CFCs totaled $35,145,880 and $45,566,690 at June 30, 2019 and 2018, respectively, and is included in net investment in capital assets and restricted net position in the statements of net position.

11. Special Facility Revenue Bonds

Special facility revenue bonds, series 2005

During April 2005, the Authority issued $9,500,000 of Special Facility Revenue Bonds, Series 2005, on behalf of Embraer Aircraft Maintenance Services, Inc. The bonds were issued to finance the development and construction of an aircraft maintenance facility at Nashville International Airport.

The outstanding Special Facility Revenue Bonds, Series 2005, are special obligations of the Authority, and the debt service thereon shall be payable solely from revenues provided by Embraer Aircraft Maintenance Services, Inc., pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. These bonds mature in April 2030. The principal balance outstanding as of June 30, 2019 and 2018 was $6,010,000 and $6,365,000, respectively. Since these bonds do not represent a claim on the Authority's assets or require the

Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

Special facility revenue bonds, series 2006/refunding series 2010

During July 2006, the Authority approved an amendment to the ground lease with Aero Nashville, LLC, whereby the Authority agreed to issue $6,515,000 of Special Facility Revenue Bonds, Series 2006, on behalf of Aero Nashville, LLC. Aero Nashville is an affiliate of Aeroterm US, Inc., the firm selected by Federal Express Corporation to be the developer of a 69,000-square-foot cargo and support facility on approximately 15 acres of land at Nashville International Airport in 2005.

During November 2010, the Authority issued $6,200,000 in Special Facility Revenue Bonds, Refunding Series 2010, the proceeds of which were used to currently refund the outstanding Series 2006 bonds. The Refunding Series 2010 bonds are term bonds with mandatory sinking fund requirements annually through July 2026.

The Special Facility Revenue Bonds, Series 2006, and outstanding Refunding Series 2010 bonds are special obligations of the Authority and the debt service thereon shall be payable solely from revenues provided by Aero Nashville, LLC pursuant to a special facility sublease agreement or from letter of credit drawings made by the trustee. The principal balance outstanding as of June 30, 2019 and 2018 was $3,755,000 and $4,150,000, respectively. Since these bonds do not represent a claim on the Authority's assets or require the Authority to incur future obligations, they represent conduit debt and have not been recorded in the Authority's financial statements.

12. Airline Lease Agreements

During fiscal year 2015, the Authority entered into a new Signatory Airline Use and Lease Agreement with a term from July 1, 2015 to June 30, 2022 (the "New Airline Agreement") with American Airlines, Delta Air Lines, Southwest Airlines and United Airlines. As more fully described below, the New Airline Agreement replaces, and is substantially different from, the Authority's prior Amended and Restated Lease Agreements (the "Prior Airline Agreements") which were scheduled to expire on September 30, 2017.

The Prior Airline Agreements were "residual" in nature, pursuant to which the signatory airlines generally provided for break-even financial operation of the Nashville International Airport (the "Airport"), including the full recovery on a cost center basis of debt service on Majority-in-Interest (MII) approved capital improvement projects, including any coverage amount necessary to meet any rate covenant under the documents providing for the issuance of revenue bonds and any amount required to be deposited to any bond reserve fund under such documents.

The New Airline Agreements establish three cost centers for the purpose of determining rates and charges payable by the signatory airlines and other users of Airport facilities: Airfield, Terminal, and Terminal Ramp Area. Baggage and passenger loading bridge fees are also assessed. The New Airline Agreements have a "hybrid" airline rate-setting methodology with Landing Fees calculated on a residual basis (as described below); whereas, Terminal Rental Rates (as described below) and Terminal Ramp Area rates are compensatory. Other than the Airfield, the signatory airlines are not required to provide for break-even financial operation of the Airport per the New Airline Agreements.

Landing Fees under the New Airline Agreements are calculated on a primarily residual basis. Capital cost allocable to the Airfield, including debt service on Bonds, may be included in the calculation of the Landing Fees with MII approval. While debt service on Bonds allocable to the Airfield may be included in the Landing Fees, the New Airline Agreements do not permit inclusion in the Landing Fees of coverage on Bonds allocable to the Airfield or any amount required for replenishing the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds.

The Terminal Rental Rate under the New Airline Agreements is calculated on a compensatory basis with fixed rates. There is no provision in the New Airline Agreements for increasing the Terminal Rental Rate to provide for the payment of debt service on Outstanding or Additional Bonds, as defined, allocable to the Terminal or coverage on such Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds. However, it should be noted that when the fixed Terminal Rental Rates were established, the Authority assumed allowances for Outstanding Bonds, the funding of its approximately $150.3 million capital improvement program for the Terminal from various sources including the debt service on Additional Bonds required to support approximately $66.5 million of projects costs, and typical Operations and Maintenance Expense escalations. With limited exceptions, there is no provision in the New Airline Agreements for increasing the Terminal Rental Rates for payment of debt service on Additional Bonds or increases in Operations and Maintenance Expenses, greater than modeled and assumed.

Additionally, other than revenues allocable to the Airfield and the sharing with airlines a portion of revenues from in-terminal concessions and rental car concessions, the Authority is permitted to retain all other revenues. Under the Prior Airline Agreements, the residual nature of the agreement obligated the Authority to share these revenues as offsets to lower airline rates and charges.

Except as provided in the next succeeding paragraph, there is no provision in the New Airline Agreements for including debt service on Outstanding or Additional Bonds in airline rates and charges for Bonds issued for other Airport improvements not included in the Airfield or Terminal cost centers with or without MII approval.

Debt service on Bonds allocable to the acquisition of Passenger Loading Bridges or for Baggage Claim Equipment, Baggage Make-up Equipment and the Baggage Claim Areas may be included in the Passenger Loading Bridge fees or baggage fees that may be imposed under the New Airline Agreements without MII approval. There is no provision in the New Airline Agreements for increasing the Passenger Loading Bridge fees or baggage fees to provide for coverage on such Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds. Debt Service on Bonds allocable to capital improvements in the Terminal Ramp Area may be included in the Terminal Ramp Area rate without MII approval. There is no provision in the New Airline Agreements for increasing the Terminal Ramp Area rate to provide for coverage on such Bonds or any amount required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to such Bonds.

Debt service on Bonds that are not allocated to Airfield improvements or the acquisition of Passenger Loading Bridges, as well as coverage or amounts required to replenish the Airport Improvement Bond Reserve Fund Requirement allocable to any Bonds, must be paid from sources other than signatory airlines rates and charges, which would principally be the Authority's share of in-terminal concession revenues, rental car concessions, parking fees, and other non-airline lease revenues. Under the New Airline Agreement, the Authority shares a portion of in-terminal concession and rental car concession revenue with the signatory airlines by means of revenue sharing credits. The Authority does not share parking fees with the signatory airlines.

The Authority is obligated under the New Airline Agreements to undertake $250,312,000 of capital improvement projects that may not be funded through rates and charges to be paid by signatory airlines. It is anticipated that a large portion of the capital improvement project costs will be funded from sources other than rates and charges to be paid by signatory airlines (e.g. Federal and state grants, Passenger Facility Charges (PFCs), Authority net revenues, and new, additional non-airline revenues). Principal amount of Bonds allocable to the funding of capitalized interest are not counted toward these requirements.

The New Airline Agreements provide signatory airline support for John C. Tune Airport, including the inclusion of certain Reliever Airport Support Costs in the Landing Fees and the use of amounts in the Operations and Maintenance Reserve Fund to pay Operating Expenses at John C. Tune Airport. It is anticipated that John C. Tune Airport will be included in the definition of Airport under the Master Resolution, with the effect of including Operating Expenses attributable to John C. Tune Airport in amounts which must be paid for by Airport Revenues from the Operating Fund and included in rate covenant calculation purposes.

The Authority also owns MPC, a Tennessee nonprofit corporation, whose purpose is to support and facilitate the operations of the Authority and to help the economic development of the surrounding area. The New Airline Agreements do not provide any signatory airline support for MPC. MPC financial obligations are not included within the Master Resolution, and any MPC shortfalls or deficits must be paid from other available Authority funds.

It is anticipated that changes will be made to the Master Resolution to, among other things, accommodate the provisions of the New Airline Agreements.

13. Risk Management and Insurance Arrangements

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; illnesses or injuries to employees; and natural disasters.

Self-insured employee medical benefit claims are accrued as incurred. The liability for reported claims and claims incurred but not reported, an estimate of which is based on historical experience and management projections, is reported with accrued payroll and related items in the financial statements. This liability does not include non-incremental claims adjustment expenses.

The following summarizes the changes in the estimated claims payable liability at June 30:

	2019	2018
Balance - beginning of year	**$ 288,597**	$ 474,282
Provision for incurred claims	**3,616,518**	3,956,029
Claim payments	**(3,653,817)**	(4,141,714)
Balance - end of year	**$ 251,298**	$ 288,597

The Authority carries commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Compensated Absences

Compensated absences

Compensated absences are another component of the Authority's employee benefits program. Based on years of service, employees earn annual leave and may accumulate earned hours to certain limits for future use. In 2019 and 2018, employees sold back $212,094 and $222,535 of their annual leave balances to the Authority in exchange for cash. Additional payments of $292,504 and $262,234 were made to employees who left employment with the Authority during the years ended June 30, 2019 and 2018, respectively. The change in accrued compensated absences balance is charged to salaries and wages expense.

The following summarizes the changes in the compensated absences liability at June 30, which is included in accrued payroll and related items on the statements of net position:

	2019	2018
Balance - beginning of year	**$ 2,078,856**	$ 2,155,626
Provision for compensated absences	**2,566,984**	2,162,289
Annual leave used	**(1,889,827)**	(1,754,290)
Annual leave buy-back and other	**(504,598)**	(484,769)
Balance - end of year	**$ 2,251,415**	$ 2,078,856

15. Commitments and Contingencies

Uncompleted construction contracts

Estimated costs of completion of construction in progress at June 30, 2019, total $110,350,000 and relate to various projects. The estimated costs to complete construction in progress are anticipated to be received from the following sources:

Reimbursed by governmental agencies, grant contracts	$ 4,965,000
Reimbursed from PFC funds	2,275,000
Funded by the Authority	103,110,000
	$ 110,350,000

Environmental remediation

On October 9, 2012, the Authority entered into a Consent Order with the Tennessee Department of Environment and Conservation in response to a routine inspection which identified that a local area stream had been contaminated by untreated de-icing chemicals. In the Consent Order, the Authority was assessed a penalty of $22,500; and it was determined that Natural Resource Damages in the amount of $218,520 exist. In lieu of payment, the Authority proposed to upgrade its de-icing fluid collection and treatment system. Multiple projects, worth over $7,000,000, have been undertaken. The upgrades divert uncontaminated storm water away from the treatment system so that only storm water containing deicer fluid is collected for treatment. This allows for additional fluid storage and improves the treatment system process by systematically feeding the fluids to the biological treatment lagoon was closed on January 8, 2015. The Authority continues to perform monitoring and reporting to the Tennessee Department of Environment and Conservation in compliance with NPDES Permit TN0064041.

The Authority is a defendant to various legal proceedings incidental to its operations. In the opinion of management and the Authority's legal counsel, while the ultimate outcome of these matters, including an estimate of potential loss, cannot presently be determined, any losses sustained would not be material to the Authority's financial position or operations. Additionally, losses sustained would be recoverable through the Authority's leases with certain airlines discussed in Note 12.

16. Retirement Benefit Plan

General information about the pension plan

Plan description

Effective September 1, 1989, the Metropolitan Nashville Airport Authority (the "Authority") adopted a single-employer public employee retirement system ("PERS") for its employees, whereby the net position restricted for benefits relative to the Authority's employees were transferred from the retirement system of the Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") to the Metropolitan Nashville Airport Authority Retirement Plan for Employees. Those net assets transferred from the Metropolitan Government's retirement system to the Plan included accumulated employee contributions and allocated investment income. The Plan is a defined benefit pension plan.

The Plan is administered by management of the Authority and is governed by a Retirement Committee (the "Committee"). The Committee members are appointed by the Authority. At June 30, 2019, the Committee consists of 7 voting members, four of whom are active Authority senior management, two of whom are active Authority employees and one member of the Plan. Non-voting members of the Committee consist of an Advisor Member (retiree in the plan), and the Authority's paralegal and Director of Treasury.

Benefits provided

Eligible employees become 100% vested in their accrued pension benefit after 5 years of credited service and may elect to retire at any time after age 65 (or after age 55 for safety and security employees with completion of 10 years of service).

The employees who retire at or after age 65 (55 for safety and security employees) are entitled to a retirement benefit, payable monthly for life, equal to one-twelfth of the product of 2% of average earnings multiplied by years of credited service. Average earnings are the average of annual earnings for the five full consecutive calendar years in which earnings were the highest or for such lesser number of full calendar years of service as have been actually completed. Credited service is the total number of years and completed one-half months of service from the date of hire to date of termination, adjusted for some certain periods of unpaid absence. Certain supplemental benefits have been provided for in the Plan as incentives for certain prior officers of the Authority.

Early retirement under the Plan is retirement from service prior to the participant's normal retirement date and on or after the date as of which the participant has attained both the age of 55 years and completed 5 years of vesting service. A participant classified as a safety and security employee is eligible for early retirement on or after the date as of which such employee has attained both the age of 50 years and completed 5 years of vesting service. Participants electing early retirement, as defined above, receive reduced benefits immediately or may defer and receive full benefits at normal retirement age. There are also certain benefit provisions upon death or disability.

Changes to the Plan, including benefits provided thereunder can be made only by formal resolutions of the Authority's Board of Commissioners. Additionally, cost-of-living adjustments are made only as approved by the Board of Commissioners. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Authority. Benefit provisions are established and may be amended by the Authority.

Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

Retired	174
Deferred vested	49
Active vested	82
	305

Effective June 27, 2003, the Plan was closed to new participants; therefore, employees hired after June 27, 2003, are not eligible to participate in the Plan.

Contributions

The Plan is non-contributory for employees; accordingly, no contributions shall be required or permitted to be made by plan participants. The Authority's Board of Commissioners has approved a funding plan which establishes the expected employer contributions to the Plan through fiscal year 2022. In determining the funding plan, the Authority considers the actuarially determined contribution, as recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan participants, with an additional amount to finance the net pension liability.

Net pension liability/asset

The Authority's net pension liability/asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%, compounded annually
Salary increases	4% per annum, compounded annually
Investment rate of return	6% per annum, compounded annually, net of pension plan investment expense and inflation

Mortality table was changed from the RP-2014 Generational Mortality Table for Males and Females, as applicable, with adjustments for mortality improvements based on Scale MP-2017 to the RP-2014 Generational Mortality table for Males and Females with Improvement Scale MP-2018. The discount rate also changed from 7% to 6%.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Small Cap	4.00%	8.05%
Domestic Equity - Large Cap	26.50%	6.65%
Domestic Equity - Mid Cap	7.00%	7.55%
International Equity	12.50%	6.65%
Fixed Income	47.00%	0.95%
Cash	3.00%	0.25%

Discount rate

The discount rate used to measure total pension liability is 6%, compounded annually. The Authority's Board of Commissioners has approved the funding policy, as described in the contributions section above.

The Authority intends to make contributions under the funding plan, as required to keep the Plan solvent, and to meet the minimum funding requirements of the State of Tennessee. Having a formal funding policy and statutory contributions in the future supports the position that the Plan's fiduciary net position will remain positive in the future. Accordingly, the long-term rate of return on investment assets has been used as the discount rate for all future periods.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at July 1, 2018	**$ 65,783,404**	**$ 66,225,255**	**$ (441,851)**
Changes for the year:			
Service cost	**685,843**	**-**	**685,843**
Interest	**4,604,838**	**-**	**4,604,838**
Difference between expected and actual experience	**2,027,120**	**-**	**2,027,120**
Change in assumptions	**7,451,464**	**-**	**7,451,464**
Contributions - Employer	**-**	**8,900,000**	**(8,900,000)**
Net investment income	**-**	**4,148,512**	**(4,148,512)**
Benefits paid	**(3,507,672)**	**(3,507,672)**	**-**
Net changes	**11,261,593**	**9,540,840**	**1,720,753**
Balance as June 30, 2019	**$ 77,044,997**	**$ 75,766,095**	**$ 1,278,902**

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at July 1, 2017	$ 60,268,906	$ 62,315,943	$ (2,047,037)
Changes for the year:			
Service cost	667,297	-	667,297
Interest	4,218,823	-	4,218,823
Difference between expected and actual experience	745,177	-	745,177
Change in assumptions	2,942,473	-	2,942,473
Contributions - Employer	-	2,000,000	(2,000,000)
Net investment income	-	4,968,584	(4,968,584)
Benefits paid	(3,059,272)	(3,059,272)	-
Net changes	5,514,498	3,909,312	1,605,186
Balance as June 30, 2018	$ 65,783,404	$ 66,225,255	$ (441,851)

Changes in assumption primarily relate to updated mortality table information and a reduced discount rate.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Sensitivity of the net pension liability to changes in the discount rate

The following represents the net pension liability/(asset) calculated using the stated discount rate, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 5.00%	Current Rate 6.00%	1% Increase 7.00%
Net pension liability (asset)	$ 10,312,874	$ 1,278,902	$ (6,349,014)

Pension plan fiduciary net position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. Detailed information about the pension plan's fiduciary net position is available in this separately issued financial report. That report may be obtained by writing to Metropolitan Nashville Airport Authority, One Terminal Drive, Suite 501, Nashville, Tennessee, 37214, or by calling (615) 275-1600.

For the years ending June 30, 2019 and 2018, the Authority recognized pension expense of $7,031,933 and $2,517,599, respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30,2019	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Experience gains or losses	**$ 1,013,560**	**$ -**
Change of assumptions	**3,725,732**	**-**
Net difference between projected and actual earnings on investment	**-**	**5,063**
Total	**$ 4,739,292**	**$ 5,063**

	June 30,2018	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Experience gains or losses	$ 372,589	$ 419,993
Change of assumptions	1,471,236	205,607
Net difference between projected and actual earnings on investment	-	72,814
Total	$ 1,843,825	$ 698,414

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2019, will be recognized in pension expense as follows:

Year Ended June 30,	
2020	$ 5,001,130
2021	(470,373)
2022	68,274
2023	135,199
2024	-
Thereafter	-

17. Other Postemployment Benefits (OPEB)

General information about the OPEB plan

Plan description

On April 22, 2009, the Board of Commissioners approved MNAA Resolution 2009-07 establishing an investment trust for the purpose of funding OPEB as provided in Tennessee Code Annotated, Title 8, Chapter 50, Part 12. The Tennessee State Funding Board approved the formation of the trust on June 17, 2009. There is no obligation to fund the trust; however, management has a plan whereby cash contributions are intended to be made to help offset the anticipated increased outflows in future years to cover retiree benefits.

The OPEB Plans as described below are single employer plans administered by management of the Authority and are governed by a Retirement Committee (the "Committee"). The Committee members are appointed by the Authority. At June 30, 2019, the Committee consists of 7 voting members, four of whom are active Authority senior management, two of whom are active Authority employees and one member of the Plan. Non-voting members of the Committee consist of an Advisor Member (retiree in the plan), and the Authority's paralegal and Director of Treasury.

The Authority voluntarily provides postemployment healthcare benefits to certain eligible employees who retire under either the Authority's PERS or the Metropolitan Government's PERS.

Benefits provided/Contributions

As part of the OPEB actuarial evaluation on July 1, 2013, which was effective for the Authority's 2014 fiscal year, certain changes to the OPEB Trust were considered, including the following: The Authority adopted an Employer Group Waiver Plan (EGWP) for post-65 retiree pharmacy benefits effective January 1, 2014. Additionally, the Authority adopted certain post-65 stop loss coverage. In the July 1, 2017, biennial valuation, for the Authority's fiscal years 2016 and 2017, these changes in assumptions increased the unfunded accrued liability by approximately $4.4 million.

Effective January 1, 2017, MNAA offered a Medicare Supplement Plan. Retirees and spouses (post 65) had the option to enroll in the Medicare Supplement Core or Core Plus plans through AmWINS Group Benefits if they desired to continue coverage through MNAA. If they desired not to enroll in MNAA supplemental plans they have the option to enroll in the individual Market Medicare Plans.

MNAA makes a monthly contribution of $250 for each participant (retiree and spouse) in a Health Reimbursement Account (HRA). These contributions are to be used toward the monthly premiums of those who have elected MNAA plans or an individual market plan.

The account reimburses the participant for their individual medical, dental, or vision premiums along with out of pocket health care expenses such as copays, deductibles, coinsurance, etc.

For retirees under 65, the Authority pays approximately 75% of the medical, dental, vision, and prescription coverage cost, with retirees paying the remaining 25%. The Authority also pays 100% of the premium cost of a $14,000 life insurance policy on each retiree. In addition, the retirees have the option to pay 100% of the cost of supplemental life insurance coverage. Currently, 27 under 65 retirees and 12 under 65 retiree spouses/dependents are receiving OPEB benefits. The monthly contribution requirements for participants in the Authority's medical plan range from $83.95 (single "Core Wellness" premium) to $509.23 (family "Core Plus" non-well premium). The Authority decided it would not provide postemployment benefits to any new entrants on January 1, 2009. Therefore, any employee hired on or after this date is not eligible for any postemployment benefits through the Authority.

Under the Metropolitan Government's PERS, the Authority pays 75% of the cost of medical and dental coverage, while the retirees pay the remaining 25%. The Authority also pays 100% of the premium cost of a $14,000 life insurance policy on each retiree. As of June 30, 2019 and 2018, there were 8 and 9 retirees, respectively, receiving benefits under the PERS. During the years ended June 30, 2019 and 2018, payments of $75,262 and $71,365, respectively, were made to the Metropolitan Government for postemployment benefits under this PERS.

Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

Actives (with medical coverage)	130
Actives (without medical coverage)	150
Retirees (with medical coverage)	135
	415

OPEB Net Position

The Authority does not issue separate financial statements for postemployment benefits. The OPEB's net position consists solely of the Plan's investments at fair value as there are no significant related liabilities or deferred inflows or outflows.

The investments of the Plan are governed by an investment policy approved by the Authority's Retirement Committee. The investment policy establishes the Plan's investment objectives, portfolio benchmarks, and asset allocation parameters. The investment policy also requires certain qualifications of investment managers, review of investment returns, and reporting requirements. Generally, the investment policy specifies a long-term investment horizon with investment returns to be achieved without undue investment risk. Changes to the investment policy can be made only by formal resolution of the Board of Commissioners. The investment policy for the Retirement Plan for Employees of the Metropolitan Nashville Airport Authority and the Metropolitan Nashville Airport Authority Other Post-Employment Benefit Plans was updated and became effective August 2019.

The Plan's investment assets are held in trust by the Plan's trustee for the benefit of plan participants. Investments in equity and bond mutual funds are stated at fair value using quoted market prices in active markets (level 1). Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Plan's investment assets are held in trust by the Plan's trustee, Wells Fargo Bank N.A.

The Plan's investments which represented 5% or more of net position as of June 30, 2019 and 2018 are as follows:

Description of Investment		2019	2018
Wells Fargo	Wells Fargo Core Bond	**$ 2,135,915**	$ 2,055,604
Metropolitan West	Total Return Bond Fund Class I	**2,136,686**	2,055,313
Wells Fargo	Wells Fargo/Federated Total Return Bond Fund Class I	**2,142,434**	2,052,104
Wells Fargo	Wells Fargo/Northen Mid Cap Index Fund	**2,178,650**	2,309,477
Wells Fargo	Wells Fargo/Dodge & Cox Income Fund	**2,127,229**	2,044,396
Wells Fargo	Wells Fargo/Vanguard 500 Index Fund	**3,309,155**	3,428,478
Wells Fargo	Wells Fargo/Lazard International Equity	**1,596,939**	*
Wells Fargo	Wells Fargo/Europacific Growth Fund Class F3	**1,537,306**	*
Wells Fargo	Wells Fargo/Causeway International Value Fund	**1,544,717**	*
	Other funds representing less than 5%	**10,145,064**	11,366,150
	Total investments and net position	**$ 28,854,095**	$ 25,311,522

* Balance was not reportable as an investment in excess of 5% of plan net position.

Net OPEB liability

The Authority's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

Actuarial valuations of an ongoing postemployment benefits plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive postemployment benefits (the plan as understood by the employer and retirees) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation method	Entry age normal method
Discount rate	5%
Expected long-term rate of return on plan assets	5%
Health care cost trend rate	7.25% graded down using the Getzen model
Inflation rate	5%; dental and vision per year
Retirement rates	Varying rates beginning with 5% at age 50 to 100% retirement at age 65

The mortality was changed from mortality table RP-2014 with improvement scale MP-2017 to mortality table RP-2014 mortality table adjusted to 2006 with generational mortality improvement projected under Projection Scale MP-2018.

Effective January 1, 2017 Medicare-eligible retirees, retiree spouses, and disabled participants will receive $3,000 per year to purchase health coverage on an exchange.

Claims were adjusted for aging based on the Yamamoto aging table for Non-Medicare participants, normalized at age 65.

The long-term expected rate of return on plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Small Cap	5.20%	8.00%
Domestic Equity - Large Cap	34.45%	6.60%
Domestic Equity - Mid Cap	9.10%	7.50%
International Equity	16.25%	7.15%
Fixed Income	32.00%	1.00%
Cash	3.00%	0.25%
Total	100%	4.90%

Due to the Plan's funded status of 86%, a more conservative long-term rate of return of 5.0% was selected, rather than the return of 4.90% calculated using the percentages above. However, plan assets, together with projected future contributions based on historic experience, are expected to cover benefit payments for the duration of the Plan.

Legislative changes

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future. In particular, the anticipated future excise tax has been valued and deemed immaterial.

Changes in the net OPEB liability

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2018	**$ 36,106,811**	**$ 25,311,522**	**$ 10,795,289**
Change for the year:			
Service cost	**1,110,421**	**-**	**1,110,421**
Interest	**1,445,441**	**-**	**1,445,441**
Difference between expected and actual experience	**(2,713,939)**	**-**	**(2,713,939)**
Changes of assumptions	**(1,225,616)**	**-**	**(1,225,616)**
Net investment income	**-**	**1,595,233**	**(1,595,233)**
Contributions - Employer	**-**	**3,081,219**	**(3,081,219)**
Benefits paid	**(1,081,219)**	**(1,081,219)**	**-**
Administrative expenses	**-**	**(52,660)**	**52,660**
Net changes	**(2,464,912)**	**3,542,573**	**(6,007,485)**
Balance at June 30, 2019	**$ 33,641,899**	**$ 28,854,095**	**$ 4,787,804**

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2017	$ 37,028,018	$ 15,289,095	$ 21,738,923
Change for the year:			
Service cost	1,287,152	-	1,287,152
Interest	1,478,732	-	1,478,732
Difference between expected and actual experience	(2,340,217)	-	(2,340,217)
Net investment income	-	1,204,489	(1,204,489)
Contributions - Employer	-	10,195,977	(10,195,977)
Benefits paid	(1,346,874)	(1,346,874)	-
Administrative expenses	-	(31,165)	31,165
Net changes	(921,207)	10,022,427	(10,943,634)
Balance at June 30, 2018	$ 36,106,811	$ 25,311,522	$ 10,795,289

The Authority made $3,081,219 and $10,195,977 in contributions to the OPEB Trust during fiscal years 2019 and 2018, respectively. These contributions were considered in the June 30, 2019 and 2018 actuarial valuations, respectively.

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following represents the net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

Net OPEB Liability	6.25% Decreasing using the Getzen model	7.25% Decreasing using the Getzen model	8.25% Decreasing using the Getzen model
June 30, 2019	$ 3,279,983	$ 4,787,804	$ 6,500,821

Sensitivity of the net OPEB liability to changes in the discount rate

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

Net OPEB Liability	1% Decrease 4.00%	Current Rate 5.00%	1% Increase 6.00%
June 30, 2019	$ 7,928,934	$ 4,787,803	$ 2,070,629

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the years ending June 30, 2019 and 2018, the Authority recognized OPEB expense (revenue) of ($336,247) and $1,539,140, respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2019 and 2018, will be recognized in OPEB expense as follows:

	June 30, 2019	
	Deferred Ouflows of Resources	**Deferred Inflows of Resources**
Experience gains or losses	**$ 202,497**	**$ 2,589,366**
Change of assumption	**301,358**	**817,077**
Net difference between projected and actual earnings on investments	**-**	**910,028**
Total	**$ 503,855**	**$ 4,316,471**

	June 30, 2018	
	Deferred Ouflows of Resources	Deferred Inflows of Resources
Experience gains or losses	$ 404,995	$ -
Change of assumption	602,717	1,560,145
Net difference between projected and actual earnings on investments	-	670,163
Total	$ 1,007,712	$ 2,230,308

Year Ended June 30,	
2020	$ (1,893,745)
2021	(1,617,528)
2022	(192,502)
2023	(108,840)
2024	-
Thereafter	-

See further information in the OPEB Trust Schedule of Funding Progress (unaudited) in the required supplementary information section.

18. Defined Contribution Plans

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by a third party, ICMA-RC Services LLC. The plan, available to all Authority employees, permits the deferral of a portion of salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable

emergency. The assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, and accordingly, the related assets of the plan are not reflected on the Authority's statement of net position. Beginning January 1, 2001, the Authority's matching contributions have been made to a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a). Employer contributions vest after six months of employment. Any forfeitures are refunded to the Authority. Amounts contributed by the Authority to the deferred compensation plan were $1,031,884 and $940,773 in 2019 and 2018, respectively. Employees contributed through payroll deductions to the plan $1,442,045 and $1,373,378 in 2019 and 2018, respectively.

During May 2013, the Board of Commissioners approved an additional 401(a) defined contribution retirement plan, which is administered by a third party, ICMA-RC Services LLC. Under this additional plan, the Authority contributed 10% of an employee's base compensation on an annual basis. The new 401(a) plan is available only to employees hired after June 27, 2003, who do not participate in the Authority's defined benefit pension plan described in Note 16. All contributions by the Authority are discretionary, and vest after three years of employment. Any forfeitures are refunded to the Authority. Amounts contributed by the Authority to the deferred retirement compensation plan were $1,192,739 and $994,001 in 2019 and 2018, respectively.

19. Land Leases and Land Options

The Authority leases, or has entered into options to lease, several tracts of land to developers. The leases expire in 2058. In accordance with the terms of the lease agreements, the Authority received advance rental payments totaling $2,533,613. This amount is being amortized into income over the terms of the leases. The unamortized amount was $1,352,730 and $1,387,634 at June 30, 2019 and 2018, respectively, and is included in unearned rental income in the statements of net position. The buildings and any other improvements constructed on the land become the property of the Authority upon the expiration or termination of the leases.

20. Major Customers

The largest airline serving Nashville International Airport accounted for approximately 52.5% and 53.7% of the total enplanements of 8,596,307 and 7,466,332 in fiscal years 2019 and 2018, respectively.

21. Capital Contributions

The Authority has recognized capital contributions by means of federal and state grants and other agreements as follows:

	2019	2018
Federal grants	$ 10,305,516	$ 367,107
State grants	6,885,484	14,638,636
Other contributions	987,942	4,945
	$ 18,178,942	$ 15,010,688

22. Financial Instruments Reported at Fair Value

Disclosures concerning financial instruments that are reported at fair value are presented below. Fair value has been determined based on the Authority's assessment of available market information and appropriate valuation methodologies.

The following table summarizes fair value disclosures and measurements at June 30, 2019 and 2018:

		Fair Value Measurements at Reporting Date Using		
June 30, 2019:	**Fair Value**	**Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents:				
Money market mutual funds	**$ 154,554,558**	**$ 154,554,558**	**$ -**	**$ -**
Tennessee Local Government Investment Pool*	**26,299,679**	**n/a**	**n/a**	**n/a**
Commercial Paper	**23,385,182**	**5,960,430**	**17,424,752**	**-**
U.S agency issues	**96,438,118**	**-**	**96,438,118**	**-**
Corporate bond issues	**587,586**	**-**	**587,586**	**-**
Investments:				
U.S. agencies	**1,580,000**	**-**	**1,580,000**	**-**
Derivative financial instrument – interest rate swap	**8,445**	**-**	**8,445**	**-**

		Fair Value Measurements at Reporting Date Using		
June 30, 2018:	**Fair Value**	**Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash equivalents:				
Money market mutual funds	$ 225,939,307	$ 225,939,307	$ -	$ -
Commercial Paper	15,905,487	-	15,905,487	-
Investments:				
U.S. agencies	900,000	-	900,000	-
Derivative financial instrument – interest rate swap	118,789	-	118,789	-

*For the Tennessee Local Government Investment Pool, the input levels are not applicable as the underlying investments are reported at amortized cost.

The following methods were used to estimate fair value of each class of significant financial instruments:

Cash equivalents and investments

Fair value is estimated based upon quoted market prices, where available, and on Level 2 inputs (Note 3).

Derivative financial instruments

The fair value is estimated using pricing models that include observable inputs of these instruments (Note 8).

The fair value presented herein is based on pertinent information available to management as of June 30, 2019 and 2018. Although management is not aware of any factors that would significantly affect fair value amounts, future events or other valuation techniques for determining fair value may differ significantly from the amounts presented herein.

23. Condensed Financial Information by Entity

The following information presents the condensed financial information for the Authority's airports and its blended component unit, MPC. 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 Nashville International Airport, John C. Tune, and MNAA Properties Corporation.

	June 30,2019			
	Airports		Blended Component Unit	
	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation [1]	Total
Condensed statement of net position:				
Assets:				
Current assets	$ 262,824,560	$ 2,586,703	$ 3,254,117	$ 268,665,380
Restricted cash and cash equivalents	78,633,625	-	-	78,633,625
Capital assets, net	848,951,078	42,970,269	6,309,134	898,230,481
Net pension asset	-	-	-	-
Other assets	250,419	16,498	121,662	388,579
Total assets	1,190,659,682	45,573,470	9,684,913	1,245,918,065
Deferred outflows of resources	8,472,363	-	-	8,472,363
Total assets and deferred outflows of resources	$1,199,132,045	$ 45,573,470	$ 9,684,913	$1,254,390,428
Liabilities:				
Current liabilities	$ 96,192,035	$ 1,601,021	$ 155,138	$ 97,948,194
Noncurrent liabilities	425,631,679	45,577	155,783	425,833,039
Total liabilities	521,823,714	1,646,598	310,921	523,781,233
Deferred inflows of resources	4,321,534	-	-	4,321,534
Net position:				
Net investment in capital assets	480,427,186	42,986,767	6,071,083	529,485,036
Restricted for:				
Net pension asset	-	-	-	-
Passenger facility charge projects and debt service	42,365,166	-	-	42,365,166
Customer facility changes projects and debt service	18,695,376	-	-	18,695,376
Debt service and other	23,155,535	-	-	23,155,535
Total restricted net position	84,216,077	-	-	84,216,077
Unrestricted net position	108,343,534	940,105	3,302,909	112,586,548
Total net position	672,986,797	43,926,872	9,373,992	726,287,661
Total liabilities, deferred inflows of resources, and net position	$1,199,132,045	$ 45,573,470	$ 9,684,913	$1,254,390,428
Condensed statement of revenues expenses, changes in net position:				
Operating revenues	$ 165,925,821	$ 920,008	$ 3,186,765	$ 170,032,594
Operating expenses	97,743,460	604,073	1,366,398	99,713,931
Provision for depreciation	41,822,430	2,005,162	669,850	44,497,442
Operating income (loss)	26,359,931	(1,689,227)	1,150,517	25,821,221
Nonoperating revenues (expenses)	20,092,473	4,682,197	2,297	24,776,967
Capital contributions	18,004,235	174,707	-	18,178,942
Increase in net position	64,456,639	3,167,677	1,152,814	68,777,130
Net position, beginning of year	608,530,158	40,759,195	8,221,178	657,510,531
Net position, end of year	$ 672,986,797	$ 43,926,872	$ 9,373,992	$ 726,287,661
Condensed statement of cash flows:				
Cash flows from operating activities	$ 71,197,202	$ 438,790	$ 2,042,232	$ 73,678,224
Cash flows from noncapital financing activities	(1,401,387)	-	-	(1,401,387)
Cash flows from capital and related financing activities	(41,566,288)	(5,389,759)	(11,064)	(46,967,111)
Cash flows from investing activities	6,454,227	10,866	7,928	6,473,021
Intercompany	(4,981,662)	5,122,625	(140,963)	-
Increase (decrease) in cash and cash equivalents	29,702,092	182,522	1,898,133	31,782,747
Cash and cash equivalents beginning of year	289,741,176	1,825,287	1,544,917	293,111,380
Cash and cash equivalent, end of year	$ 319,443,268	$ 2,007,809	$ 3,443,050	$ 324,894,127

(1) The financial information of MPC CONRAC LLC is included in Nashville International Airport as the sole purpose of MPC CONRAC LLC relates to the CONRAC facility at Nashville International Airport, therefore, it is integrated with the Airport for reporting purposes.

	June 30,2018			
	Airports		Blended Component Unit	
	Nashville International Airport	John C. Tune Airport	MNAA Properties Corporation [1]	Total
Condensed statement of net position:				
Assets:				
Current assets	$ 210,612,435	$ 2,450,693	$ 1,219,700	$ 214,282,828
Restricted cash and cash equivalents	105,683,070	-	-	105,683,070
Capital assets, net	665,173,123	38,504,231	6,978,984	710,656,338
Net pension asset	441,851	-	-	441,851
Other assets	332,712	572,638	252,186	1,157,536
Total assets	982,243,191	41,527,562	8,450,870	1,032,221,623
Deferred outflows of resources	6,629,356	-	-	6,629,356
Total assets and deferred outflows of resources	$ 988,872,547	$ 41,527,562	$ 8,450,870	$1,038,850,979
Liabilities:				
Current liabilities	$ 69,852,598	$ 728,231	$ 136,847	$ 70,717,676
Noncurrent liabilities	307,561,069	40,136	92,845	307,694,050
Total liabilities	377,413,667	768,367	229,692	378,411,726
Deferred inflows of resources	2,928,722	-	-	2,928,722
Net position:				
Net investment in capital assets	457,268,658	39,076,869	6,599,175	502,944,702
Restricted for:				
Net pension asset	441,851	-	-	441,851
Passenger facility charge projects and debt service	39,359,559	-	-	39,359,559
Customer facility changes projects and debt service	18,488,396	-	-	18,488,396
Debt service and other	21,881,720	-	-	21,881,720
Total restricted net position	80,171,526	-	-	80,171,526
Unrestricted net position	71,089,974	1,682,326	1,622,003	74,394,303
Total net position	608,530,158	40,759,195	8,221,178	657,510,531
Total liabilities, deferred inflows of resources, and net position	$ 988,872,547	$ 41,527,562	$ 8,450,870	$1,038,850,979
Condensed statement of revenues expenses, changes in net position:				
Operating revenues	$ 150,498,064	$ 864,427	$ 3,117,126	$ 154,479,617
Operating expenses	83,087,638	681,393	1,493,213	85,262,244
Provision for depreciation	37,084,592	2,036,837	792,792	39,914,221
Operating income (loss)	30,325,834	(1,853,803)	831,121	29,303,152
Nonoperating revenues (expenses)	32,116,865	2,011,056	(69,333)	34,058,588
Capital contributions	14,792,401	218,287	-	15,010,688
Increase in net position	77,235,100	375,540	761,788	78,372,428
Net position, beginning of year	531,295,058	40,383,655	7,459,390	579,138,103
Net position, end of year	$ 608,530,158	$ 40,759,195	$ 8,221,178	$ 657,510,531
Condensed statement of cash flows:				
Cash flows from operating activities	$ 38,861,982	$ 177,889	$ 1,862,728	$ 40,902,599
Cash flows from noncapital financing activities	(1,390,822)	-	-	(1,390,822)
Cash flows from capital and related financing activities	(94,187,436)	(1,684,164)	(5,993,549)	(101,865,149)
Cash flows from investing activities	2,945,529	854	979	2,947,362
Intercompany	(1,716,318)	1,352,630	363,688	-
Increase (decrease) in cash and cash equivalents	(55,487,065)	(152,791)	(3,766,154)	(59,406,010)
Cash and cash equivalents beginning of year	345,228,241	1,978,078	5,311,071	352,517,390
Cash and cash equivalent, end of year	$ 289,741,176	$ 1,825,287	$ 1,544,917	$ 293,111,380

(1) The financial information of MPC CONRAC LLC is included in Nashville International Airport as the sole purpose of MPC CONRAC LLC relates to the CONRAC facility at Nashville International Airport, therefore, it is integrated with the Airport for reporting purposes

REQUIRED SUPPLEMENTARY INFORMATION

Metropolitan Nashville Airport Authority
Schedule of Changes in Net Pension Liability (Asset)
Year Ended June 30 for Each of the Years Presented

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service cost	**$ 685,843**	$ 667,297	$ 741,608	$ 679,217	$ 645,437	$ 845,864
Interest	**4,604,838**	4,218,823	4,482,097	4,342,076	3,987,395	3,521,317
Differences between expected and actual experience	**2,027,120**	745,177	(1,259,978)	537,929	677,000	356,625
Changes of assumptions	**7,451,464**	2,942,473	(616,820)	2,516,013	1,676,218	3,581,969
Benefit payments	**(3,507,672)**	(3,059,272)	(2,839,298)	(2,589,887)	(2,552,544)	(2,479,800)
Net change in total pension liability	**11,261,593**	5,514,498	507,609	5,485,348	4,433,506	5,825,975
Total pension liability - beginning	**65,783,404**	60,268,906	59,761,297	54,275,949	49,842,443	44,016,468
Total pension liability - ending (a)	**77,044,997**	65,783,404	60,268,906	59,761,297	54,275,949	49,842,443
Plan fiduciary net position:						
Contributions - employer	**8,900,000**	2,000,000	5,160,905	11,951,995	8,000,000	8,000,000
Net investment income	**4,148,512**	4,968,584	6,771,977	205,790	1,428,204	4,574,509
Benefit payments	**(3,507,672)**	(3,059,272)	(2,839,298)	(2,589,887)	(2,552,544)	(2,479,800)
Net change in plan fiduciary net position	**9,540,840**	3,909,312	9,093,584	9,567,898	6,875,660	10,094,709
Plan fiduciary net position - beginning	**66,225,255**	62,315,943	53,222,359	43,654,461	36,778,801	26,684,092
Plan fiduciary net position - ending (b)	**75,766,095**	66,225,255	62,315,943	53,222,359	43,654,461	36,778,801
Authority's net pension liability (asset) - ending (a) - (b)	**$ 1,278,902**	$ (441,851)	$ (2,047,037)	$ 6,538,938	$ 10,621,488	$ 13,063,642
Plan fiduciary net position as a percentage of the total pension liability	**98.3%**	100.7%	103.4%	89.1%	80.4%	73.8%
Covered payroll	**$ 6,811,701**	$ 8,493,682	$ 8,497,486	$ 8,078,834	$ 7,895,716	$ 7,732,080
Net pension liability as a percentage of covered payroll	**18.8%**	(5.20%)	(24.09%)	80.9%	134.5%	169.0%

Notes to Schedule

Change in assumptions. Effective June 30, 2019, the mortality table was changed from the RP-2014 Generational Mortality Table for Males and Females with improvement Scale MP-2017 to the RP-2014 Generational Mortality table for Males and Females with Improvement Scale MP-2018. The investment rate of return and discount rate ws changed from 7.0% to 6.0%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

Metropolitan Nashville Airport Authority
Schedule of Pension Contributions
Year Ended June 30 for Each of the Years Presented

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	**$ 790,495**	$ 717,344	$ 1,101,679	$ 1,652,788	$ 2,165,146	$ 2,667,945
Contributions in relation to the actuarially determined contribution	**8,900,000**	2,000,000	5,160,905	11,951,995	8,000,000	8,000,000
Contribution deficiency (excess)	**$ (8,109,505)**	$ (1,282,656)	$ (4,059,226)	$ (10,299,207)	$ (5,834,854)	$ (5,332,055)
Covered payroll	**$ 6,811,701**	$ 7,440,484	$ 8,493,682	$ 8,497,486	$ 8,078,834	$ 7,895,716
Contributions as a percentage covered payroll	**130.7%**	26.9%	60.8%	140.7%	99.0%	101.3%

Notes to Schedule

Actuarially determined contribution rates are based on the most recent valuation date, which was June 30, 2019. Methods and assumptions used to determine contribution rates are as follows:

Actuarial valuation method	Entry age normal
Asset valuation method	Fair market value for Statement No. 67 and Statement No. 68 Fair market value is based on quoted market prices
Amortization method	Level Dollar
Amortization period	For Statement No. 68 as of June 30, 2018 and June 30, 2019 Investment gains or losses are amortized over 5 years. Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 2 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.
Inflation	2.25%, per annum, compounded annually
Salary increases	4%, per annum, compounded annually
Investment rate of return	6%, per annum, compounded annually
Discount rate	6%, per annum for funding purposes
Retirement age	Estimated experience for general employees (10% at age 55, 40% at age 62, and 50% at age 65) Normal retirement age of 55 with 10 years of service, but no later than 65, for public safety employees
Mortality	RP-2014 Generational Mortality Table with rates projected using Scale MP-2018

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

Metropolitan Nashville Airport Authority
Schedule of Changes in Net OPEB Liability
Year Ended June 30 for Each of the Years Presented

	2019	2018	2017
Total OPEB liability:			
Service cost	**$ 1,110,421**	$ 1,287,152	$ 1,259,595
Interest	**1,445,441**	1,478,732	1,346,638
Differences between expected and actual experience	**(2,713,939)**	(2,340,217)	809,991
Changes of assumptions	**(1,225,616)**	-	1,205,435
Benefit payments	**(1,081,219)**	(1,346,874)	(1,191,983)
Net change in total OPEB liability	**(2,464,912)**	(921,207)	3,429,676
Total OPEB liability - beginning	**36,106,811**	37,028,018	33,598,342
Total OPEB liability - ending (a)	**33,641,899**	36,106,811	37,028,018
Plan fiduciary net position:			
Contributions - employer	**3,081,219**	10,195,977	7,983,073
Net investment income	**1,595,233**	1,204,489	1,016,930
Benefit payments	**(1,081,219)**	(1,346,874)	(1,191,983)
Administrative expenses	**(52,660)**	(31,165)	(18,854)
Net change in plan fiduciary net position	**3,542,573**	10,022,427	7,789,166
Plan fiduciary net position - beginning	**25,311,522**	15,289,095	7,499,929
Plan fiduciary net position - ending (b)	**28,854,095**	25,311,522	15,289,095
Authority's net OPEB liability - ending (a) - (b)	**$ 4,787,804**	$ 10,795,289	$ 21,738,923
Plan fiduciary net position as a percentage of the total OPEB liability	**85.8%**	70.1%	41.3%
Covered payroll	**$ 9,777,169**	$ 11,523,443	$ 16,792,985
Net OPEB liability as a percentage of covered payroll	**49.0%**	93.7%	129.5%

Notes to Schedule

Change in assumptions. Effective June 30, 2019, from mortality table RP-2014 with improvement scale MP-2017 to mortality table RP-2014 mortality table adjusted to 2006 with generational mortality improvement projected under Projection Scale MP-2018. The aging tabel was changed from a flat 3% each year for aging for attained age 65 to 55 to the Yamamoto aging table for Non-Medicare members. The Medical and Prescription trend was changed from 7.5% graded down to 5% over 11 years to 7.25% graded using the Getzen Model. The discount rate was changed from 4.0% to 5.0%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

Metropolitan Nashville Airport Authority
Schedule of OPEB Contributions
Year Ended June 30 for Each of the Years Presented

	2019	2018	2017
Actuarially determined contribution	**$ 1,200,138**	$ 1,911,323	$ 3,167,615
Contributions in relation to the actuarially determined contribution	**3,081,219**	10,195,977	7,983,073
Contribution deficiency (excess)	**$ (1,881,081)**	$ (8,284,654)	$ (4,815,458)
Covered payroll	**$ 9,777,169**	$ 10,678,528	$ 11,523,443
Contributions as a percentage covered payroll	**31.5%**	95.5%	69.3%

Notes to Schedule

Actuarily determined contribution rates are based on the most recent valuation date, which was June 30, 2019. Methods and assumptions used to determine contribution rates are as follows:

Actuarial valuation method	Entry age normal method
Discount rate	5%
Health care cost trend rate	7.25% graded down using the Getzen model
Inflation rate	5% dental and vision per year
Retirement rates	Varying rates beginning with 5% at age 50 and 100% retirement at age 65.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION

The following is a summary of certain provisions of the Senior Bond Resolution. The summary does not purport to be complete or to follow the exact language of the Senior Bond Resolution and is subject in all respects to the detailed provisions of the Senior Bond Resolution, copies of which are available upon request at the office of the Authority. The capitalization of any word or phrase which is not otherwise defined in this Official Statement or under this caption or not conventionally capitalized indicates that such word or phrase is defined in the Senior Bond Resolution.

Definitions

"Additional Senior Bonds" means any Senior Bonds issued in accordance with the provisions described under "Additional Senior Bonds and Other Indebtedness—*Additional Senior Bonds; Completion Senior Bonds; Senior Refunding Bonds*."

"Airline" means any air transportation company at any time serving the Airport on the basis of one of the Leases.

"Airport" means Nashville International Airport, including any extensions, additions or improvements thereto.

"Airport Consultant" means a nationally recognized firm of consultants experienced in the field of the financial feasibility of airport revenue financing.

"Airport Facilities" means all facilities, equipment, improvements and structures, other than Special Facilities, made available by the Authority 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 Improvement Bond Redemption Fund" means the fund referred to in clause (iv) under "Funds and Accounts."

"Airport Improvement Bond Reserve Fund" means the fund referred to in clause (vi) under "Funds and Accounts."

"Airport Improvement Bond Reserve Fund Requirement" means the amount required to be maintained in the Airport Improvement Bond Reserve Fund with respect to such Series of Senior Bonds as provided in the Supplemental Resolution providing for the issuance thereof.

"Airport Improvement Construction Fund" means the fund referred to in clause (v) under "Funds and Accounts."

"Airport Improvement Principal and Interest Fund" means the fund referred to in clause (iii) under "Funds and Accounts."

"Airport Purpose" means any action or undertaking by the Authority reasonably related to the development and operation of the Airport System as a destination for air commerce or as industrial or commercial sites or related to the development and promotion of air transportation and commerce by air in the State generally and in the Metropolitan Government of Nashville and Davidson County air trade area in particular.

"Airport Revenues" means all income and revenue from all sources, without limitation except as expressly provided in the Senior Bond Resolution, collected or received by the Authority in the operation of the Airport System, including all rates, charges, rentals, fees and any other compensation collected, or received by the Authority in connection with the operation of the Airport System, any money transferred from the Nashville Airports Experience (NAE) Fund, all investment income earned by the Authority except as otherwise expressly provided in the Senior Bond Resolution and any amounts not constituting Airport Revenues which are deposited in the Revenue Fund to be applied in accordance with the provisions of the Senior Bond Resolution; but excludes (a) any income or revenue from any Special Facility (other than rental properly attributable to administrative and other expenses of the Airport System) at any time during which there are outstanding any Special Facility Revenue Bonds with respect to such Special Facility, (b) any grant or any similar payment from any government or public agency, (c) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated under the Senior Bond Resolution, (d) the proceeds of any Support Facility, (e) the proceeds of any passenger facility, customer facility or analogous charge or fee that may hereafter be levied (whether levied on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority, (f) earnings on amounts on deposit in the Construction Fund; *provided, however,* that, for purposes of calculating the coverage requirements set forth under the caption "Senior Rate Covenant," transfers from the Nashville Airports Experience (NAE) Fund (1) shall consist only of deposits made to the Nashville Airports Experience (NAE) in a prior Fiscal Year and (2) shall not exceed 25% of Debt Service on all Senior Bonds Outstanding.

"Airport System" means the Airport, John C. Tune Airport including any extensions, additions or improvements thereto, and includes any other air transportation related facilities added to the definition of Airport System by resolution of the Authority.

"Annual Budget" means the capital and operating budget of the Authority approved by the Board.

"Authority" means the Metropolitan Nashville Airport Authority, a Tennessee public and governmental body created pursuant to Chapter 4 of Title 42 of Tennessee Code Annotated.

"Board" means the Board of Commissioners of the Authority.

"Bondholder" and "holder" means the registered owner of a Senior Bond.

"Costs of Construction" includes, generally, all costs and expenses necessary or desirable and appertaining or incident to construction, acquisition, undertaking or implementing of any Project, as estimated or otherwise ascertained by the Authority as specified in the Senior Bond Resolution.

"Debt Service" means the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Senior Bond Resolution to be deposited during such period or year in the Airport Improvement Principal and Interest Fund to provide for the payment of interest on the Senior Bonds (to the extent not capitalized), to provide for the payment at maturity of the Senior Bonds issued in serial form and to provide for the retirement or mandatory sinking fund redemption of any of the Senior Bonds issued in term form. For the purposes of computing Debt Service with respect to a Series of Senior Bonds issued as Variable Rate Senior Bonds, the interest rate per annum thereon will be determined as follows: (a) with respect to a Series of Variable Rate Senior Bonds Outstanding at the time of calculation, (i) for the purpose of complying with the provisions of the Senior Rate Covenant, the interest rate per annum will be calculated at the weighted average interest rate per annum borne by such issue of Variable Rate Senior Bonds (computed on an actual day basis) for the twelve month period then ended at the time of calculation, and (ii) for the purpose of the Senior Additional Bonds Test, the interest rate per annum will be calculated on the basis of, and (b) with respect to a Series of Variable Rate Senior Bonds proposed to be issued, the interest rate per annum will be assumed to be, the highest of: (i) the actual rate on the date of calculation, or if the Senior Bonds are not yet Outstanding, the initial rate (if established and binding) (ii) if the Senior Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the Senior Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Revenue Bond Index, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities; provided, however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Senior Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon will be determined as follows: (a) with respect to a Series of Variable Rate Senior Bonds at the time of calculation then Outstanding for which the Integrated Swap Agreement in effect, the interest rate will be the sum of (i) the fixed interest rate established under the Integrated Swap Agreement and (ii) to the extent that variable rate payments under the Integrated Swap Agreement are based on an interest index and not the Authority's actual variable rate on the variable Rate Senior Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, whichever is highest, and (b) with respect to Variable Rate Senior Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. If the principal coming due with respect to any Series of Senior Bonds in any year exceeds by more than 25% the amount coming due on all Senior Bonds of such Series in any prior year in which principal is payable, principal payments on such Series will be calculated as if the principal of such Series matures in annual installments resulting in approximately level debt service for all Senior Bonds of such Series over the term of such Series to maturity.

"Designated Financial Officer" means any financial officer of the Authority so designated by the Board.

"Financial Institution" means any issuer or issuers of the Support Facility, its successors and assigns.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year.

"Governmental Obligations" means (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non-callable or redeemable only at the option of the holder and which at the time are legal investments for the moneys proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least $20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii)(A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision will be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2) at the time of their purchase under the Senior Bond Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two nationally recognized bond rating agencies in the highest rating category or (iv) Refunded Municipal Obligations.

"Hedge Agreement" means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

"Integrated Swap Agreement" means any interest rate swap agreement entered into by the Authority with respect to a Series of Senior Bonds having a notional amount equal to the principal amount of such Series of Senior Bonds and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest or (b) a variable rate of interest.

"Integrated Swap Agreement Payments" means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an Integrated Swap Agreement not specifically made on the basis of interest rates.

"Interest Increment Amount" means, as of any particular date of computation and for any particular period or year, with respect to any Variable Rate Senior Bonds the difference, if any, between the rate of interest per annum borne by Variable Rate Senior Bonds in accordance with their terms as set forth in the Supplemental Resolution providing for the issuance thereof for all

holders other than a Financial Institution and the rate such Variable Rate Senior Bonds bear when such Variable Rate Senior Bonds are held by a Financial Institution.

"Interest Payment Date" means, with respect to any particular Series of Senior Bonds, any date on which interest is payable on such Series of Senior Bonds as such date will be established in the Supplemental Resolution providing for the issuance of such Series of Senior Bonds.

"Lease" and "Leases" means those certain Signatory Airline Use and Lease Agreements with respect to the Airport entered into by the Authority as lessor and the Airlines as lessees, and including any other substantially similar Lease Agreement which may be entered into after the date of the Senior Bond Resolution between the Authority and another Airline, in each case as the same may be amended from time to time.

"Nashville Airports Experience (NAE) Fund" means the fund referred to in clause (xi) under "Funds and Accounts."

"Net Revenues" means (i) for any past period or year which has concluded at the time a calculation was made the aggregate of the Airport Revenues minus the Operating Expenses for such past period or year; and (ii) for any future period or year the aggregate of the estimated Airport Revenues, minus the estimated Operating Expenses for such future period.

"Operations and Maintenance Reserve Fund" means the fund referred to in clause (ix) under "Funds and Accounts."

"Operating Expenses" means, with respect to any period of time, all necessary and reasonable expenses incurred (whether paid or accrued) in the maintenance, operation, administration and insuring of the Airport System, including, without limitation, (a) salaries, wages and costs of fringe benefits including employee pension or retirement plans, health insurance, and other fringe benefits provided the aggregate cost of such fringe benefits are comparable to those provided employees of airports of similar size as the Airport System, (b) payments made to The Metropolitan Government of Nashville and Davidson County for contract services actually performed, and (c) costs of materials, supplies and contractual services; but will not include any of Authority's expenses, if any, related to the operation, maintenance, administration, insuring, construction or modification of any Special Facility or the cost of any service provided by a governmental agency for which no charge is paid by the Authority; and total Operating Expenses will be reduced by any reimbursement received by the Authority from any source on account of Operating Expenses. The term "Operating Expenses" will not include: (1) any allowance for depreciation or any amounts for capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements to the Airport System or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (items (1), (2), (3) will be computed using generally accepted accounting principles), (4) payment (including redemption) of Senior Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor and (5) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated under the Senior Bond Resolution.

"Operating Fund" means the fund referred to in clause (ii) under "Funds and Accounts."

"Other Obligations" means any obligations issued in accordance with the provisions described under "Additional Senior Bonds and Other Indebtedness—*Subordinate Lien Obligations*."

"Outstanding" when used with reference to Senior Bonds, subject to the provisions of the Senior Bond Resolution, means as of any particular time all the Senior Bonds authenticated and delivered by the Registrar under the Senior Bond Resolution, except

(a) Senior Bonds theretofore cancelled by the Registrar or delivered to the Registrar cancelled or for cancellation;

(b) Senior Bonds for the payment or redemption of which money or securities in the necessary amount have been deposited with the Paying Agent, and with respect to Senior Bonds to be redeemed prior to maturity, notice of such redemption will have been provided for; and

(c) Senior Bonds in substitution for which other Senior Bonds have been authenticated and delivered pursuant to the terms of the Senior Bond Resolution.

For purposes of the Senior Bond Resolution, in the event any Senior Bonds are issued and sold at a price such that a portion of all of the interest thereon is intended to be earned by accrual of original issue discount, the amount of such Senior Bonds deemed to be Outstanding for the purpose of calculating the principal amount of any such Senior Bonds and the principal amount of Senior Bonds Outstanding in connection with the exercise of any voting right or privilege, the giving of any consent or direction or the taking of any other action that the holders of the Senior Bonds are entitled to take pursuant to the Senior Bond Resolution otherwise, will be the accreted value thereof, determined in accordance with the Senior Bond Resolution. Unless otherwise provided in the Supplemental Resolution providing for the issuance of a Series of Senior Bonds, this paragraph apply only to issues with an original issue discount in excess of 5% from the par amount thereof.

"Paying Agent" means with respect to a Series of Senior Bonds, the Paying Agent appointed for such Series of Senior Bonds by the Authority.

"PFC Revenues" means the proceeds of any passenger facility or analogous charge or fee that is now or may hereafter be levied (whether levied on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority and any investment earnings thereon.

"Prior Outstanding Bonds" means the Outstanding Airport Improvement Revenue Bonds, Series 2003B, the Airport Improvement Revenue Bonds, Series 2015A and the Airport Improvement Revenue Bonds, Series 2015B.

"Project" means a project for any Airport Purpose to be financed from the proceeds of Senior Bonds as defined in a Supplemental Resolution of the Authority.

"Qualified Investments" means any of the following which at the time are legal investments under the laws of the State of Tennessee for the moneys held under the Senior Bond Resolution and then proposed to be invested therein:

(1) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(2) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(3) direct obligations of any state of the United States of America or any subdivision or agency thereof (a) whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation;

(4) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation;

(5) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P.

(6) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are

continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(7) investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation;

(8) repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided:

a. a master repurchase agreement or specific written repurchase agreement governs the transaction; and

b. the securities are held free and clear of any lien by an independent third party acting solely as agent ("Agent") for the Bondholders, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Authority has received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Bondholders; and

c. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Bondholders; and

d. the repurchase agreement has a term of 180 days or less, and the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

e. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(9) Any additional investment approved by each Financial Institution.

"Refunded Municipal Obligations" means obligations of any state or any political subdivision thereof, the District of Columbia or possession of the United States of America which obligations are rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation and provision for the payment of the principal of and interest on which has been made by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and

payable is sufficient to pay when due the principal of and interest on such obligations of such state, political subdivision, the District of Columbia, or possession.

"Registrar" means with respect to a Series of Senior Bonds, the Registrar appointed for such Series of Senior Bonds by the Authority.

"Remarketing Agent" means with respect to a Series of Senior Bonds the Remarketing Agent appointed by the Authority and serving as such under the Remarketing Agreement for such Series, including any successors or assigns.

"Remarketing Agreement" means with respect to any Series of Variable Rate Senior Bonds the agreement entered into by the Authority with a Remarketing Agent which provides for the purchase and remarketing of such Variable Rate Senior Bonds, as such agreement may be supplemented and amended from time to time.

"Renewal and Replacement Fund" means the fund referred to in clause (x) under "Funds and Accounts."

"Revenue Bond Index" means the thirty (30) year Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index.

"Revenue Fund" means the fund referred to in clause (i) under "Funds and Accounts."

"Senior Additional Bonds Test" means the test set forth in clause (2) under the caption "Additional Senior Bonds and Other Indebtedness—*Additional Senior Bonds.*"

"Senior Bond Resolution" means the Resolution No 91-09, adopted by the Board on August 15, 1991, as amended and supplemented from time to time, and, unless the context will clearly indicate otherwise, will include all Supplemental Resolutions.

"Senior Bonds" or "Senior Bond" means or have reference to bonds from time to time authenticated and delivered under the Senior Bond Resolution, including the Prior Outstanding Bonds and bonds of other Series issued on a parity with such Series of Senior Bonds pursuant to the Senior Bond Resolution.

"Senior Rate Covenant" means the rate covenant of the Authority described under the caption "Senior Rate Covenant."

"Senior Refunding Bonds" shall have the meaning described under the caption "Additional Senior Bonds and Other Indebtedness—*Senior Refunding Bonds*."

"Series" or "Series of Senior Bonds" means any particular Series of Senior Bonds issued pursuant to a Supplemental Resolution in accordance with the Senior Bond Resolution.

"Special Facility" means any hangar, maintenance building or other facility or structure acquired or constructed at the Airport System for the use of one or more but not all of the Airlines

or other Airport System tenant, and being used as a Special Facility, the entire cost of which has been paid from the proceeds of Special Facility Revenue Bonds, and with respect to which Special Facility the Authority has entered into a lease or installment sale contract under which rentals or other amounts payable to the Authority must be at least sufficient to pay (a) the entire amount of principal of and interest on Special Facility Revenue Bonds issued to pay the cost of the Special Facility, reserves established in connection with such Special Facility Revenue Bonds, and all other expenses in connection therewith, (b) the Authority's expenses, if any, of operating and maintaining the Special Facility, and (c) administrative and other expenses of the Airport System properly attributable to the Special Facility.

"Special Facility Revenue Bonds" means bonds or other obligations issued by the Authority to pay the cost of acquiring, constructing, improving or adding to any Special Facility, or to refund any such bonds or other obligations.

"State" means the State of Tennessee.

"Supplemental Resolution" means any supplemental resolution adopted by the Authority pursuant to and in compliance with the provisions of the Senior Bond Resolution authorizing the issuance of Senior Bonds or amending or supplementing the provisions of the Senior Bond Resolution as originally adopted or as theretofore amended or supplemented.

"Support Agreement" means the agreement, if any, entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

"Support Facility" means any instrument entered into or obtained in connection with a Series of Senior Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of either (i) the purchase price equal to the principal of and accrued interest on Senior Bonds delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Resolution and discount, if any, incurred in remarketing such Senior Bonds, or (ii) principal of and interest on all Senior Bonds becoming due and payable during the term thereof, or both.

"Trustee" means U.S. Bank, National Association, trustee under the Senior Bond Resolution and its successors in trust.

"Variable Rate Senior Bonds" means any Senior Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Senior Bonds will not be considered to be Variable Rate Senior Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate.

Additional Senior Bonds and Other Indebtedness

Additional Senior Bonds. The Authority will issue no Senior Bonds or other obligations secured by a lien on Net Revenues on a parity with the Senior Bonds under the Senior Bond Resolution except on the following conditions and/or as set forth under "*Completion Senior Bonds; Senior Refunding Bonds; Variable Rate Senior Bonds; Hedge, Support and Other Financial Agreements"* below:

(1) The Designated Financial Officer has found and determined that no Event of Default exists under the Senior Bond Resolution.

(2) Either (i) the Designated Financial Officer has certified that, based on the latest available audited financial statements of the Authority the Airport Revenues after deducting Operating Expenses for that Fiscal Year as derived from said audited financial statements has equaled not less than one hundred percent of average Debt Service on all Senior Bonds Outstanding and the Senior Bonds of the Series then proposed to be issued and any amounts required to be deposited in the Airport Improvement Bond Reserve Fund to make up any deficiencies therein; or (ii) an Airport Consultant has certified that estimated Airport Revenues after deducting Operating Expenses to be derived in each of the three full Fiscal Years following the Fiscal Year in which (a) the Authority estimates a substantial portion of the Project or Projects, the costs of acquisition or construction of which are to be financed by the issuance of such Additional Senior Bonds, will be placed in continuous service or in commercial operation or (b) refunding Senior Bonds are issued, will equal not less than one hundred twenty-five percent of the Debt Service on all Senior Bonds to be Outstanding upon the issuance of such Additional Senior Bonds and including such Additional Senior Bonds and one hundred percent of any amounts required to be deposited in the Airport Improvement Bond Reserve Fund to make up any deficiencies therein.

Completion Senior Bonds. The Authority may, without complying with the provisions of the Senior Additional Bonds Test, issue one or more Series of Senior Bonds for the purpose of completing any Project for which Senior Bonds have been previously issued. Prior to the issuance of any Series of such Senior Bonds the Authority must find and determine that such Project has not been materially changed in scope since the issuance of the initial Series of Senior Bonds for such purpose and that the issuance of such Senior Bonds is necessary to provide funds for the completion of the Project.

Senior Refunding Bonds. The Authority may issue one or more Series of Senior Bonds (herein defined and referred to as "Senior Refunding Bonds") under the Senior Bond Resolution without complying with Senior Additional Bonds Test in the following cases:

(1) Senior Bonds may be issued for the purpose of refunding (including by purchase) within one year prior to maturity any Senior Bond for the payment of which sufficient Airport Revenues are not available. Any Refunding Bond issued for such purpose must mature not (and no sinking fund installments therefor may commence) earlier than the latest stated maturity of any Senior Bond not refunded to be Outstanding after such refunding.

(2) Senior Bonds bearing a fixed rate of interest may be issued at any time for the purpose of refunding (including by purchase) at any time any Senior Bonds bearing a fixed rate of interest, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expenses of issuing the Senior Refunding Bonds and of effecting such refunding, provided that the Debt Service on all Senior Bonds to be Outstanding after the issuance of the Senior Refunding Bonds must not be greater in any Fiscal Year in which Senior Bonds not refunded will remain Outstanding than would have been the Debt Service on Senior Bonds in any such Fiscal Year were such refunding not to occur.

(3) Variable Rate Senior Bonds may be issued at any time for the purpose of refunding (including by purchase) at any time any Senior Bonds bearing a fixed rate of interest, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expenses of issuing the Senior Refunding Bonds and of effecting such refunding, provided that the Debt Service on all Senior Bonds to be Outstanding after the issuance of the Senior Refunding Bonds (assuming such Variable Rate Senior Bonds bear a fixed rate of interest equal to the highest of: (i) the actual rate on the date of calculation, or if the Senior Bonds are not yet Outstanding, the initial rate (if established and binding), (ii) if the Senior Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the Senior Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Revenue Bond Index, or (2) if interest is not so excludable, the interest rate on direct U. S. Treasury obligations with comparable maturities must not be greater in any Fiscal Year in which Senior Bonds not refunded will remain Outstanding than would have been the Debt Service on Senior Bonds in any such Fiscal Year were such refunding not to occur.

Special Facility Revenue Bonds. The Authority may issue Special Facility Revenue Bonds without regard to the Senior Additional Bonds Test, if the lease or installment sale contract securing such Special Facility Revenue Bonds must make provision for amounts payable to the Authority, as Airport Revenues, properly attributable to the Special Facility as administrative and other expenses of the Airport System; provided, however, that the construction of a Special Facility and the issuance of Special Facility Revenue Bonds must not result in a reduction in Net Revenues or otherwise impair the security afforded Bondholders under the Senior Bond Resolution.

Subordinate Lien Obligations. The Authority may issue bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Airport Revenues subject and subordinate, and secured by a lien and pledge on the Airport Revenues junior and inferior, to the lien and pledge on the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds.

Variable Rate Senior Bonds. The Authority may issue Variable Rate Senior Bonds. The Supplemental Resolution or Resolutions providing for the issuance of such Variable Rate Senior Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into Support Agreements in connection therewith, enter into Remarketing Agreements and appoint Remarketing Agents in accordance with standards specified in the Supplemental

Resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Resolution, provide for the determination or establishment of rates of interest based on determinations of a Remarketing Agent, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for an Interest Increment Amount, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Senior Bonds, provide for special redemption or purchase provisions for such Variable Rate Senior Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Senior Bonds.

Other Credit Provisions. The Authority may agree to such terms, provisions, covenants and agreements with the provider of a Support Facility with respect to a Series of Senior Bonds and may incorporate such terms, provisions and covenants into the Supplemental Resolution providing for the issuance of such Series of Senior Bonds; provided such terms, provisions, covenants and agreements must not adversely affect the holders of any other Series of Senior Bonds. Any such term, provision, covenant or agreement which adversely affects the holders of any other Series of Senior Bonds will be of no force and effect.

Hedge, Support and Other Financial Agreements. The Authority may enter into Hedge Agreements, Support Agreements or other financial agreements under which payments (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Senior Bonds; provided such payments must meet the Senior Additional Bonds Test*;* provided, further, that Integrated Swap Agreement Payments will be treated as payment of interest on Senior Bonds. In the event any such payments, other than payments constituting principal of, premium, if any, and interest on, Senior Bonds, will be secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Senior Bonds, a separate account must be established in the Airport Improvement Principal and Interest Fund for the payment thereof and payments to such account must be made ratably from Net Revenues at the time Net Revenues are disbursed to the other accounts in the Airport Improvement Principal and Interest Fund pursuant to (c) under "Application of Airport Revenues." For the purposes of the Senior Rate Covenant and Senior Additional Bonds Test, and for any other provision of the Senior Bond Resolution as otherwise appropriate, any obligation to make payments which are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Senior Bonds as provided in this paragraph will be deemed and treated as a "Senior Bond" under the Senior Bond Resolution.

Passenger Facility Charges. The Authority may by Supplemental Resolution, upon complying with the Senior Additional Bonds Test, (i) grant as additional security a pledge of and lien on, and a security interest for the benefit of Bondholders in, PFC Revenues to a particular Series of Senior Bonds ("PFC Bonds") issued under the Senior Bond Resolution, and (ii) provide that, upon compliance with such terms and provisions as may be set forth in the Supplemental Resolution providing for the issuance thereof, such Series of PFC Bonds will be secured solely by

a pledge of and lien on such PFC Revenues. In the event the Supplemental Resolution providing for the issuance of a Series of PFC Bonds also contains provisions as set forth in (ii), the Authority must set forth in a separate resolution (a "PFC Resolution") adopted prior to the time such Series of PFC Bonds is issued the terms and provisions of which will apply to such Series of PFC Bonds at such time as such PFC Bonds are no longer secured by the Net Revenues.

In the event the Authority issues a Series of PFC Bonds, the following provisions will apply so long as such Series of PFC Bonds are Outstanding under the Senior Bond Resolution:

(i) PFC Revenues must be segregated in a separate account in the Revenue Fund (the "Segregated Account") and must be disbursed solely as follows to the following accounts in the order of priority as set forth below and, to the extent any PFC Revenues remain in such Segregated Account at the end of a Fiscal Year, may be transferred to and deposited in a separate fund or account established under the PFC Resolution and may be applied to any lawful purpose:

(1) an interest account in the Airport Improvement Principal and Interest Fund in which must be deposited PFC Revenues necessary to pay interest on such Series of PFC Bonds.

(2) a principal account in the Airport Improvement Principal and Interest Fund in which must be deposited PFC Revenues necessary to pay principal of such Series of PFC Bonds.

(3) an account in the Airport Improvement Bond Reserve Fund in which must be deposited PFC Revenues necessary to maintain such account in amount established in the Supplemental Resolution providing for the issuance of such Series of PFC Bonds.

(ii) The PFC Revenues will be treated as Airport Revenues for the purposes of the Senior Rate Covenant and the Senior Additional Bonds Test.

(iii) PFC Revenues consisting of investment earnings must be deposited in the Revenue Fund, credited to the Segregated Account and applied in the same manner as all other PFC Revenues on deposit therein. Investment earnings on the proceeds of a Series of PFC Bonds (a) on deposit in the Airport Improvement Construction Fund must be retained therein and applied to the same purposes as the proceeds of such Series of PFC Bonds and after completion of any Project financed with said Series of PFC Bonds must be deposited in Revenue Fund for credit to the Segregated Account, (b) on deposit in an account in the Airport Improvement Bond Reserve Fund must be deposited in the Revenue Fund for credit to the Segregated Account. All excess proceeds of any Series of PFC Bonds, whether in the Airport Improvement Construction Fund or the Airport Improvement Bond Reserve Fund, must be deposited in Revenue Fund for credit to the Segregated Account.

(iv) To the extent there is any deficiency in any account referred to in clause (i) above, PFC Revenues credited to the Segregated Account must be applied to make up any such deficiency in any such account, and in the event PFC Revenues credited to the Segregated Account are insufficient to make up such deficiency, Net Revenues must be

credited to said account in an amount necessary, together with the PFC Revenues on deposit therein, to make up such deficiency. To the extent Net Revenues are credited to any account to make up any deficiency and PFC Revenues subsequently become available prior to the expenditure of such Net Revenues, such Net Revenues must be immediately restored to the Revenue Fund.

At such time as such Series of PFC Bonds is no longer secured by the Net Revenues, such PFC Bonds will be deemed to be no longer Outstanding under the Senior Bond Resolution and will be outstanding solely for the purpose of the PFC Resolution. Any PFC Revenues on credit to the Segregated Account and proceeds of the Series of PFC Bonds, whether on deposit in the Airport Improvement Construction Fund or Airport Improvement Bond Reserve Fund, held under the Senior Bond Resolution must be transferred to and applied in the manner provided in the PFC Resolution.

Funds and Accounts

The funds listed in (i) and (ii) below were continued under the Senior Bond Resolution. All other funds listed below were created under the Senior Bond Resolution. All such funds are held and administered by the Authority.

(i) Revenue Fund;

(ii) Operating Fund;

(iii) Airport Improvement Principal and Interest Fund Principal and Interest Fund, and therein an Interest Account and a Principal Account for each Series of Senior Bonds;

(iv) Airport Improvement Bond Redemption Fund;

(v) Airport Improvement Construction Fund;

(vi) Airport Improvement Bond Reserve Fund, and therein an account with respect to each Series of Senior Bonds;

(vii) Commitment Fee Fund;

(viii) Support Facility Fund;

(ix) Operations and Maintenance Reserve Fund;

(x) Renewal and Replacement Fund; and

(xi) Nashville Airports Experience (NAE) Fund.

Revenue Fund. All Airport Revenues are required to be deposited in the Revenue Fund and will be disbursed as described below under "—-Application of Airport Revenues."

Operating Fund. Amounts on deposit in the Operating Fund used solely for the purpose of paying Operating Expenses.

Airport Improvement Principal and Interest Fund. An Interest Account and a Principal Account for each Series of Senior Bonds is required to be established in the Airport Improvement Principal and Interest Fund and amounts on deposit in each Principal and Interest Account will be disbursed solely for the purpose of paying principal of and interest on the Senior Bonds of the Series for which such accounts were created as the same come due, and to the full extent of money therein available for that purpose, to redeem Senior Bonds of the Series for which such accounts were created in the manner provided in the Senior Bond Resolution, and may not be applied to the payment of principal of or interest on any other Series of Senior Bonds.

Airport Improvement Bond Redemption Fund. Amounts on deposit in the Airport Improvement Bond Redemption Fund will be disbursed solely for the purpose of paying principal of and interest due on Senior Bonds called for redemption or otherwise paid in advance of maturity.

Airport Improvement Construction Fund. Amounts on deposit in the Airport Improvement Construction Fund will be disbursed to pay Costs of Construction in the manner provided in the Senior Bond Resolution.

Airport Improvement Bond Reserve Fund. An account with respect to each Series of Senior Bonds is required to be established and maintained in the Airport Improvement Bond Reserve Fund. Amounts on deposit in each such account must be disbursed solely for the purpose of paying principal of and interest on Senior Bonds of the Series for which such account was established for the payment of which there is insufficient money in the Airport Improvement Principal and Interest Fund and the holders of any other Series of Senior Bonds has no right to payment of principal of or interest on Senior Bonds from or lien on amounts on deposit in such account. The Airport Improvement Bond Reserve Fund Requirement must be determined at the time of issuance of each Series of Senior Bonds, July 1 of each year and such other time or times as the Authority hall determine. The Airport Improvement Bond Reserve Fund Requirement with respect to any Series of Senior Bonds and the manner in which such Airport Improvement Bond Reserve Fund Requirement is initially funded, the sources of such initial funding and the period of time in which such initial funding must be completed will be as set forth in the Supplemental Resolution providing for the issuance of such Series of Senior Bonds.

When a Series of Senior Bonds is refunded or is otherwise paid so that all of the Senior Bonds of such Series are no longer Outstanding, moneys may be withdrawn from the Airport Improvement Bond Reserve Fund to pay or provide for the payment of such Senior Bonds or refunded Senior Bonds, as the case may be, or may be transferred and applied to any reserve fund or account established for the refunding Senior Bonds issued to refund such refunded Senior Bonds or may be otherwise applied in a manner which in the opinion of bond counsel to the Authority will not adversely affect the exclusion of interest on the Senior Bonds from gross income of the holders thereof for federal income tax purposes; provided that immediately after such withdrawal or transfer there is on credit to the Airport Improvement Bond Reserve Fund an amount equal to the Airport Improvement Bond Reserve Fund Requirement.

In lieu of the deposit of moneys in the Airport Improvement Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Authority for the benefit of the holders of the Senior Bonds or a letter of credit in an amount equal to the difference between the Airport Improvement Bond Reserve Fund Requirement and the amounts then on deposit in the Airport Improvement Bond Reserve Fund with respect to the Senior Bonds of a Series. The surety bond, insurance policy or letter of credit must be payable (upon the giving of notice as required under the Senior Bond Resolution) on any date on which (a) moneys will be required to be withdrawn from the Airport Improvement Bond Reserve Fund and applied to the payment of the principal of or interest on the Senior Bonds of a Series with respect to which such surety bond, insurance policy or letter of credit was obtained, and (b) such withdrawals cannot be made from amounts credited to the appropriate account in the Airport Improvement Bond Reserve Fund. The insurer providing such surety bond or insurance policy must be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a least the "A" category or equivalent by either Standard & Poor's Rating Group or Moody's Investors Service, or their successors. The letter of credit issuer must be a bank or trust company which is rated not lower than the third highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, or their successors. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph the Authority will be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Airport Improvement Bond Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as will provide that the amount credited to the Airport Improvement Bond Reserve Fund equals the Airport Improvement Bond Reserve Fund Requirement for such Series of Senior Bonds. The Authority will be further obligated to pay such interest on any disbursement made pursuant to a surety bond, insurance policy or letter of credit as may be specified therein and the related expenses of the provider of such surety bond, insurance policy or letter of credit and such amounts must be payable to such provider in the same manner and at the same time as any other deposits required to be made to the Airport Improvement Bond Reserve Fund as described in subsection (d) under the caption "— Application of Airport Revenues."

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Airport Improvement Bond Reserve Fund ceases to have a rating described in the immediately preceding paragraph, the Authority must use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but is not obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Airport Revenues in the Airport Improvement Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another and such surety bond, insurance policy or letter of credit will fully satisfy the Airport Improvement Bond Reserve Requirement with respect to a particular Series of Senior Bonds notwithstanding such decrease in rating.

The Authority may establish one account for one or more Series of Senior Bonds in the Airport Improvement Principal and Interest Fund and the Airport Improvement Bond Reserve Fund if all such Series of Senior Bonds (i) are Variable Rate Senior Bonds, (ii) are issued simultaneously and (iii) bear interest calculated pursuant to identical interest rate calculation and payment provisions. If any of the foregoing conditions are not met with respect to any Series of Senior Bonds, separate accounts must be established in the Airport Improvement Principal and

Interest Fund and the Airport Improvement Bond Reserve Fund for each Series of Senior Bonds which do not meet such requirements.

In the event a Series of Senior Bonds ("Refunding Series") is issued to refund another Series of Senior Bonds (a "Refunded Series") in part for savings such that a portion of such Refunded Series remains Outstanding thereafter, the Designated Financial Officer may in the Certificate of Determination deem the Refunding Series to be part of the Refunded Series solely for the purpose of the provisions described under "*—Airport Improvement Bond Reserve Fund*" pertaining to the account established for such Refunded Series, and the Airport Improvement Bond Reserve Fund Requirement for the Refunded Series will apply to the Refunding Series and the Refunded Series as if they were a single Series of Senior Bonds.

Commitment Fee Fund. Amounts on deposit in the Commitment Fee Fund will be used to pay commitment fees payable to Financial Institutions with respect to Support Facilities obtained in connection with Senior Bonds.

Support Facility Fund. Amounts on deposit in the Support Facility Fund will be used to pay fees and charges (other than commitment fees) payable to Financial Institutions in connection with Support Facilities obtained in connection with Senior Bonds.

Operations and Maintenance Reserve Fund. Amounts on deposit in the Operations and Maintenance Reserve Fund may be used to pay Operating Expenses in the event of any insufficiency in the Operating Fund for the payment thereof. After initial funding of the Operations and Maintenance Reserve Fund as described in clause (g) under "—Application of Airport Revenues," the Operations and Maintenance Reserve Fund must be maintained in an amount equal to two (2) months of the estimated Operating Expenses for each Fiscal Year commencing with Fiscal Year 2021 or such other amount as determined in a resolution of the Authority.

Renewal and Replacement Fund. Amounts on deposit in the Renewal and Replacement Fund may be used to pay for renewals or replacements of the Airport. After initial funding of the Renewal and Replacement Fund as described in clause (h) under "—Application of Airport Revenues," the Renewal and Replacement Fund must be maintained in an amount equal to Five Million dollars ($5,000,000) or such other amount as determined in a resolution of the Authority.

Nashville Airports Experience (NAE) Fund. Amounts on deposit in the Nashville Airports Experience (NAE) Fund must be used to remedy any deficiency in any of the funds enumerated in under "—Application of Airport Revenues" in order of priority and to the extent not so used may be applied to any lawful purpose of the Authority.

Application of Airport Revenues

All Airport Revenues must after receipt by the Authority be deposited for credit to the Revenue Fund which Airport Revenues must be disbursed from the Revenue Fund in the following order of priority:

(a) First, to make deposits to the credit of the Operating Fund. In each month there must be deposited in the Operating Fund an amount equal to 1/12 of the Operating Expense portion of the Annual Budget.

(b) Next, to make deposits to the credit of the Commitment Fee Fund in each month in an amount so that there will be on deposit therein the commitment fees payable to a Financial Institution with respect to a Support Facility as the same become due and payable.

(c) Next to make deposits to the credit of the Airport Improvement Principal and Interest Fund. In each month, commencing with the 25th day of the month which follows the last month for which interest on such Series of Senior Bonds, if any, is fully provided from moneys credited to a Construction Interest Account, (a) with respect to each Series of Senior Bonds (other than Variable Rate Senior Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such 25th day and continuing on the 25th day of each month thereafter so long as any of the Senior Bonds of such Series are Outstanding, there must be credited to the Interest Account an amount such that, if the same amount were so credited to the Interest Account on the 25th day of each succeeding month thereafter, the aggregate of such amounts on credit to the Interest Account on the 25th day of the month preceding an Interest Payment Date will be equal to the installment of interest falling due on the Senior Bonds on such Interest Payment Date or the amount required to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Senior Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the 25th day of the month prior to each Interest Payment Date there must be credited to the Interest Account the amount required together with other funds available therefor in the Interest Account, to pay, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, the interest payable on the Outstanding Variable Rate Senior Bonds on such Interest Payment Date. In each month, commencing with the 25th day of the month which is twelve (12) months prior to the first principal payment date of such Senior Bonds maturing serially or the first installment to provide for the retirement of Senior Bonds in "term bond" form and on the 25th day of each month thereafter so long as any of such Senior Bonds are Outstanding, there must be credited to the Principal Account an amount such that, if the same amount were so credited to the Principal Account for such Series on the 25th day of each succeeding month thereafter, the aggregate of such amounts on credit to the Principal Account will on the principal payment date or date upon which a sinking fund installment falls due be equal to the principal amount of all such Series of Senior Bonds becoming due on such principal payment date or be sufficient to redeem the term Senior Bonds of such Series in the principal amounts and at the times specified in the Supplemental Resolution authorizing the issuance thereof, as the case may be. Deposits required to be made pursuant to this paragraph (c) shall not include principal or interest on Senior Bonds paid or to be paid from amounts that are not Airport Revenues; provided, however, that in order to exclude deposits required to be made pursuant to this paragraph (c) with respect to principal or interest on Senior Bonds paid or to be paid from PFC Revenues, the Authority must designate such PFC Revenues as "PFCs Available for Debt Service" by filing a certificate signed by a Designated Financial Officer that includes (a) a representation on behalf of the Authority that such PFC Revenues, when received by the Authority, may be validly designated as and included in "PFCs Available for Debt Service" and are or will be legally available to pay the principal of, premium, if any, and interest on all or a portion of the Senior Bonds, (b) the amount of PFC Revenues that are being designated as and included in "PFCs Available for Debt Service," (c) identify the special account(s) such "PFCs Available for Debt Service" are to be deposited to, and (d) the time period during which such PFC Revenues will be designated as and included in "PFCs Available for Debt Service."

After the filing of such certificate, the Authority shall cause the "PFCs Available for Debt Service" designated therein to be deposited to the special account(s) identified in such certificate and used to pay principal of and interest on the applicable Series of Senior Bonds. Notwithstanding any other provision hereof, if such "PFCs Available for Debt Service" are subject to any prior pledge or lien or irrevocable commitment, the application thereof to the payment of principal of and interest on the Senior Bonds shall be subordinate to the terms of such pledge or lien or irrevocable commitment and the certificate of the Designated Financial Officer designating the "PFCs Available for Debt Service" shall indicate the amount of the obligation payable in such Fiscal Year from the "PFCs Available for Debt Service" pursuant to such pledge or lien or irrevocable commitment.

(d) Next to make deposits to the credit of the Airport Improvement Bond Reserve Fund. In each month there must be deposited in each account in the Airport Improvement Bond Reserve Fund the amount required by the provisions of the Senior Bond Resolution. At any time after completion of the initial funding of an account in the Airport Improvement Bond Reserve Fund established with respect to a Series of Senior Bonds in accordance with the Supplemental Resolution providing for the issuance of such Series of Senior Bonds, if a deficiency in an account in the Airport Improvement Bond Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on a particular Series of Senior Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from such account in the Airport Improvement Bond Reserve Fund the Authority must deposit from the Net Revenues on deposit in the Revenue Fund after making the deposits in clauses (a) through (c) to the deficient account in the Airport Improvement Bond Reserve Fund at least an amount which, if the same amount were so deposited to such account in the Airport Improvement Bond Reserve Fund in each month thereafter until the last day of the month which is twelve (12) months from the making of the first of such deposits, there will be on deposit in such account in the Airport Improvement Bond Reserve Fund on such day an amount not less than the Airport Improvement Bond Reserve Requirement for such Series of Senior Bonds. When the amount in an account in the Airport Improvement Bond Reserve Fund is equal to or exceeds the Airport Improvement Bond Reserve Fund Requirement for the related Series of Senior Bonds, no further deposits need be made into such Airport Improvement Bond Reserve Fund and any excess may be transferred to the Nashville Airports Experience (NAE) Fund.

(e) Next to make deposits to the Support Facility Fund in amounts sufficient to pay all fees and charges to the Financial Institution in connection with a Support Facility other than amounts constituting commitment fees or interest on Senior Bonds held by such Financial Institution.

(f) Next to provide for the payment of the next succeeding installment of Other Obligations and any amounts required to be deposited in any reserve funds established therefor.

(g) Next to the Operations and Maintenance Reserve Fund in amounts sufficient to complete the initial funding of the Operations and Maintenance Reserve Fund in Fiscal Year 2020 and thereafter replenish during the next Fiscal Year any withdrawals from the Operations and Maintenance Reserve Fund.

(h) Next to the Renewal and Replacement Fund in amounts sufficient to complete the initial funding of the Renewal and Replacement Fund in Fiscal Year 2020 and thereafter replenish during the next Fiscal Year any withdrawals from the Renewal and Replacement Fund.

(i) Money thereafter remaining in the Revenue Fund will be deposited in the Nashville Airports Experience (NAE) Fund.

Money in the Revenue Fund will be allotted to and paid into the various funds hereinbefore referred to in the order in which said funds are listed and on a cumulative basis and if in any month money in the Revenue Fund is insufficient to deposit the required amount in any of said funds the deficiency must, to the extent not paid from the Nashville Airports Experience (NAE) Fund, be made up in the following month or months after payment into all other funds enjoying a prior claim has been made in full.

Money received by the Authority from any of the following sources:

(i) the net proceeds of any condemnation award in the event of the condemnation of all or any part of the Airport System; and

(ii) net insurance proceeds in the event of damage to the Airport Facilities;

must be deposited either in the Nashville Airports Experience (NAE) Fund and applied to the restoration of the Airport Facilities, or if the Authority has determined that the continued operation of the Airport is not feasible, in the Airport Improvement Bond Redemption Fund and applied to the prompt retirement of Senior Bonds by redemption, or by purchase at a price not higher than the redemption price on the next succeeding redemption date.

Investment of Funds

Money in any of the funds created or continued in the Senior Bond Resolution must be invested by the Authority or at the Authority's direction in Qualified Investments. Unless otherwise provided in a Supplemental Resolution with respect to an account established in the Airport Improvement Bond Reserve Fund for a Series of Senior Bonds, money in the Airport Improvement Bond Reserve Fund may be invested in Qualified Investments maturing not later than ten years after the date of investment. Money in the Nashville Airports Experience (NAE) Fund may be invested in Qualified Investments maturing not later than five years after the date of the investment. Money in all other funds may be invested in Qualified Investments maturing not later than the time at which the money so invested is required for the purposes of the fund. Qualified Investments in the Airport Improvement Bond Reserve Fund must be valued as of July 1 of each year or upon withdrawals therefrom at market value, exclusive of accrued interest. A surety bond, letter of credit or insurance policy obtained as described under "*—Airport Improvement Bond Reserve Fund*" must be valued at the amount payable under the Senior Bond Resolution.

All income derived from the investment of money on deposit in the Airport Improvement Construction Fund must be retained in said fund during any period of construction of a Project and thereafter must be deposited in the Revenue Fund. All income derived from the investment of

money on deposit in any other fund to the extent not required to be retained therein to satisfy the funding requirements thereof, must be deposited in the Revenue Fund, except as may otherwise be provided in any Supplemental Resolution authorizing Additional Senior Bonds.

Insurance

The Authority will carry insurance with generally recognized responsible insurers with policies payable to the Authority against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport System. The Authority is required to seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport System, and the Authority must take into consideration the advice of such insurance consultant or consultants in the placement of insurance and the establishment of a self-insurance fund or funds of the Authority as provided in the Senior Bond Resolution.

Any insurance carried by the Authority pursuant to the Senior Bond Resolution may be procured and maintained as part of or in conjunction with any other policy or policies carried by it. The Authority may create and establish special funds for self-insurance. In the event the Authority establishes and maintains any such special funds, the Authority must establish such reasonable reserves as recommended by an insurance consultant and must obtain at least annually a certificate of such insurance consultant regarding the adequacy of such reserves.

The proceeds of all insurance, to the extent the same are paid directly to the Authority, must be applied as follows: (i) the proceeds of fire and extended coverage insurance and war damage insurance must be deposited in the Nashville Airports Experience (NAE) Fund and applied to the repairing, replacing or reconstruction of the damaged or destroyed property and thereafter in the Airport Improvement Bond Redemption Fund; (ii) the proceeds of loss of use insurance must be deposited in the Revenue Fund for use and application as are all other moneys deposited in that Fund; and (iii) the proceeds of liability insurance and workmen's compensation insurance must be applied toward extinguishing or satisfying or remedying the liability, loss or damage with respect to which such proceeds may be paid.

Senior Rate Covenant

(1) The Authority must impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (i) to pay the principal of and interest and premium on the Senior Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operating Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of this Resolution. Without limiting the provisions of the next preceding sentence of this section, at all times and in any and all events such rates,

rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected sufficient to produce Airport Revenues after deducting Operating Expenses, which, together with other available funds, will at least equal one hundred twenty-five percent of Debt Service on all Senior Bonds Outstanding.

(2) The failure to comply with the covenant in the foregoing paragraph shall not constitute an Event of Default under the Senior Bond Resolution if the Authority, within 120 days of such failure to comply, (i) causes an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements as specified in the preceding paragraph; (ii) considers the recommendations of the Airport Consultant, and (iii) takes such action as the Authority, in its discretion, may deem necessary to comply with the preceding paragraph.

Certain Other Covenants of the Authority

Negative Pledge. The Authority will not create or give, or cause to be created or given, or permit to be created or given, or suffer to exist, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport System or assign, pledge, transfer, or, except as provided in the Senior Bond Resolution, hypothecate any Airport Revenues. Except where Additional Senior Bonds are permitted under the Senior Bond Resolution, the Authority will not create or permit the creation of or issue any bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from the Airport Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Senior Bonds.

Sale or Other Disposition of Property. The Authority will not sell or otherwise dispose of real or other properties constituting Airport Facilities required for the efficient operation of the Airport System. Property not required for the efficient operation of the Airport System may be sold or otherwise disposed of by the Authority by law and only if the estimated Airport Revenues to be derived from the remaining properties of the Airport System will be sufficient to enable the Authority to comply with all covenants and conditions of the Senior Bond Resolution. The proceeds of any such sale will be deposited in the Nashville Airports Experience (NAE) Fund.

Special Covenants with Respect to Federal Tax Status of Senior Bonds. The Authority may issue a Series of Senior Bonds under the Senior Bond Resolution the interest on which is either taxable or excludable from gross income for federal income tax purposes. If any Series of Senior Bonds is issued the interest on which is excludable from gross income for federal income tax purposes, so long as any of the Senior Bonds of such Series are Outstanding, the Authority must comply with all applicable provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 as amended and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

Other Covenants. The Authority will: (1) maintain the Airport System, or cause it to be maintained, in good repair and condition, ordinary wear and tear excepted, and will not commit or allow any waste; (2) will promptly take such actions as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Airport Revenues or any part thereof; (3) adopt Annual Budgets; (4) except in connection with a refunding issue, not assent to extensions of time

for payment of interest; (5) keep proper books and accounts and prepare financial statements and provide for the annual auditing of such books and accounts; (6) pay all assessments and charges upon the Airport System promptly.

Defaults and Remedies

Events of Default. Under the Senior Bond Resolution, the happening of one or more of the following events constitute an "Event of Default":

(a) if default is made by the Authority in the due and punctual payment of the principal of or interest or premium (if any) on any Senior Bond when and as the same is due and payable;

(b) if a default occurs in the performance or observance by the Authority of the covenants, agreements and conditions contained in the Senior Rate Covenant (except as provided in subsection 2 thereof);

(c) if the Authority has defaulted in the performance or observance of any of the covenants, agreements or conditions contained in the Senior Bond Resolution or in the Senior Bonds (other than as described in (a) and (b) above), and such default continues for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority by the Trustee, or to the Authority and the Trustee by the holders of not less than 25% in aggregate principal amount of the Outstanding Senior Bonds;

(d) if the Authority (i) admits in writing its inability to pay its debts generally as they come due, (ii) files a petition in bankruptcy or takes advantage of any insolvency act, (iii) makes an assignment for the benefit of its creditors (iv) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (v) in a petition in bankruptcy filed against the Authority, is adjudicated as bankrupt;

(e) if the Authority files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, or if a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of the Authority, a receiver of the Authority, or of the whole or any substantial part of its property, or approving a petition filed against the Authority seeking reorganization of the Authority under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree is not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property, and such custody or control is not be terminated or stayed within 60 days from the date of assumption of such custody or control;

The Trustee must give written notice by mail to all the holders of Senior Bonds as their names and addresses appear upon the books of registry of all events of default known to the Trustee, within thirty (30) days after the occurrence thereof, unless the event of default has been cured before the giving of such notice.

Remedies. In each and every case of an event of default, and during the continuance of such event of default, unless cured by the Authority within 30 days after written notice thereof, and unless the principal of all the Senior Bonds has already become due and payable, the Trustee by notice in writing to the Authority, may, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Senior Bonds must, declare the principal of all the Outstanding Senior Bonds, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Senior Bond Resolution or in the Senior Bonds contained to the contrary notwithstanding.

Upon the occurrence of an Event of Default, the Authority must, upon demand by the Trustee or upon demand made by the holders of 25% in principal amount of the Outstanding Senior Bonds, transfer Net Revenues held by the Authority and all Funds and Accounts established under the Senior Bond Resolution to the Trustee and such Net Revenues and Funds and Accounts will be administered by the Trustee in place of the Authority in accordance with the Senior Bond Resolution.

Actions by Trustee in Event of Default. The Trustee, in case of an event of default, may, and upon the written request of the holders of not less than 25% in principal amount of the Senior Bonds then Outstanding, and upon being indemnified to its satisfaction, may, exercise any or all of the following remedies to the extent that the same is then legally available:

(i) the Trustee may proceed to protect and enforce its rights and the rights of the holders of the Senior Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained in the Senior Bond Resolution or in aid of the execution of any power granted in the Senior Bond Resolution, or for the enforcement of any other appropriate legal or equitable remedy, including all the rights and remedies of a secured party under the Uniform Commercial Code or other applicable law, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Senior Bonds and/or the Senior Bond Resolution;

(ii) the Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the event of default in the payment of principal of or interest on any Senior Bonds, to obtain the appointment of a receiver for the Airport System, which receiver may enter upon and take possession of the Airport System and fix rates and charges and collect all Airport Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The receiver is required to collect and dispose of Airport Revenues in accordance with the terms and conditions of the Senior Bond Resolution or as the court directs.

Waivers. If at any time after the principal of the Senior Bonds has been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, the Authority pays to or deposits with the Trustee a sum sufficient to pay all principal on the Senior Bonds matured prior to such declaration and all matured installments of interest (if any) upon all Senior Bonds, with interest at the rate borne by the Senior Bonds on such overdue principal and premium, if any, and (to the extent legally enforceable) on such overdue

installments of interest, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Senior Bonds due and payable solely by reason of such declaration) have been made good or cured or adequate provisions have been made therefor, then and in every case, the holders of at least 66-2/3% in aggregate principal amount of the Outstanding Senior Bonds, by written notice to the Authority and to the Trustee, may, on behalf of the holders of all the Senior Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, nor will it impair or exhaust any right or power consequent thereon.

Limitation on Suits or Actions by Bondholders. No Bondholder has any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions of the Senior Bond Resolution or of any remedies under the Senior Bond Resolution unless the Trustee, after a request in writing by the holders of 25% in aggregate principal amount of the Outstanding Senior Bonds, and after the Trustee has been assured such reasonable indemnity as it may require, has neglected for 60 days to take such action; provided, however, that the right of any holder of any Senior Bond to receive payment of principal and/or interest on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, may not be impaired or affected without the consent of such holder.

Bondholders' Committee. In the event that the Trustee has failed or refused to comply with the written request or direction of the holders of Senior Bonds as provided under "—*Limitation on Suits or Actions by Bondholders,*" the holders of not less than twenty percent (20%) in principal amount of the Senior Bonds then Outstanding may call a meeting of the holders of Senior Bonds for the purpose of electing a Bondholders' Committee. Such meeting will be called and proceedings thereat will be conducted as required by the Senior Bond Resolution. At such meeting the holders of not less than a majority in principal amount of the Senior Bonds Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting the Bondholders present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Bondholders, to the Bondholders' Committee which will act as trustee for all Bondholders. The Bondholders present in person or by proxy at such meeting, or at any adjourned meeting thereof, (i) may prescribe the manner in which the successors of the persons elected to the Bondholders' Committee at such Bondholders' meeting will be elected or appointed; (ii) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it; and (iii) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee elected by the Bondholders in the manner provided in the Senior Bond Resolution, and their successors, as a Committee, are declared to be trustees for the holders of all the Senior Bonds then Outstanding, and are empowered to exercise in the name of the Bondholders' Committee as trustee, all the rights and powers regarding defaults and remedies conferred on the Trustee or any Bondholder.

Concerning the Trustee, Registrar and Paying Agent

U.S. Bank, National Association, as successor trustee, is Trustee under the Senior Bond Resolution (the "Trustee"). Prior to the occurrence of an Event of Default under the Senior Bond

Resolution, the Trustee has no duties and obligations as trustee under the Senior Bond Resolution other than to act as paying agent or as registrar if so appointed under the Senior Bond Resolution or in a supplemental resolution with respect to a Series of Senior Bonds and upon the occurrence of an Event of Default under the Senior Bond Resolution of which it has actual knowledge, all such estate, properties, rights, powers, trusts, duties and obligations granted to the Trustee under the Senior Bond Resolution will vest in the Trustee unless and until all such Events of Default have been cured in accordance with the provisions of the Senior Bond Resolution. The Senior Bond Resolution contains provisions regarding the appointment and removal of the Trustee. The Authority may at any time remove the Trustee, provided that such removal is subject to revocation by 10% of the holders of Senior Bonds Outstanding and that such removal may not be effected if an Event of Default has occurred and is continuing or there is any deficiency in any fund or account held under the Senior Bond Resolution.

Supplemental Resolutions

Supplements Without Holder Consent. The Authority, may adopt resolutions supplemental to the Senior Bond Resolution without holder consent for any or more of the following purposes:

(a) to add to the covenants and agreements of the Authority under the Senior Bond Resolution, or to surrender any right or power reserved or conferred upon the Authority in the Senior Bond Resolution;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained in the Senior Bond Resolution, or in regard to matters or questions arising under the Senior Bond Resolution, as the Authority may deem necessary or desirable and not inconsistent with the Senior Bond Resolution and which will not adversely affect the interests of the holders of the Senior Bonds;

(c) to subject, describe or redescribe any property subjected or to be subjected to the lien of the Senior Bond Resolution;

(d) to provide for the issuance of Additional Senior Bonds to the extent permitted under the Senior Bond Resolution;

(e) to modify, amend or supplement the Senior Bond Resolution or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Senior Bond Resolution or any resolution supplemental hereto such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 (other than the provisions of Section 316(a)(2) thereof) or similar federal statute;

(f) To grant to or confer upon the holders of the Senior Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(g) To prescribe further limitations and restrictions upon the issuance of Senior Bonds and the incurring of indebtedness by the Authority payable from the Airport Revenues;

(h) To make any modification to a Supplemental Resolution as may be specifically provided for therein with respect to a Series of Variable Rate Senior Bonds and which stipulates that Bondholder consent will not be required, including, but not limited provisions permitting changes in the method of determining or establishing rates of interest, premiums payable upon redemption, serial maturities or sinking fund payments; or

(i) As provided for under "Provisions Not Yet Effective — *Separate Improvements*; *Released Revenues*" but only upon the effectiveness of the provisions described therein.

(j) To modify in any respect any of the provisions of the Senior Bond Resolution, provided that such modifications have no material adverse effect as to any Senior Bond or Senior Bonds which are then Outstanding.

Supplements with Consent. With the consent of the holders of not less than 66-2/3% in aggregate principal amount of the Senior Bonds at the time Outstanding the Authority may from time to time and at any time adopt resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Senior Bond Resolution or of any Supplemental Resolution; provided, however, that no such Supplemental Resolution may (a) extend the fixed maturity of the Senior Bonds (except pursuant to refunding as expressly permitted under the Senior Bond Resolution) or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected (except to the extent permitted under clause (h) under "*—Supplements Without Holder Consent"*), or (b) reduce the aforesaid percentage of holders of Senior Bonds required to approve any such Supplemental Resolution or (c) permit the creation of any lien on the pledged properties prior to or on a parity with the lien of the Senior Bond Resolution, or deprive the holders of the Senior Bonds of the lien created by the Senior Bond Resolution upon said properties, (d) give to any Senior Bond or Senior Bonds any preference over any other Senior Bond or Senior Bonds secured hereby, (e) permit the creation of a mortgage or lien upon the properties constituting a part of the Airport System, (f) rescind or diminish the rights of any Bondholder to receive payment of principal of and/or interest on Senior Bonds on or after their respective due dates or to institute suit for the enforcement of such payment, or (g) otherwise have an adverse effect on Senior Bonds or the security therefor, without the consent of the holders of all the Senior Bonds then Outstanding affected thereby.

Defeasance

The Senior Bond Resolution will cease, determine and become null and void if the Authority pays and discharges the entire indebtedness of all Senior Bonds Outstanding under the Senior Bond Resolution in one or more of the following ways:

(a) by paying or causing to be paid the principal of, and redemption premiums, if any, and interest on Senior Bonds Outstanding under the Senior Bond Resolution, as and when the same become due and payable;

(b) by delivering to the Registrar, for cancellation by it, Senior Bonds Outstanding under the Senior Bond Resolution;

(c) by irrevocably depositing with the Paying Agent for such Senior Bond, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, or (3) a combination of both such moneys and such Governmental Obligations, whichever the Authority deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee, Registrar and Paying Agent pertaining to the Senior Bond with respect to which such deposit is made has been paid or the payment thereof provided for the satisfaction of the Trustee, Registrar and Paying Agent.

Upon the deposit with the Paying Agent, in trust, at or before maturity, of money or Government Obligations, if such Senior Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given, or provisions satisfactory to the Paying Agent has been made for the giving of such notice, all liability of the Authority in respect of such Senior Bonds is completely discharged and the holders thereof will thereafter be entitled only to the payment out of the money deposited with the Paying Agent for their payment.

Provisions Not Yet Effective

The following amendments to the Senior Bond Resolution will not take effect until either (a) the Prior Outstanding Bonds are no longer outstanding, or (b) all the bondholders of such Prior Outstanding Bonds, or any Support Facility Provider required to give such consents on behalf of such bondholders, consent to such provisions.

Separate Improvements. Nothing contained in the Senior Bond Resolution prevents the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Senior Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (b), (e), (g) or (h) of the definition thereof, or any combination of all or a portion of the foregoing, for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. A Separate Improvement ("Separate Improvement") will be any facility or improvement in the Airport System acquired, constructed, renovated, remodeled or rehabilitated with the proceeds of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness payable and secured in the manner prescribed in the first sentence hereof which the Authority determines will (i) not materially adversely affect the Outstanding Senior Bonds, and (ii) so long as any Senior Bonds are Outstanding, (A) produce revenue excluded from the definition of Airport Revenues pursuant to clause (h) of the definition thereof, or (B) have pledged or committed to the payment of all or a portion of the principal, premium, interest and other costs described below any revenues or amounts excluded from the definition of Airport Revenues pursuant to clauses (b), (e) or (g) of the definition thereof, or any combination thereof, sufficient to pay principal of, premium, if any, and interest on the bonds, notes, warrants, certificate or other obligations or evidences of indebtedness issued with respect to any such Separate Improvement and all operation and maintenance and other costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of any such Separate Improvement (including, without limitation, insurance, utilities, payments in lieu of taxes and assessments) and the administrative costs of the Authority associated with any such Separate Improvement. Any

amount attributable to administrative costs must be free and clear of all charges under any agreement or obligation entered into or issued, will be in addition to all other amounts required to be provided for as in the Senior Bond Resolution; and will constitute Airport Revenues and be paid into the Revenue Fund.

The Authority may authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Senior Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (b), (e) or (g) of the definition thereof and all income or revenues derived with respect to any Airport Purpose so financed will constitute Airport Revenues and be paid into the Airport Revenue Fund. Nothing described in this paragraph precludes the Authority from financing any Separate Improvement pursuant to the preceding paragraph.

Released Revenues. The Authority may by a Supplemental Resolution adopted by the Board cause a category of income, receipts or other revenues then included in the definition of "Airport Revenues" as defined in the Senior Bond Resolution to be excluded from such definition for all purposes of the Senior Bond Resolution, which exclusion will 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 Designated Financial Officer that no Event of Default as defined in under the Senior Bond Resolution exists thereunder; and

(b) a certificate or report of the Designated Financial Officer or an Airport Consultant to the effect that Airport 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 Senior Rate Covenant of the Senior Bond Resolution for each of such two Fiscal Years, assuming for the purposes of complying with the last sentence of subsection 1 of the Senior Rate Covenant one hundred fifty percent (instead of one hundred twenty-five percent).

Additional Exclusions from the Definition of Airport Revenues. When the foregoing provisions described under "Provisions Not Yet Effective - *Separate Improvements*; *Released Revenues*" become effective, the following exclusions to the definition of Airport Revenues will also become effective: (g) Released Revenues, and (h) revenues from any Separate Improvement, including, but not limited to, payments under any contract or agreement with respect to such Separate Improvement.

Acceleration as a Remedy. The provisions under the captions "Defaults and Remedies—*Remedies; Waiver*" will be amended to delete the remedy of acceleration of the Bonds and the provisions of the Resolution with respect thereto and shall accordingly be amended to read as follows:

The following amendments to the Senior Bond Resolution shall take effect at such time as the Bondholders of not less than sixty-six and two thirds percent (66-2/3%) in aggregate principal amount of the Senior Bonds at the time Outstanding, including any future Series of Senior Bonds, consent to such amendments.

Qualified Investments.The following is added to the definition of Qualified Investments: (a) Local Government Investment Pool created by T.C.A. Title 9, Chapter 4, Part 7; (b) Guaranteed investment contracts with any financial institution or corporation that at the time of investment has long-term obligations rated at least "A-" or "A3" or equivalent rating, by any nationally recognized rating agency; (c) Forward delivery agreements with any financial institution or corporation that at the time of investment has long-term obligations rated at least "BBB-" or "Baa3" or equivalent rating, by any nationally recognized rating agency under which obligations described in (1) and/or (2) of the definition of Qualified Investments are delivered; (d) Term repurchase agreements with any financial institution or corporation that at the time of investment has long-term obligations rated at least "A-" or "A3" or equivalent rating, by any nationally recognized rating agency, provided that obligations shall be valued at least weekly and posted at a margin of 102% with a third-party custodian.

A*irport Improvement Bond Reserve Fund.* The penultimate paragraph under the caption "Funds and Accounts— Funds and Accounts *Airport Improvement Bond Reserve Fund*" will be amended to read as follows: Notwithstanding any other provision of this Resolution, the Issuer may establish one account for one or more Series of Bonds in the Airport Improvement Principal and Interest Fund and the Airport Improvement Bond Reserve Fund; provided that each Series of Bonds participating in such account(s) may be issued on different dates. Additionally, notwithstanding any other provision of this Resolution, at the time of issuance of a Series of Bonds, the Issuer may elect (with such election being set forth in a Supplemental Resolution) that such Series of Bonds shall not be secured by and shall not participate in the Airport Improvement Bond Reserve Fund.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE BOND RESOLUTION

The following is a summary of certain provisions of the Subordinate Bond Resolution. The summary does not purport to be complete or to follow the exact language of the Subordinate Bond Resolution and is subject in all respects to the detailed provisions of the Subordinate Bond Resolution, copies of which are available upon request at the office of the Authority. The capitalization of any word or phrase which is not otherwise defined in this Official Statement or under this caption or not conventionally capitalized indicates that such word or phrase is defined in the Subordinate Bond Resolution.

Definitions

"Additional Subordinate Bonds" means any Subordinate Bonds issued in accordance with the provisions described under "Additional Subordinate Bonds and Other Indebtedness—*Additional Subordinate Bonds; Completion Subordinate Bonds; Subordinate Refunding Bonds.*"

"Airline" means any air transportation company at any time serving the Airport on the basis of one of the Leases.

"Airport" means Nashville International Airport, including any extensions, additions or improvements thereto.

"Airport Consultant" means a nationally recognized firm of consultants experienced in the field of the financial feasibility of airport revenue financing.

"Airport Facilities" means all facilities, equipment, improvements and structures, other than Special Facilities, made available by the Authority 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 Improvement Bond Redemption Fund" means the fund referred to in clause (iv) under "Funds and Accounts."

"Airport Improvement Bond Reserve Fund" means the fund referred to in clause (vi) under "Funds and Accounts."

"Airport Improvement Bond Reserve Fund Requirement" means the amount required to be maintained in the Airport Improvement Bond Reserve Fund with respect to such Series of Senior Bonds as provided in the Supplemental Resolution providing for the issuance thereof.

"Airport Improvement Construction Fund" means the fund referred to in clause (v) under "Funds and Accounts."

"Airport Improvement Principal and Interest Fund" means the fund referred to in clause (iii) under "Funds and Accounts."

"Airport Purpose" means any action or undertaking by the Authority reasonably related to the development and operation of the Airport System as a destination for air commerce or as industrial or commercial sites or related to the development and promotion of air transportation and commerce by air in the State generally and in the Metropolitan Government of Nashville and Davidson County air trade area in particular.

"Airport Revenues" means all income and revenue from all sources, without limitation except as expressly provided in the Subordinate Bond Resolution, collected or received by the Authority in the operation of the Airport System, including all rates, charges, rentals, fees and any other compensation collected, or received by the Authority in connection with the operation of the Airport System, any money transferred from the Nashville Airports Experience (NAE) Fund, all investment income earned by the Authority except as otherwise expressly provided in the Subordinate Bond Resolution and any amounts not constituting Airport Revenues which are deposited in the Revenue Fund to be applied in accordance with the provisions of the Subordinate Bond Resolution; but excludes (a) any income or revenue from any Special Facility (other than rental properly attributable to administrative and other expenses of the Airport System) at any time during which there are outstanding any Special Facility Revenue Bonds with respect to such Special Facility, (b) any grant or any similar payment from any government or public agency, (c) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated under the Subordinate Bond Resolution, (d) the proceeds of any Support Facility, (e) the proceeds of any passenger facility, customer facility or analogous charge or fee that may hereafter be levied (whether levied on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority, (f) earnings on amounts on deposit in the Subordinate Construction Fund; (g) Released Revenues, and (h) revenues from any Separate Improvement, including, but not limited to, payments under any contract or agreement with respect to such Separate Improvement; *provided, however,* that, for purposes of calculating the coverage requirements set forth in the Subordinate Rate Covenant, transfers from the Nashville Airports Experience (NAE) Fund (1) shall consist only of deposits made to the Nashville Airports Experience (NAE) Fund in a prior Fiscal Year and (2) shall not exceed 10% of Debt Service on all Senior Bonds and Subordinate Bonds Outstanding.

"Airport System" means the Airport, John C. Tune Airport including any extensions, additions or improvements thereto, and includes any other air transportation related facilities added to the definition of Airport System by Supplemental Resolution.

"Annual Budget" means the capital and operating budget of the Authority approved by the Board.

"Authority" means the Metropolitan Nashville Airport Authority, a Tennessee public and governmental body created pursuant to Chapter 4 of Title 42 of Tennessee Code Annotated.

"Board" means the Board of Commissioners of the Authority.

"Bondholder" and "holder" means the registered owner of a Subordinate Bond.

"Costs of Construction" includes, generally, all costs and expenses necessary or desirable and appertaining or incident to construction, acquisition, undertaking or implementing of any Project, as estimated or otherwise ascertained by the Authority as specified in the Subordinate Bond Resolution.

"Commitment Fee Fund" means the fund referred to in clause (vii) under "Funds and Accounts.

"Common Reserve Bonds" means one or more Series of Bonds designated as such in a Supplemental Resolution for which Series of Bonds one account will be established and maintained in the Subordinate Bond Reserve Fund in accordance with the Subordinate Bond Resolution.

"Debt Service" means the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Subordinate Bond Resolution to be deposited during such period or year in the Airport Improvement Principal and Interest Fund to provide for the payment of interest on the Subordinate Bonds (to the extent not capitalized), to provide for the payment at maturity of the Subordinate Bonds issued in serial form and to provide for the retirement or mandatory sinking fund redemption of any of the Subordinate Bonds issued in term form. For the purposes of computing Debt Service with respect to a Series of Subordinate Bonds issued as Variable Rate Subordinate Bonds, the interest rate per annum thereon will be determined as follows: (a) with respect to a Series of Variable Rate Subordinate Bonds Outstanding at the time of calculation, (i) for the purpose of complying with the provisions of the Subordinate Rate Covenant, the interest rate per annum will be calculated at the weighted average interest rate per annum borne by such issue of Variable Rate Subordinate Bonds (computed on an actual day basis) for the twelve month period then ended at the time of calculation, and (ii) for the purpose of the Subordinate Additional Bonds Test, the interest rate per annum will be calculated on the basis of, and (b) with respect to a Series of Variable Rate Subordinate Bonds proposed to be issued, the interest rate per annum will be assumed to be, the highest of: (i) the actual rate on the date of calculation, or if the Subordinate Bonds are not yet Outstanding, the initial rate (if established and binding) (ii) if the Subordinate Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the Subordinate Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Revenue Bond Index, or (2) if interest is not so excludable, the interest rate on direct U. S. Treasury obligations with comparable maturities; provided, however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Subordinate Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon will be determined as follows: (a) with respect to a Series of Variable Rate Subordinate Bonds at the time of calculation then Outstanding for which the Integrated Swap Agreement in effect, the interest rate will be the sum of (i) the fixed interest rate established under the Integrated Swap Agreement and (ii) to the extent that variable rate payments under the Integrated Swap Agreement are based on an interest index and not the Authority's actual variable rate on the variable Rate Subordinate Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, whichever is highest, and (b) with respect to

Variable Rate Subordinate Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. If the principal coming due with respect to any Series of Subordinate Bonds in any year exceeds by more than 25% the amount coming due on all Subordinate Bonds of such Series in any prior year in which principal is payable, principal payments on such Series will be calculated as if the principal of such Series matures in annual installments resulting in approximately level debt service for all Subordinate Bonds of such Series over the term of such Series to maturity. "Debt Service" with respect to Senior Bonds shall have the meaning set forth in the Senior Bond Resolution.

"Designated Financial Officer" means any financial officer of the Authority so designated by the Board.

"Financial Institution" means any issuer or issuers of a Support Facility, its successors and assigns.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year.

"Governmental Obligations" means (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non-callable or redeemable only at the option of the holder and which at the time are legal investments for the moneys proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least $20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii)(A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision will be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2) at the time of their purchase under the Subordinate Bond Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two nationally recognized bond rating agencies in the highest rating category or (iv) Refunded Municipal Obligations.

"Hedge Agreement" means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

"Integrated Swap Agreement" means any interest rate swap agreement entered into by the Authority with respect to a Series of Subordinate Bonds having a notional amount equal to the

principal amount of such Series of Subordinate Bonds and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest or (b) a variable rate of interest.

"Integrated Swap Agreement Payments" means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an Integrated Swap Agreement not specifically made on the basis of interest rates.

"Interest Increment Amount" means, as of any particular date of computation and for any particular period or year, with respect to any Variable Rate Subordinate Bonds the difference, if any, between the rate of interest per annum borne by Variable Rate Subordinate Bonds in accordance with their terms as set forth in the Supplemental Resolution providing for the issuance thereof for all holders other than a Financial Institution and the rate such Variable Rate Subordinate Bonds bear when such Variable Rate Subordinate Bonds are held by a Financial Institution.

"Interest Payment Date" means, with respect to any particular Series of Subordinate Bonds, any date on which interest is payable on such Series of Subordinate Bonds as such date will be established in the Supplemental Resolution providing for the issuance of such Series of Subordinate Bonds.

"Lease" and "Leases" means those certain Signatory Airline Use and Lease Agreements with respect to the Airport entered into by the Authority as lessor and the Airlines as lessees, and including any other substantially similar Lease Agreement which may be entered into after the date of the Subordinate Bond Resolution between the Authority and another Airline, in each case as the same may be amended from time to time.

"Master Subordinate Resolution" means the Resolution No 2019-15, adopted by the Board on October 16, 2019.

"Nashville Airports Experience (NAE) Fund" means the fund referred to in clause (xvii) under "Funds and Accounts."

"Net Revenues" means (i) for any past period or year which has concluded at the time a calculation was made the aggregate of the Airport Revenues minus the Operating Expenses for such past period or year; and (ii) for any future period or year the aggregate of the estimated Airport Revenues, minus the estimated Operating Expenses for such future period.

"Operations and Maintenance Reserve Fund" means the fund referred to in clause (xv) under "Funds and Accounts."

"Operating Expenses" means, with respect to any period of time, all necessary and reasonable expenses incurred (whether paid or accrued) in the maintenance, operation, administration and insuring of the Airport System, including, without limitation, (a) salaries, wages and costs of fringe benefits including employee pension or retirement plans, health insurance, and other fringe benefits, (b) payments made to The Metropolitan Government of Nashville and Davidson County for contract services actually performed, and (c) costs of materials, supplies and contractual services; but will not include any of Authority's expenses, if any, related to the operation, maintenance, administration, insuring, construction or modification of any

Special Facility or the cost of any service provided by a governmental agency for which no charge is paid by the Authority; and total Operating Expenses will be reduced by any reimbursement received by the Authority from any source on account of Operating Expenses. The term "Operating Expenses" will not include: (1) any allowance for depreciation or any amounts for capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements to the Airport System or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (items (1), (2), (3) will be computed using generally accepted accounting principles), (4) payment (including redemption) of Subordinate Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor and (5) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated under the Subordinate Bond Resolution.

"Operating Fund" means the fund referred to in clause (ii) under "Funds and Accounts."

"Other Subordinate Obligations" means any obligations issued in accordance with the provisions described under "Additional Subordinate Bonds and Other Indebtedness—*Subordinate Lien Obligations.*"

"Outstanding" when used with reference to Subordinate Bonds, subject to the provisions of the Subordinate Bond Resolution, means as of any particular time all the Subordinate Bonds authenticated and delivered by the Registrar under the Subordinate Bond Resolution, except

(a) Subordinate Bonds theretofore cancelled by the Registrar or delivered to the Registrar cancelled or for cancellation;

(b) Subordinate Bonds for the payment or redemption of which money or securities in the necessary amount have been deposited with the Paying Agent, and with respect to Subordinate Bonds to be redeemed prior to maturity, notice of such redemption will have been provided for; and

(c) Subordinate Bonds in substitution for which other Subordinate Bonds have been authenticated and delivered pursuant to the terms of the Subordinate Bond Resolution.

For purposes of the Subordinate Bond Resolution, in the event any Subordinate Bonds are issued and sold at a price such that a portion of all of the interest thereon is intended to be earned by accrual of original issue discount, the amount of such Subordinate Bonds deemed to be Outstanding for the purpose of calculating the principal amount of any such Subordinate Bonds and the principal amount of Subordinate Bonds Outstanding in connection with the exercise of any voting right or privilege, the giving of any consent or direction or the taking of any other action that the holders of the Subordinate Bonds are entitled to take pursuant to the Subordinate Bond Resolution otherwise, will be the accreted value thereof, determined in accordance with the Subordinate Bond Resolution. Unless otherwise provided in the Supplemental Resolution providing for the issuance of a Series of Subordinate Bonds, this paragraph apply only to issues with an original issue discount in excess of 5% from the par amount thereof. "Outstanding" with respect to Senior Bonds shall have the meaning set forth in the Senior Bond Resolution.

"Paying Agent" means with respect to a Series of Subordinate Bonds, the Paying Agent appointed for such Series of Subordinate Bonds by the Authority.

"PFC Bonds" shall have the meaning described under the caption "Additional Subordinate Bonds and Other Indebtedness—*Passenger Facility Charges.*"

"PFC Resolution" shall have the meaning described under the caption "Additional Subordinate Bonds and Other Indebtedness—*Passenger Facility Charges*."

"PFC Revenues" means the proceeds of any passenger facility or analogous charge or fee that is now or may hereafter be levied (whether levied on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority and any investment earnings thereon.

"Project" means a project for any Airport Purpose to be financed from the proceeds of Subordinate Bonds as defined in a Supplemental Resolution.

"Qualified Investments" means any of the following which at the time are legal investments under the laws of the State of Tennessee for the moneys held under the Subordinate Bond Resolution and then proposed to be invested therein:

(1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(2) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(3) Direct obligations of any state of the United States of America or any subdivision or agency thereof (a) whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by S&P Global Ratings, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed

general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by S&P Global Ratings;

(4) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's Investors Service and "A-1" or better by S&P Global Ratings;

(5) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P.

(6) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(7) Investments in money-market funds rated "AAAm" or "AAAm-G" by S&P Global Ratings;

(8) Repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by S&P Global Ratings, provided:

a. a master repurchase agreement or specific written repurchase agreement governs the transaction; and

b. the securities are held free and clear of any lien by an independent third party acting solely as agent ("Agent") for the Bondholders, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Authority has received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Bondholders; and

c. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Bondholders; and

d. the repurchase agreement has a term of 180 days or less, and the Agent will value the collateral securities no less frequently than weekly and will liquidate the

collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

e. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(9) Any additional investment approved by each Financial Institution.

(10) Local Government Investment Pool created by T.C.A. Title 9, Chapter 4, Part 7.

(11) Guaranteed investment contracts with any financial institution or corporation that at the time of investment has long-term obligations rated at least "A-" or "A3" or equivalent rating, by any nationally recognized rating agency.

(12) Forward delivery agreements with any financial institution or corporation that at the time of investment has long-term obligations rated at least "BBB-" or "Baa3" or equivalent rating, by any nationally recognized rating agency under which obligations described in (1) and/or (2) above are delivered.

(13) Term repurchase agreements with any financial institution or corporation that at the time of investment has long-term obligations rated at least "A-" or "A3" or equivalent rating, by any nationally recognized rating agency, provided that obligations shall be valued at least weekly and posted at a margin of 102% with a third-party custodian.

"Refunded Municipal Obligations" means obligations of any state or any political subdivision thereof, the District of Columbia or possession of the United States of America which obligations are rated in the highest rating category by Moody's Investors Service and S&P Global Ratings and provision for the payment of the principal of and interest on which has been made by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and payable is sufficient to pay when due the principal of and interest on such obligations of such state, political subdivision, the District of Columbia, or possession.

"Registrar" means with respect to a Series of Subordinate Bonds, the Registrar appointed for such Series of Subordinate Bonds by the Authority.

"Released Revenues" means Released Revenues as defined under "Additional Subordinate Bonds and Other Indebtedness—*Released Revenues.*"

"Remarketing Agent" means with respect to a Series of Subordinate Bonds the Remarketing Agent appointed by the Authority and serving as such under the Remarketing Agreement for such Series, including any successors or assigns.

"Remarketing Agreement" means with respect to any Series of Variable Rate Subordinate Bonds the agreement entered into by the Authority with a Remarketing Agent which provides for

the purchase and remarketing of such Variable Rate Subordinate Bonds, as such agreement may be supplemented and amended from time to time.

"Renewal and Replacement Fund" means the fund referred to in clause (xvi) under "Funds and Accounts."

"Revenue Bond Index" means the thirty (30) year Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index.

"Revenue Fund" means the fund referred to in clause (i) under "Funds and Accounts."

"Senior Bond Resolution" means the Airport Improvement Revenue Bond Resolution No. 91-09 of the Authority adopted August 15, 1991, as supplemented and amended.

"Senior Bonds" means any loans, bonds, notes or other evidences of indebtedness of the Authority issued in accordance with the provisions of the Senior Bond Resolution.

"Separate Improvements" means Separate Improvement as defined under "Additional Subordinate Bonds and Other Indebtedness—*Separate Improvements.*"

"Series" or "Series of Subordinate Bonds" means any particular Series of Subordinate Bonds issued pursuant to a Supplemental Resolution in accordance with the Subordinate Bond Resolution.

"Series 2019 Bonds" means the Authority's Subordinate Airport Revenue Bonds, Series 2019A and of Subordinate Airport Revenue Bonds, Series 2019B.

"Special Facility" or "Special Facilities" means any hangar, maintenance building or other facility or structure acquired or constructed at the Airport System for the use of one or more but not all of the Airlines or other Airport System tenant, and being used as a Special Facility, the entire cost of which has been paid from the proceeds of Special Facility Revenue Bonds, and with respect to which Special Facility the Authority has entered into a lease or installment sale contract under which rentals or other amounts payable to the Authority must be at least sufficient to pay (a) the entire amount of principal of and interest on Special Facility Revenue Bonds issued to pay the cost of the Special Facility, reserves established in connection with such Special Facility Revenue Bonds, and all other expenses in connection therewith, (b) the Authority's expenses, if any, of operating and maintaining the Special Facility, and (c) administrative and other expenses of the Airport System properly attributable to the Special Facility.

"Special Facility Revenue Bonds" means bonds or other obligations issued by the Authority to pay the cost of acquiring, constructing, improving or adding to any Special Facility, or to refund any such bonds or other obligations.

"State" means the State of Tennessee.

"Subordinate Additional Bonds Test" means the test set forth in clause (2) under the caption "Additional Subordinate Bonds and Other Indebtedness—*Additional Subordinate Bonds.*"

"Subordinate Bonds" or "Subordinate Bond" means or have reference to bonds from time to time authenticated and delivered under the Subordinate Bond Resolution, including the Series 2019 Bonds and bonds of other Series issued on a parity with such Series of Subordinate Bonds pursuant to the Subordinate Bond Resolution.

"Subordinate Bond Redemption Fund" means the fund referred to in clause (x) under "Funds and Accounts."

"Subordinate Bond Reserve Fund" means the fund referred to in clause (xii) under "Funds and Accounts."

"Subordinate Bond Reserve Fund Requirement" means (a) unless otherwise provided in a Supplemental Resolution, with respect to Common Reserve Bonds, the lesser of (i) the greatest amount of principal and interest payable on the Common Reserve Bonds in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on the Common Reserve Bonds, or (iii) 10% of the proceeds of the Common Reserve Bonds, and (b) with respect to any Series of Subordinate Bonds that are not Common Reserve Bonds, the amount required to be maintained in the Subordinate Bond Reserve Fund with respect to such Series of Subordinate Bonds as provided in the Supplemental Resolution providing for the issuance thereof.

"Subordinate Bond Resolution" means the Master Subordinate Resolution, as amended and supplemented from time to time, and, unless the context will clearly indicate otherwise, will include all Supplemental Resolutions.

"Subordinate Commitment Fee Fund" means the fund referred to in clause (xiii) under "Funds and Accounts."

"Subordinate Construction Fund" means the fund referred to in clause (xi) under "Funds and Accounts."

"Subordinate Principal and Interest Fund" means the fund referred to in clause (ix) under "Funds and Accounts."

"Subordinate Refunding Bonds" shall have the meaning described under the caption "Additional Subordinate Bonds and Other Indebtedness—*Subordinate Refunding Bonds*."

"Subordinate Support Facility Fund" means the fund referred to in clause (xiv) under "Funds and Accounts."

"Subordinate Rate Covenant" means the rate covenant of the Authority described in the Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS—Subordinate Rate Covenant."

"Supplemental Resolution" means any supplemental resolution adopted by the Authority pursuant to and in compliance with the provisions of the Subordinate Bond Resolution authorizing

the issuance of Subordinate Bonds or amending or supplementing the provisions of the Subordinate Bond Resolution as originally adopted or as theretofore amended or supplemented.

"Support Agreement" means the agreement, if any, entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

"Support Facility" means any instrument entered into or obtained in connection with a Series of Senior Bonds or Subordinate Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of either (i) the purchase price equal to the principal of and accrued interest on Senior Bonds or Subordinate Bonds, as the case may be, delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Resolution and discount, if any, incurred in remarketing such Subordinate Bonds, or (ii) principal of and interest on all Senior Bonds or Subordinate Bonds, as the case may be, becoming due and payable during the term thereof, or both.

"Trustee" means U.S. Bank, National Association, trustee under the Subordinate Bond Resolution and its successors in trust.

"Variable Rate Subordinate Bonds" means any Subordinate Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Subordinate Bonds will not be considered to be Variable Rate Subordinate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate.

Additional Subordinate Bonds and Other Indebtedness

Additional Subordinate Bonds. The Authority will issue no Subordinate Bonds or other obligations secured by a lien on Net Revenues on a parity with the Subordinate Bonds under the Subordinate Bond Resolution except on the following conditions and/or as set forth under "*Completion Subordinate Bonds; Subordinate Refunding Bonds; Variable Rate Subordinate Bonds; Hedge, Support and Other Financial Agreements"* below:

(1) The Designated Financial Officer has found and determined that no Event of Default exists under the Subordinate Bond Resolution.

(2) Either (i) the Designated Financial Officer shall have certified that, based on the latest available audited financial statements of the Authority the Net Revenues for that Fiscal Year as derived from said audited financial statements shall have equaled not less than one hundred percent of average Debt Service on all Senior Bonds, all Subordinate Bonds Outstanding and the Subordinate Bonds of the Series then proposed to be issued and any amounts required to be deposited in the Airport Improvement Bond Reserve Fund and the Subordinate Bond Reserve Fund to make up any deficiencies therein; or (ii) an Airport Consultant shall have certified that estimated Net Revenues to be derived in each of the three

full Fiscal Years following the Fiscal Year in which (a) the Authority estimates a substantial portion of the Project or Projects, the costs of acquisition or construction of which are to be financed by the issuance of such Additional Subordinate Bonds, will be placed in continuous service or in commercial operation or (b) Subordinate Refunding Bonds are issued, shall equal not less than one hundred ten percent of the Debt Service on all Senior Bonds and Subordinate Bonds to be Outstanding upon the issuance of such Additional Subordinate Bonds and including such Additional Subordinate Bonds and one hundred percent of any amounts required to be deposited in the Airport Improvement Bond Reserve Fund and the Subordinate Bond Reserve Fund to make up any deficiencies therein.

Completion Subordinate Bonds. The Authority may, without complying with the provisions of the Subordinate Additional Bonds Test, issue one or more Series of Subordinate Bonds for the purpose of completing any Project for which Subordinate Bonds have been previously issued. Prior to the issuance of any Series of such Subordinate Bonds the Authority must find and determine that such Project has not been materially changed in scope since the issuance of the initial Series of Subordinate Bonds for such purpose and that the issuance of such Subordinate Bonds is necessary to provide funds for the completion of the Project.

Subordinate Refunding Bonds. The Authority may issue one or more Series of Subordinate Bonds (herein defined and referred to as "Subordinate Refunding Bonds") under the Subordinate Bond Resolution without complying with Subordinate Additional Bonds Test in the following cases:

(1) Subordinate Bonds may be issued for the purpose of refunding (including by purchase) within one year prior to maturity any Subordinate Bond for the payment of which sufficient Airport Revenues are not available. Any Refunding Bond issued for such purpose must mature not (and no sinking fund installments therefor may commence) earlier than the latest stated maturity of any Subordinate Bond not refunded to be Outstanding after such refunding.

(2) Subordinate Bonds bearing a fixed rate of interest may be issued at any time for the purpose of refunding (including by purchase) at any time any Subordinate Bonds bearing a fixed rate of interest, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expenses of issuing the Subordinate Refunding Bonds and of effecting such refunding, provided that the Debt Service on all Subordinate Bonds to be Outstanding after the issuance of the Subordinate Refunding Bonds must not be greater in any Fiscal Year in which Subordinate Bonds not refunded will remain Outstanding than would have been the Debt Service on Subordinate Bonds in any such Fiscal Year were such refunding not to occur.

(3) Variable Rate Subordinate Bonds may be issued at any time for the purpose of refunding (including by purchase) at any time any Subordinate Bonds bearing a fixed rate of interest, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expenses of issuing the Subordinate Refunding Bonds and of effecting such refunding, provided that the Debt Service on all Subordinate Bonds to be Outstanding after the issuance of the Subordinate Refunding Bonds (assuming such Variable Rate Subordinate Bonds bear a fixed rate of interest equal to the highest of: (i)

the actual rate on the date of calculation, or if the Subordinate Bonds are not yet Outstanding, the initial rate (if established and binding), (ii) if the Subordinate Bonds have been Outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the Subordinate Bonds is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Revenue Bond Index, or (2) if interest is not so excludable, the interest rate on direct U. S. Treasury obligations with comparable maturities must not be greater in any Fiscal Year in which Subordinate Bonds not refunded will remain Outstanding than would have been the Debt Service on Subordinate Bonds in any such Fiscal Year were such refunding not to occur.

Special Facility Revenue Bonds. The Authority may issue Special Facility Revenue Bonds without regard to the Subordinate Additional Bonds Test, if the lease or installment sale contract securing such Special Facility Revenue Bonds must make provision for amounts payable to the Authority, as Airport Revenues, properly attributable to the Special Facility as administrative and other expenses of the Airport System; provided, however, that the construction of a Special Facility and the issuance of Special Facility Revenue Bonds must not result in a reduction in Net Revenues or otherwise impair the security afforded Bondholders under the Subordinate Bond Resolution.

Subordinate Lien Obligations. The Authority may issue bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Airport Revenues subject and subordinate, and secured by a lien and pledge on the Airport Revenues junior and inferior, to the lien and pledge on the Net Revenues created in the Subordinate Bond Resolution for the payment and security of the Subordinate Bonds.

Variable Rate Subordinate Bonds. The Authority may issue Variable Rate Subordinate Bonds. The Supplemental Resolution or Resolutions providing for the issuance of such Variable Rate Subordinate Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into Support Agreements in connection therewith, enter into Remarketing Agreements and appoint Remarketing Agents in accordance with standards specified in the Supplemental Resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Resolution, provide for the determination or establishment of rates of interest based on determinations of a Remarketing Agent, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for an Interest Increment Amount, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Subordinate Bonds, provide for special redemption or purchase provisions for such Variable Rate Subordinate Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Subordinate Bonds.

Other Credit Provisions. The Authority may agree to such terms, provisions, covenants and agreements with the provider of a Support Facility with respect to a Series of Subordinate Bonds and may incorporate such terms, provisions and covenants into the Supplemental Resolution providing for the issuance of such Series of Subordinate Bonds; provided such terms, provisions, covenants and agreements must not adversely affect the holders of any other Series of

Subordinate Bonds. Any such term, provision, covenant or agreement which adversely affects the holders of any other Series of Subordinate Bonds will be of no force and effect.

Hedge, Support and Other Financial Agreements. The Authority may enter into Hedge Agreements, Support Agreements or other financial agreements under which payments (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Subordinate Bonds; provided such payments must meet the Subordinate Additional Bonds Test; provided, further, that Integrated Swap Agreement Payments will be treated as payment of interest on Subordinate Bonds. In the event any such payments, other than payments constituting principal of, premium, if any, and interest on, Subordinate Bonds, will be secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Subordinate Bonds, a separate account must be established in the Airport Improvement Principal and Interest Fund for the payment thereof and payments to such account must be made ratably from Net Revenues at the time Net Revenues are disbursed to the other accounts in the Airport Improvement Principal and Interest Fund pursuant to (c) under "Application of Airport Revenues." For the purposes of the Subordinate Rate Covenant and Subordinate Additional Bonds Test, and for any other provision of the Subordinate Bond Resolution as otherwise appropriate, any obligation to make payments which are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Subordinate Bonds as provided in this paragraph will be deemed and treated as a "Subordinate Bond" under the Subordinate Bond Resolution.

Passenger Facility Charges. The Authority may by Supplemental Resolution, upon complying with the Subordinate Additional Bonds Test, (i) grant as additional security a pledge of and lien on, and a security interest for the benefit of Bondholders in, PFC Revenues to a particular Series of Subordinate Bonds ("PFC Bonds") issued under the Subordinate Bond Resolution, and (ii) provide that, upon compliance with such terms and provisions as may be set forth in the Supplemental Resolution providing for the issuance thereof, such Series of PFC Bonds will be secured solely by a pledge of and lien on such PFC Revenues. In the event the Supplemental Resolution providing for the issuance of a Series of PFC Bonds also contains provisions as set forth in (ii), the Authority must set forth in a separate resolution (a "PFC Resolution") adopted prior to the time such Series of PFC Bonds is issued the terms and provisions of which will apply to such Series of PFC Bonds at such time as such PFC Bonds are no longer secured by the Net Revenues.

In the event the Authority issues a Series of PFC Bonds, the following provisions will apply so long as such Series of PFC Bonds are Outstanding under the Subordinate Bond Resolution:

(i) PFC Revenues must be segregated in a separate account in the Revenue Fund (the "Segregated Account") and must be disbursed solely as follows to the following accounts in the order of priority as set forth below and, to the extent any PFC Revenues remain in such Segregated Account at the end of a fiscal year, may be transferred to and deposited in a separate fund or account established under the PFC Resolution and may be applied to any lawful purpose:

(1) an interest account in the Subordinate Principal and Interest Fund in which must be deposited PFC Revenues necessary to pay interest on such Series of PFC Bonds.

(2) a principal account in the Subordinate Principal and Interest Fund in which must be deposited PFC Revenues necessary to pay principal of such Series of PFC Bonds.

(3) an account in the Subordinate Bond Reserve Fund in which must be deposited PFC Revenues necessary to maintain such account in amount established in the Supplemental Resolution providing for the issuance of such Series of PFC Bonds.

(ii) The PFC Revenues will be treated as Airport Revenues for the purposes of the Subordinate Rate Covenant and the Subordinate Additional Bonds Test.

(iii) PFC Revenues consisting of investment earnings must be deposited in the Revenue Fund, credited to the Segregated Account and applied in the same manner as all other PFC Revenues on deposit therein. Investment earnings on the proceeds of a Series of PFC Bonds (a) on deposit in the Subordinate Construction Fund must be retained therein and applied to the same purposes as the proceeds of such Series of PFC Bonds and after completion of any Project financed with said Series of PFC Bonds must be deposited in Revenue Fund for credit to the Segregated Account, (b) on deposit in an account in the Subordinate Bond Reserve Fund must be deposited in the Revenue Fund for credit to the Segregated Account. All excess proceeds of any Series of PFC Bonds, whether in the Subordinate Construction Fund or the Subordinate Bond Reserve Fund, must be deposited in Revenue Fund for credit to the Segregated Account.

(iv) To the extent there is any deficiency in any account referred to in clause (i) above, PFC Revenues credited to the Segregated Account must be applied to make up any such deficiency in any such account, and in the event PFC Revenues credited to the Segregated Account are insufficient to make up such deficiency, Net Revenues must be credited to said account in an amount necessary, together with the PFC Revenues on deposit therein, to make up such deficiency. To the extent Net Revenues are credited to any account to make up any deficiency and PFC Revenues subsequently become available prior to the expenditure of such Net Revenues, such Net Revenues must be immediately restored to the Revenue Fund.

At such time as such Series of PFC Bonds is no longer secured by the Net Revenues, such PFC Bonds will be deemed to be no longer Outstanding under the Subordinate Bond Resolution and will be outstanding solely for the purpose of the PFC Resolution. Any PFC Revenues on credit to the Segregated Account and proceeds of the Series of PFC Bonds, whether on deposit in the Subordinate Construction Fund or Subordinate Bond Reserve Fund, held under the Subordinate Bond Resolution must be transferred to and applied in the manner provided in the PFC Resolution.

Separate Improvements. Nothing contained in the Subordinate Bond Resolution prevents the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations

or evidences of indebtedness, other than Subordinate Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (b), (e), (g) or (h) of the definition thereof, or any combination of all or a portion of the foregoing, for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. A Separate Improvement ("Separate Improvement") will be any facility or improvement in the Airport System acquired, constructed, renovated, remodeled or rehabilitated with the proceeds of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness payable and secured in the manner prescribed in the first sentence hereof which the Authority determines will (i) not materially adversely affect the Outstanding Subordinate Bonds, and (ii) so long as any Subordinate Bonds are Outstanding, (A) produce revenue excluded from the definition of Airport Revenues pursuant to clause (h) of the definition thereof, or (B) have pledged or committed to the payment of all or a portion of the principal, premium, interest and other costs described below any revenues or amounts excluded from the definition of Airport Revenues pursuant to clauses (b), (e) or (g) of the definition thereof, or any combination thereof, sufficient to pay principal of, premium, if any, and interest on the bonds, notes, warrants, certificate or other obligations or evidences of indebtedness issued with respect to any such Separate Improvement and all operation and maintenance and other costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of any such Separate Improvement (including, without limitation, insurance, utilities, payments in lieu of taxes and assessments) and the administrative costs of the Authority associated with any such Separate Improvement. Any amount attributable to administrative costs must be free and clear of all charges under any agreement or obligation entered into or issued, will be in addition to all other amounts required to be provided for as in the Subordinate Bond Resolution; and will constitute Airport Revenues and be paid into the Revenue Fund.

The Authority may authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Subordinate Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (b), (e) or (g) of the definition thereof and all income or revenues derived with respect to any Airport Purpose so financed will constitute Airport Revenues and be paid into the Airport Revenue Fund. Nothing described in this paragraph precludes the Authority from financing any Separate Improvement pursuant to the preceding paragraph.

Released Revenues.

(a) The Authority may cause a category of income, receipts or other revenues then included in the definition of "Airport Revenues" to be excluded from such definition for all purposes of this Resolution, pursuant to the Senior Bond Resolution, which exclusion shall be effective without Bondholder consent, or

(b) If no Senior Bonds are Outstanding, the Authority may by a Supplemental Resolution adopted by the Board cause a category of income, receipts or other revenues then included in the definition of "Airport Revenues" as defined in the Subordinate Bond Resolution to be excluded from such definition for all purposes of the Subordinate Bond Resolution, which

exclusion will be effective without Bondholder consent, from the date of adoption of such Supplemental Resolution after receipt by the Board of the following:

(i) a certificate of the Designated Financial Officer that no Event of Default as defined in under the Subordinate Bond Resolution exists thereunder; and

(ii) a certificate or report of the Designated Financial Officer or an Airport Consultant to the effect that Airport 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 Subordinate Rate Covenant of the Subordinate Bond Resolution for each of such two Fiscal Years, assuming for the purposes of complying with the last sentence of subsection 1 of the Subordinate Rate Covenant one hundred fifty percent (instead of one hundred ten percent).

Obligations Incurred Pursuant to the Senior Bond Resolution. Nothing in the Subordinate Bond Resolution shall prevent the Authority from issuing additional Senior Bonds, entering into Hedge Agreements and Support Agreements or obtaining Support Facilities with respect to Senior Bonds in accordance with the Senior Bond Resolution.

Funds and Accounts

The funds listed in (i) and (ii) below were continued under the Subordinate Bond Resolution. All other funds listed below were created under the Subordinate Bond Resolution. All such funds are held and administered by the Authority.

(i) Revenue Fund;

(ii) Operating Fund;

(iii) Airport Improvement Principal and Interest Fund Principal and Interest Fund, and therein an Interest Account and a Principal Account for each Series of Subordinate Bonds;

(iv) Airport Improvement Bond Redemption Fund;

(v) Airport Improvement Construction Fund;

(vi) Airport Improvement Bond Reserve Fund, and therein an account with respect to each Series of Subordinate Bonds;

(vii) Commitment Fee Fund;

(viii) Support Facility Fund;

(ix) Subordinate Principal and Interest Fund Principal and Interest Fund, and therein an Interest Account and a Principal Account for each Series of Subordinate Bonds;

(x) Subordinate Bond Redemption Fund;

(xi) Subordinate Construction Fund;

(xii) Subordinate Bond Reserve Fund, and therein an account with respect to each Series of Subordinate Bonds;

(xiii) Subordinate Commitment Fee Fund;

(xiv) Subordinate Support Facility Fund;

(xv) Operations and Maintenance Reserve Fund;

(xvi) Renewal and Replacement Fund; and

(xvii) Nashville Airports Experience (NAE) Fund.

Revenue Fund. All Airport Revenues are required to be deposited in the Revenue Fund and will be disbursed as described below under "—Application of Airport Revenues."

Operating Fund. Amounts on deposit in the Operating Fund used solely for the purpose of paying Operating Expenses.

Airport Improvement Principal and Interest Fund. For a description of the Airport Improvement Principal and Interest Fund, see Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION—Funds and Accounts—*Airport Improvement Principal and Interest Fund.*

Airport Improvement Bond Redemption Fund. For a description of the Airport Improvement Principal and Interest Fund, see Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION—Funds and Accounts— *Airport Improvement Bond Redemption Fund.*

Airport Improvement Construction Fund. For a description of the Airport Improvement Principal and Interest Fund, see Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION—Funds and Accounts— *Airport Improvement Construction Fund.*

Airport Improvement Bond Reserve Fund. For a description of the Airport Improvement Principal and Interest Fund, see Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION—Funds and Accounts— *Airport Improvement Bond Reserve Fund.*

Commitment Fee Fund. For a description of the Airport Improvement Principal and Interest Fund, see Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION—Funds and Accounts— *Commitment Fee Fund.*

Support Facility Fund. For a description of the Airport Improvement Principal and Interest Fund, see Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR BOND RESOLUTION—Funds and Accounts— *Support Facility Fund.*

Subordinate Principal and Interest Fund. An Interest Account and a Principal Account for each Series of Subordinate Bonds is required to be established in the Subordinate Principal and Interest Fund and amounts on deposit in each Principal and Interest Account will be disbursed solely for the purpose of paying principal of and interest on the Subordinate Bonds of the Series for which such accounts were created as the same come due, and to the full extent of money therein available for that purpose, to redeem Subordinate Bonds of the Series for which such accounts were created in the manner provided in the Subordinate Bond Resolution, and may not be applied to the payment of principal of or interest on any other Series of Subordinate Bonds.

Subordinate Bond Redemption Fund. Amounts on deposit in the Subordinate Bond Redemption Fund will be disbursed solely for the purpose of paying principal of and interest due on Subordinate Bonds called for redemption or otherwise paid in advance of maturity.

Subordinate Construction Fund. Amounts on deposit in the Subordinate Construction Fund will be disbursed to pay Costs of Construction in the manner provided in the Subordinate Bond Resolution.

Subordinate Bond Reserve Fund. An account with respect to each Series of Subordinate Bonds is required to be established and maintained in the Subordinate Bond Reserve Fund. Amounts on deposit in each such account must be disbursed solely for the purpose of paying principal of and interest on Subordinate Bonds of the Series for which such account was established for the payment of which there is insufficient money in the Subordinate Principal and Interest Fund and the holders of any other Series of Subordinate Bonds has no right to payment of principal of or interest on Subordinate Bonds from or lien on amounts on deposit in such account. The Subordinate Bond Reserve Fund Requirement must be determined at the time of issuance of each Series of Subordinate Bonds, July 1 of each year and such other time or times as the Authority hall determine. The Subordinate Bond Reserve Fund Requirement with respect to any Series of Subordinate Bonds and the manner in which such Subordinate Bond Reserve Fund Requirement is initially funded, the sources of such initial funding and the period of time in which such initial funding must be completed will be as set forth in the Supplemental Resolution providing for the issuance of such Series of Subordinate Bonds.

When a Series of Subordinate Bonds is refunded or is otherwise paid so that all of the Subordinate Bonds of such Series are no longer Outstanding, moneys may be withdrawn from the Subordinate Bond Reserve Fund to pay or provide for the payment of such Subordinate Bonds or refunded Subordinate Bonds, as the case may be, or may be transferred and applied to any reserve fund or account established for the refunding Subordinate Bonds issued to refund such refunded Subordinate Bonds or may be otherwise applied in a manner which in the opinion of bond counsel to the Authority will not adversely affect the exclusion of interest on the Subordinate Bonds from gross income of the holders thereof for federal income tax purposes; provided that immediately after such withdrawal or transfer there is on credit to the Subordinate Bond Reserve Fund an amount equal to the Subordinate Bond Reserve Fund Requirement.

In lieu of the deposit of moneys in the Subordinate Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Authority for the benefit of the holders of the Subordinate Bonds or a letter of credit in an amount equal to the difference

between the Subordinate Bond Reserve Fund Requirement and the amounts then on deposit in the Subordinate Bond Reserve Fund with respect to the Subordinate Bonds of a Series. The surety bond, insurance policy or letter of credit must be payable (upon the giving of notice as required under the Subordinate Bond Resolution) on any date on which (a) moneys will be required to be withdrawn from the Subordinate Bond Reserve Fund and applied to the payment of the principal of or interest on the Subordinate Bonds of a Series with respect to which such surety bond, insurance policy or letter of credit was obtained, and (b) such withdrawals cannot be made from amounts credited to the appropriate account in the Subordinate Bond Reserve Fund. The insurer providing such surety bond or insurance policy must be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a least the "A" category or equivalent by either Standard & Poor's Rating Group or Moody's Investors Service, or their successors. The letter of credit issuer must be a bank or trust company which is rated not lower than the third highest rating category by either S&P Global Ratings or Moody's Investors Service, or their successors. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph the Authority will be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Subordinate Bond Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as will provide that the amount credited to the Subordinate Bond Reserve Fund equals the Subordinate Bond Reserve Fund Requirement for such Series of Subordinate Bonds. The Authority will be further obligated to pay such interest on any disbursement made pursuant to a surety bond, insurance policy or letter of credit as may be specified therein and the related expenses of the provider of such surety bond, insurance policy or letter of credit and such amounts must be payable to such provider in the same manner and at the same time as any other deposits required to be made to the Subordinate Bond Reserve Fund as described in subsection (d) under the caption "—Application of Airport Revenues."

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Subordinate Bond Reserve Fund ceases to have a rating described in the immediately preceding paragraph, the Authority must use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but is not obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Airport Revenues in the Subordinate Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another and such surety bond, insurance policy or letter of credit will fully satisfy the Subordinate Bond Reserve Requirement with respect to a particular Series of Subordinate Bonds notwithstanding such decrease in rating.

The Authority may establish one account for one or more Series of Subordinate Bonds in the Subordinate Principal and Interest Fund and the Subordinate Bond Reserve Fund; provided that each Series of Subordinate Bonds participating in such account(s) may be issued on different dates. Additionally, notwithstanding any other provision of the Subordinate Resolution, at the time of issuance of a Series of Subordinate Bonds, the Authority may elect (with such election being set forth in a Supplemental Resolution) that such Series of Subordinate Bonds shall not be secured by and shall not participate in the Subordinate Bond Reserve Fund.

In the event a Series of Subordinate Bonds ("Refunding Series") is issued to refund another Series of Subordinate Bonds (a "Refunded Series") in part for savings such that a portion of such

Refunded Series remains Outstanding thereafter, the Designated Financial Officer may in the Certificate of Determination deem the Refunding Series to be part of the Refunded Series solely for the purpose of the provisions described under "—*Subordinate Bond Reserve Fund*" pertaining to the account established for such Refunded Series, and the Subordinate Bond Reserve Fund Requirement for the Refunded Series will apply to the Refunding Series and the Refunded Series as if they were a single Series of Subordinate Bonds.

Subordinate Commitment Fee Fund. Amounts on deposit in the Commitment Fee Fund will be used to pay commitment fees payable to Financial Institutions with respect to Support Facilities obtained in connection with Subordinate Bonds.

Subordinate Support Facility Fund. Amounts on deposit in the Support Facility Fund will be used to pay fees and charges (other than commitment fees) payable to Financial Institutions in connection with Support Facilities obtained in connection with Subordinate Bonds.

Operations and Maintenance Reserve Fund. Amounts on deposit in the Operations and Maintenance Reserve Fund may be used to pay Operating Expenses in the event of any insufficiency in the Operating Fund for the payment thereof. After initial funding of the Operations and Maintenance Reserve Fund as described in clause (k) under "—Application of Airport Revenues," the Operations and Maintenance Reserve Fund must be maintained in an amount equal to two (2) months of the estimated Operating Expenses for each Fiscal Year commencing with Fiscal Year 2021 or such other amount as determined in a Supplemental Resolution.

Renewal and Replacement Fund. Amounts on deposit in the Renewal and Replacement Fund may be used to pay for renewals or replacements of the Airport System to the extent permitted in the Leases. After initial funding of the Renewal and Replacement Fund as described in clause (l) under "—Application of Airport Revenues," the Renewal and Replacement Fund must be maintained in an amount equal to Five Million dollars ($5,000,000) or such other amount as determined in a Supplemental Resolution.

Nashville Airports Experience (NAE) Fund. Amounts on deposit in the Nashville Airports Experience (NAE) Fund must be used to remedy any deficiency in any of the funds enumerated in under "—Application of Airport Revenues" in order of priority and to the extent not so used may be applied to any lawful purpose of the Authority.

Application of Airport Revenues

All Airport Revenues must after receipt by the Authority be deposited for credit to the Revenue Fund which Airport Revenues must be disbursed from the Revenue Fund in the following order of priority:

(a) First, to make deposits to the credit of the Operating Fund. In each month there must be deposited in the Operating Fund an amount equal to 1/12 of the Operating Expense portion of the Annual Budget.

(b) Next, to make deposits to the credit of the Commitment Fee Fund required by the Senior Bond Resolution.

(c) Next to make deposits to the credit of the Airport Improvement Principal and Interest Fund required by the Senior Bond Resolution.

(d) Next to make deposits to the credit of the Airport Improvement Bond Reserve Fund required by the Senior Bond Resolution.

(e) Next to make deposits to the Support Facility Fund required by the Senior Bond Resolution.

(f) Next, to make deposits to the credit of the Subordinate Commitment Fee Fund in each month in an amount so that there shall be on deposit therein the commitment fees payable to a Financial Institution with respect to a Support Facility provided with respect to Subordinate Bonds as the same become due and payable.

(g) Next to make deposits to the credit of the Subordinate Principal and Interest Fund. In each month, commencing with the 25th day of the month which follows the last month for which interest on such Series of Subordinate Bonds, if any, is fully provided from moneys credited to a Construction Interest Account, (a) with respect to each Series of Subordinate Bonds (other than Variable Rate Subordinate Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such 25th day and continuing on the 25th day of each month thereafter so long as any of the Subordinate Bonds of such Series are Outstanding, there must be credited to the Interest Account an amount such that, if the same amount were so credited to the Interest Account on the 25th day of each succeeding month thereafter, the aggregate of such amounts on credit to the Interest Account on the 25th day of the month preceding an Interest Payment Date will be equal to the installment of interest falling due on the Subordinate Bonds on such Interest Payment Date or the amount required to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Subordinate Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the 25th day of the month prior to each Interest Payment Date there must be credited to the Interest Account the amount required together with other funds available therefor in the Interest Account, to pay, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, the interest payable on the Outstanding Variable Rate Subordinate Bonds on such Interest Payment Date. In each month, commencing with the 25th day of the month which is twelve (12) months prior to the first principal payment date of such Subordinate Bonds maturing serially or the first installment to provide for the retirement of Subordinate Bonds in "term bond" form and on the 25th day of each month thereafter so long as any of such Subordinate Bonds are Outstanding, there must be credited to the Principal Account an amount such that, if the same amount were so credited to the Principal Account for such Series on the 25th day of each succeeding month thereafter, the aggregate of such amounts on credit to the Principal Account will on the principal payment date or date upon which a sinking fund installment falls due be equal to the principal amount of all such Series of Subordinate Bonds becoming due on such principal payment date or be sufficient to redeem the term Subordinate Bonds of such Series in the principal amounts and at the times specified in the Supplemental Resolution authorizing the issuance thereof, as the case may be. Deposits required to be made pursuant to paragraph (c) or this paragraph (g) shall not include principal or interest on Senior Bonds or Subordinate Bonds paid or to be paid from amounts that are not Airport Revenues;

provided, however, that in order to exclude deposits required to be made pursuant to paragraph (c) or this paragraph (g) with respect to principal or interest on Senior Bonds or Subordinate Bonds paid or to be paid from PFC Revenues, the Authority must designate such PFC Revenues as "PFCs Available for Debt Service" by filing a certificate signed by a Designated Financial Officer that includes (a) a representation on behalf of the Authority that such PFC Revenues, when received by the Authority, may be validly designated as and included in "PFCs Available for Debt Service" and are or will be legally available to pay the principal of, premium, if any, and interest on all or a portion of the Senior Bonds or Subordinate Bonds, (b) the amount of PFC Revenues that are being designated as and included in "PFCs Available for Debt Service," (c) identify the special account(s) such "PFCs Available for Debt Service" are to be deposited to, and (d) the time period during which such PFC Revenues will be designated as and included in "PFCs Available for Debt Service." After the filing of such certificate, the Authority shall cause the "PFCs Available for Debt Service" designated therein to be deposited to the special account(s) identified in such certificate and used to pay principal of and interest on the applicable Series of Senior Bonds or Subordinate Bonds. Notwithstanding any other provision hereof, if such "PFCs Available for Debt Service" are subject to any prior pledge or lien or irrevocable commitment, the application thereof to the payment of principal of and interest on the Senior Bonds or Subordinate Bonds shall be subordinate to the terms of such pledge or lien or irrevocable commitment and the certificate of the Designated Financial Officer designating the "PFCs Available for Debt Service" shall indicate the amount of the obligation payable in such Fiscal Year from the "PFCs Available for Debt Service" pursuant to such pledge or lien or irrevocable commitment.

(h) Next to make deposits to the credit of the Subordinate Bond Reserve Fund. In each month there must be deposited in each account in the Subordinate Bond Reserve Fund the amount required by the provisions of the Subordinate Bond Resolution. At any time after completion of the initial funding of an account in the Subordinate Bond Reserve Fund established with respect to a Series of Subordinate Bonds in accordance with the Supplemental Resolution providing for the issuance of such Series of Subordinate Bonds, if a deficiency in an account in the Subordinate Bond Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on a particular Series of Subordinate Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from such account in the Subordinate Bond Reserve Fund the Authority must deposit from the Net Revenues on deposit in the Revenue Fund after making the deposits in clauses (a) through (c) to the deficient account in the Subordinate Bond Reserve Fund at least an amount which, if the same amount were so deposited to such account in the Subordinate Bond Reserve Fund in each month thereafter until the last day of the month which is twelve (12) months from the making of the first of such deposits, there will be on deposit in such account in the Subordinate Bond Reserve Fund on such day an amount not less than the Subordinate Bond Reserve Requirement for such Series of Subordinate Bonds. When the amount in an account in the Subordinate Bond Reserve Fund is equal to or exceeds the Subordinate Bond Reserve Fund Requirement for the related Series of Subordinate Bonds, no further deposits need be made into such Subordinate Bond Reserve Fund and any excess may be transferred to the Nashville Airports Experience (NAE) Fund.

(i) Next to make deposits to the Subordinate Support Facility Fund in amounts sufficient to pay all fees and charges to the Financial Institution in connection with a Support

Facility other than amounts constituting commitment fees or interest on Subordinate Bonds held by such Financial Institution.

(j) Next to provide for the payment of the next succeeding installment of Other Subordinate Obligations and any amounts required to be deposited in any reserve funds established therefor.

(k) Next to the Operations and Maintenance Reserve Fund in amounts sufficient to complete the initial funding of the Operations and Maintenance Reserve Fund in Fiscal Year 2020 and thereafter replenish during the next Fiscal Year any withdrawals from the Operations and Maintenance Reserve Fund.

(l) Next to the Renewal and Replacement Fund in amounts sufficient to complete the initial funding of the Renewal and Replacement Fund in Fiscal Year 2020 and thereafter replenish during the next Fiscal Year any withdrawals from the Renewal and Replacement Fund.

(m) Money thereafter remaining in the Revenue Fund will be deposited in the Nashville Airports Experience (NAE) Fund.

Money in the Revenue Fund will be allotted to and paid into the various funds hereinbefore referred to in the order in which said funds are listed and on a cumulative basis and if in any month money in the Revenue Fund is insufficient to deposit the required amount in any of said funds the deficiency must, to the extent not paid from the Nashville Airports Experience (NAE) Fund, be made up in the following month or months after payment into all other funds enjoying a prior claim has been made in full.

Money received by the Authority from any of the following sources:

(i) the net proceeds of any condemnation award in the event of the condemnation of all or any part of the Airport System; and

(ii) net insurance proceeds in the event of damage to the Airport Facilities;

must be deposited either in the (A) Nashville Airports Experience (NAE) Fund and applied to the restoration of the Airport Facilities, or (B) if the Authority has determined that the continued operation of the Airport is not feasible, in the Airport Improvement Bond Redemption Fund and applied to the prompt retirement of Senior Bonds and (C) thereafter in the Subordinate Bond Redemption Fund and applied to the prompt retirement of Subordinate Bonds, in the case of (B) or (C) above, by redemption, or by purchase at a price not higher than the redemption price on the next succeeding redemption date.

Investment of Funds

Money in any of the funds created or continued in the Subordinate Bond Resolution must be invested by the Authority or at the Authority's direction in Qualified Investments. Unless otherwise provided in a Supplemental Resolution with respect to an account established in the Airport Improvement Bond Reserve Fund for a Series of Subordinate Bonds, money in the Airport

Improvement Bond Reserve Fund may be invested in Qualified Investments maturing not later than ten years after the date of investment. Money in the Nashville Airports Experience (NAE) Fund may be invested in Qualified Investments maturing not later than five years after the date of the investment. Money in all other funds may be invested in Qualified Investments maturing not later than the time at which the money so invested is required for the purposes of the fund. Qualified Investments in the Airport Improvement Bond Reserve Fund must be valued as of July 1 of each year or upon withdrawals therefrom at market value, exclusive of accrued interest. A surety bond, letter of credit or insurance policy obtained as described under "*—Airport Improvement Bond Reserve Fund*" must be valued at the amount payable under the Subordinate Bond Resolution.

All income derived from the investment of money on deposit in the Subordinate Construction Fund must be retained in said fund during any period of construction of a Project and thereafter must be deposited in the Revenue Fund. All income derived from the investment of money on deposit in any other fund to the extent not required to be retained therein to satisfy the funding requirements thereof, must be deposited in the Revenue Fund, except as may otherwise be provided in any Supplemental Resolution authorizing Additional Subordinate Bonds.

Insurance

The Authority will carry insurance with generally recognized responsible insurers with policies payable to the Authority against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport System. The Authority is required to seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport System, and the Authority must take into consideration the advice of such insurance consultant or consultants in the placement of insurance and the establishment of a self-insurance fund or funds of the Authority as provided in the Subordinate Bond Resolution.

Any insurance carried by the Authority pursuant to the Subordinate Bond Resolution may be procured and maintained as part of or in conjunction with any other policy or policies carried by it. The Authority may create and establish special funds for self-insurance. In the event the Authority establishes and maintains any such special funds, the Authority must establish such reasonable reserves as recommended by an insurance consultant and must obtain at least annually a certificate of such insurance consultant regarding the adequacy of such reserves.

The proceeds of all insurance, to the extent the same are paid directly to the Authority, must be applied as follows: (i) the proceeds of fire and extended coverage insurance and war damage insurance must be deposited in the Nashville Airports Experience (NAE) Fund and applied to the repairing, replacing or reconstruction of the damaged or destroyed property and thereafter in the Airport Improvement Bond Redemption Fund provided in the Senior Bond Resolution and thereafter in the Subordinate Bond Redemption Fund as herein provided; (ii) the proceeds of loss of use insurance must be deposited in the Revenue Fund for use and application as are all other moneys deposited in that Fund; and (iii) the proceeds of liability insurance and workmen's compensation insurance must be applied toward extinguishing or satisfying or remedying the liability, loss or damage with respect to which such proceeds may be paid.

Certain Covenants of the Authority

Negative Pledge. The Authority will not create or give, or cause to be created or given, or permit to be created or given, or suffer to exist, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport System or assign, pledge, transfer, or, except as provided in the Subordinate Bond Resolution, hypothecate any Airport Revenues. Except where Additional Subordinate Bonds are permitted under the Subordinate Bond Resolution, the Authority will not create or permit the creation of or issue any bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from the Airport Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Subordinate Bonds.

Sale or Other Disposition of Property. The Authority will not sell or otherwise dispose of real or other properties constituting Airport Facilities required for the efficient operation of the Airport System. Property not required for the efficient operation of the Airport System may be sold or otherwise disposed of by the Authority by law and only if the estimated Airport Revenues to be derived from the remaining properties of the Airport System will be sufficient to enable the Authority to comply with all covenants and conditions of the Subordinate Bond Resolution. The proceeds of any such sale will be deposited in the Nashville Airports Experience (NAE) Fund.

Special Covenants with Respect to Federal Tax Status of Subordinate Bonds. The Authority may issue a Series of Subordinate Bonds under the Subordinate Bond Resolution the interest on which is either taxable or excludable from gross income for federal income tax purposes. If any Series of Subordinate Bonds is issued the interest on which is excludable from gross income for federal income tax purposes, so long as any of the Subordinate Bonds of such Series are Outstanding, the Authority must comply with all applicable provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 as amended and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

Other Covenants. The Authority will: (1) maintain the Airport System, or cause it to be maintained, in good repair and condition, ordinary wear and tear excepted, and will not commit or allow any waste; (2) will promptly take such actions as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Airport Revenues or any part thereof; (3) adopt Annual Budgets; (4) except in connection with a refunding issue, not assent to extensions of time for payment of interest; (5) keep proper books and accounts and prepare financial statements and provide for the annual auditing of such books and accounts; (6) pay all assessments and charges upon the Airport System promptly.

Defaults and Remedies

Events of Default. Under the Subordinate Bond Resolution, the happening of one or more of the following events constitute an "Event of Default":

(a) if default is made by the Authority in the due and punctual payment of the principal of or interest or premium (if any) on any Subordinate Bond when and as the same is due and payable;

(b) if a default occurs in the performance or observance by the Authority of the covenants, agreements and conditions contained in the Subordinate Rate Covenant (except as provided in subsection 2 thereof);

(c) if the Authority has defaulted in the performance or observance of any of the covenants, agreements or conditions contained in the Subordinate Bond Resolution or in the Subordinate Bonds (other than as described in (a) and (b) above), and such default continues for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority by the Trustee, or to the Authority and the Trustee by the holders of not less than 25% in aggregate principal amount of the Outstanding Subordinate Bonds;

(d) An event of default has occurred and is continuing under the Senior Bond Resolution;

(e) if the Authority (i) admits in writing its inability to pay its debts generally as they come due, (ii) files a petition in bankruptcy or takes advantage of any insolvency act, (iii) makes an assignment for the benefit of its creditors (iv) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (v) in a petition in bankruptcy filed against the Authority, is adjudicated as bankrupt;

(f) if the Authority files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, or if a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of the Authority, a receiver of the Authority, or of the whole or any substantial part of its property, or approving a petition filed against the Authority seeking reorganization of the Authority under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree is not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property, and such custody or control is not be terminated or stayed within 60 days from the date of assumption of such custody or control;

The Trustee must give written notice by mail to all the holders of Subordinate Bonds as their names and addresses appear upon the books of registry of all events of default known to the Trustee, within thirty (30) days after the occurrence thereof, unless the event of default has been cured before the giving of such notice.

Remedies. In each and every case of an event of default, and during the continuance of such event of default, unless cured by the Authority within 30 days after written notice thereof, and unless the principal of all the Subordinate Bonds has already become due and payable, the Trustee by notice in writing to the Authority.

Upon the occurrence of an Event of Default, the Authority must, upon demand by the Trustee or upon demand made by the holders of 25% in principal amount of the Outstanding Subordinate Bonds, transfer Net Revenues held by the Authority and all Funds and Accounts

established under the Subordinate Bond Resolution to the Trustee and such Net Revenues and Funds and Accounts will be administered by the Trustee in place of the Authority in accordance with the Senior Bond Resolution and the Subordinate Bond Resolution.

Actions by Trustee in Event of Default. The Trustee, in case of an event of default, may, and upon the written request of the holders of not less than 25% in principal amount of the Subordinate Bonds then Outstanding, and upon being indemnified to its satisfaction, may, exercise any or all of the following remedies to the extent that the same is then legally available:

(i) the Trustee may proceed to protect and enforce its rights and the rights of the holders of the Subordinate Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained in the Subordinate Bond Resolution or in aid of the execution of any power granted in the Subordinate Bond Resolution , or for the enforcement of any other appropriate legal or equitable remedy, including all the rights and remedies of a secured party under the Uniform Commercial Code or other applicable law, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Subordinate Bonds and/or the Subordinate Bond Resolution;

(ii) the Trustee may, upon written approval of the holders of a majority of the Senior Bonds, proceed by appropriate proceedings in any court of competent jurisdiction in the event of default in the payment of principal of or interest on any Subordinate Bonds, to obtain the appointment of a receiver for the Airport System, which receiver may enter upon and take possession of the Airport System and fix rates and charges and collect all Airport Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The receiver is required to collect and dispose of Airport Revenues in accordance with the terms and conditions of the Subordinate Bond Resolution or as the court directs.

Limitation on Suits or Actions by Bondholders. No Bondholder has any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions of the Subordinate Bond Resolution or of any remedies under the Subordinate Bond Resolution unless the Trustee, after a request in writing by the holders of 25% in aggregate principal amount of the Outstanding Subordinate Bonds, and after the Trustee has been assured such reasonable indemnity as it may require, has neglected for 60 days to take such action; provided, however, that the right of any holder of any Subordinate Bond to receive payment of principal and/or interest on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, may not be impaired or affected without the consent of such holder.

Bondholders' Committee. In the event that the Trustee has failed or refused to comply with the written request or direction of the holders of Subordinate Bonds as provided under "—*Limitation on Suits or Actions by Bondholders,*" the holders of not less than twenty percent (20%) in principal amount of the Subordinate Bonds then Outstanding may call a meeting of the holders of Subordinate Bonds for the purpose of electing a Bondholders' Committee. Such meeting will be called and proceedings thereat will be conducted as required by the Subordinate Bond Resolution. At such meeting the holders of not less than a majority in principal amount of the Subordinate Bonds Outstanding must be present in person or by proxy in order to constitute a

quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting the Bondholders present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Bondholders, to the Bondholders' Committee which will act as trustee for all Bondholders. The Bondholders present in person or by proxy at such meeting, or at any adjourned meeting thereof, (i) may prescribe the manner in which the successors of the persons elected to the Bondholders' Committee at such Bondholders' meeting will be elected or appointed; (ii) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it; and (iii) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee elected by the Bondholders in the manner provided in the Subordinate Bond Resolution, and their successors, as a Committee, are declared to be trustees for the holders of all the Subordinate Bonds then Outstanding, and are empowered to exercise in the name of the Bondholders' Committee as trustee, all the rights and powers regarding defaults and remedies conferred on the Trustee or any Bondholder.

Concerning the Trustee, Registrar and Paying Agent

U.S. Bank, National Association is Trustee under the Subordinate Bond Resolution (the "Trustee"). Prior to the occurrence of an Event of Default under the Subordinate Bond Resolution, the Trustee has no duties and obligations as trustee under the Subordinate Bond Resolution other than to act as paying agent or as registrar if so appointed under the Subordinate Bond Resolution or in a supplemental resolution with respect to a Series of Subordinate Bonds and upon the occurrence of an Event of Default under the Subordinate Bond Resolution of which it has actual knowledge, all such estate, properties, rights, powers, trusts, duties and obligations granted to the Trustee under the Subordinate Bond Resolution will vest in the Trustee unless and until all such Events of Default have been cured in accordance with the provisions of the Subordinate Bond Resolution. The Subordinate Bond Resolution contains provisions regarding the appointment and removal of the Trustee. The Authority may at any time remove the Trustee, provided that such removal is subject to revocation by 10% of the holders of Subordinate Bonds Outstanding and that such removal may not be effected if an Event of Default has occurred and is continuing or there is any deficiency in any fund or account held under the Subordinate Bond Resolution.

Supplemental Resolutions

Supplements Without Holder Consent. The Authority, may adopt resolutions supplemental to the Subordinate Bond Resolution without holder consent for any or more of the following purposes:

(a) to add to the covenants and agreements of the Authority under the Subordinate Bond Resolution, or to surrender any right or power reserved or conferred upon the Authority in the Subordinate Bond Resolution;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained in the Subordinate Bond Resolution, or in regard to matters or questions arising under the Subordinate Bond Resolution, as the Authority may deem necessary or desirable and not

inconsistent with the Subordinate Bond Resolution and which will not adversely affect the interests of the holders of the Subordinate Bonds;

(c) to subject, describe or redescribe any property subjected or to be subjected to the lien of the Subordinate Bond Resolution;

(d) to provide for the issuance of Additional Subordinate Bonds to the extent permitted under the Subordinate Bond Resolution;

(e) to modify, amend or supplement the Subordinate Bond Resolution or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Subordinate Bond Resolution or any resolution supplemental hereto such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 (other than the provisions of Section 316(a)(2) thereof) or similar federal statute;

(f) To grant to or confer upon the holders of the Subordinate Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(g) To prescribe further limitations and restrictions upon the issuance of Subordinate Bonds and the incurring of indebtedness by the Authority payable from the Airport Revenues;

(h) To make any modification to a Supplemental Resolution as may be specifically provided for therein with respect to a Series of Variable Rate Subordinate Bonds and which stipulates that Bondholder consent will not be required, including, but not limited provisions permitting changes in the method of determining or establishing rates of interest, premiums payable upon redemption, serial maturities or sinking fund payments; or

(i) As provided for under "Provisions Not Yet Effective — *Separate Improvements*; *Released Revenues*" but only upon the effectiveness of the provisions described therein.

(j) To modify in any respect any of the provisions of the Subordinate Bond Resolution, provided that such modifications have no material adverse effect as to any Subordinate Bond or Subordinate Bonds which are then Outstanding.

Supplements with Consent. With the consent of the holders of not less than 66-2/3% in aggregate principal amount of the Subordinate Bonds at the time Outstanding the Authority may from time to time and at any time adopt resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Subordinate Bond Resolution or of any Supplemental Resolution; provided, however, that no such Supplemental Resolution may (a) extend the fixed maturity of the Subordinate Bonds (except pursuant to refunding as expressly permitted under the Subordinate Bond Resolution) or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected (except to the extent permitted under clause (h) under "— *Supplements Without Holder Consent*"), or (b) reduce the aforesaid percentage of holders of Subordinate Bonds required to approve any such Supplemental Resolution or (c) permit the

creation of any lien on the pledged properties prior to or on a parity with the lien of the Subordinate Bond Resolution, or deprive the holders of the Subordinate Bonds of the lien created by the Subordinate Bond Resolution upon said properties, (d) give to any Subordinate Bond or Subordinate Bonds any preference over any other Subordinate Bond or Subordinate Bonds secured hereby, (e) permit the creation of a mortgage or lien upon the properties constituting a part of the Airport System, (f) rescind or diminish the rights of any Bondholder to receive payment of principal of and/or interest on Subordinate Bonds on or after their respective due dates or to institute suit for the enforcement of such payment, or (g) otherwise have an adverse effect on Subordinate Bonds or the security therefor, without the consent of the holders of all the Subordinate Bonds then Outstanding affected thereby.

Defeasance

The Subordinate Bond Resolution will cease, determine and become null and void if the Authority pays and discharges the entire indebtedness of all Subordinate Bonds Outstanding under the Subordinate Bond Resolution in one or more of the following ways:

(a) by paying or causing to be paid the principal of, and redemption premiums, if any, and interest on Subordinate Bonds Outstanding under the Subordinate Bond Resolution, as and when the same become due and payable;

(b) by delivering to the Registrar, for cancellation by it, Subordinate Bonds Outstanding under the Subordinate Bond Resolution;

(c) by irrevocably depositing with the Paying Agent for such Subordinate Bond or an escrow agent appointed by the Authority, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, or (3) a combination of both such moneys and such Governmental Obligations, whichever the Authority deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee, Registrar and Paying Agent pertaining to the Subordinate Bond with respect to which such deposit is made has been paid or the payment thereof provided for the satisfaction of the Trustee, Registrar and Paying Agent.

Upon the deposit with the Paying Agent, in trust, at or before maturity, of money or Government Obligations, if such Subordinate Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given, or provisions satisfactory to the Paying Agent has been made for the giving of such notice, all liability of the Authority in respect of such Subordinate Bonds is completely discharged and the holders thereof will thereafter be entitled only to the payment out of the money deposited with the Paying Agent for their payment.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS

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APPENDIX E

SUMMARY OF THE SIGNATORY AIRLINE USE AND LEASE AGREEMENTS

The Metropolitan Nashville Airport Authority (the "Authority") and the several Signatory Airlines, as described in the front part of this Official Statement, entered into Signatory Airline Use and Lease Agreement (each, a "Signatory Airline Agreement" and together the "Signatory Airline Agreements") delineating the operational and financial relationship at the Airport between the Authority and the Signatory Airlines. The Signatory Airline Agreements became effective as of July 1, 2015 and are scheduled to expire on June 30, 2022. The Signatory Airline 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.

Set forth below is a summary of certain provisions of the Signatory Airline Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by the applicable provisions of the Signatory Airline Agreements, copies of which are available from the Authority. The headings or titles in this Appendix E are solely for convenience of reference.

DEFINITIONS

"AAAC" means the Signatory Airline Airport Affairs Committee established by the Signatory Airlines operating at the Airport.

"Affiliate" means an Air Carrier providing air service at the Airport that (i)(a) is a parent or subsidiary, or a subsidiary of the parent company, of Signatory Airline, or is under the same parental control as Signatory Airline, or (b) otherwise operates under essentially the same trade name as Signatory Airline at the Airport and uses essentially the same livery as Signatory Airline at the Airport, and (ii) is properly designated as an Affiliate by Signatory Airline.

"Air Carrier" means a carrier certificated by the Secretary of Transportation as a Passenger Carrier under 49 U.S.C. § 41102 or a Cargo Carrier under 49 U.S.C. § 41103.

"Airfield" means the runways, taxiways, taxi lanes, and apron areas (other than the Terminal Ramp Area and other designated apron areas), navigational aids, hazard designation and warning devices, airfield security roads and fencing, blast fencing, lighting, clear zones and safety areas for landing, taking off and taxiing of aircraft, avigation easements, land utilized in connection therewith or acquired for such purpose, and facilities, the acquisition, construction or installation cost of which is wholly or partially paid by the Authority.

"Airport" means the realty and improvements generally known and designated as the "Nashville International Airport," generally consisting of runways, aircraft taxiways and parking aprons, passenger and freight terminal buildings, hangars, vehicle roadways and parking facilities, and all other improvements on such realty, as well as any adjacent or nearby realty acquired for purposes of the Airport by the Authority and all improvements constructed on such realty.

"**Airport Facilities Investment Fund"** means the account consisting of two sub-accounts, an Signatory Airline facilities investment account and Authority facilities investment account, for the purpose of providing annual equity investment in Capital Improvement Projects at the Airport.

"Airport System" means the system of airports owned and operated by the Authority and consisting of the Airport and the John C. Tune Airport.

"Baggage Claim Areas" means the space in the Terminal excluding the FIS Area to be used jointly with other Signatory Airlines for the delivery of inbound baggage to arriving passengers.

"Baggage Claim Equipment" means equipment owned, operated and maintained by the Authority that delivers inbound baggage to arriving passengers.

"Baggage Fees" means the fees associated with the Baggage Claim Areas, Baggage Claim Equipment and Baggage Make-up Equipment, as further specified under "CALCULATION OF RATES AND CHARGES - Calculation of Baggage Fees" herein.

"Baggage Make-up Areas" means the areas in the Terminal where outbound baggage is sorted for delivery to departing aircraft and made available to Signatory Airlines on a preferential use basis.

"Baggage Make-up Equipment" means the equipment owned, operated and maintained by the Authority that delivers outbound baggage from Ticket Counters to baggage make-up devices.

"Capital Costs" means all capital costs of the Airport, including debt service (net of PFCs used to pay debt service) allocable to revenue bond-funded Capital Improvement Projects; and deposits to the Airport Facilities Investment Fund allocable to cash-funded Capital Improvement Projects.

"Capital Improvement Project" means an addition or improvement to the Airport.

"Cargo Carrier" means a carrier certificated by the Secretary of Transportation as a Cargo Carrier under 49 U.S.C. § 41103.

"Chair of the AAAC" means the representative of the Signatory Airlines designated as such by the members of the AAAC.

"Deplaned Passengers" means passengers (including non-revenue passengers) disembarking from a domestic or international flight at the Terminal, but does not include the flight crew.

"Effective Date" means July 1, 2015 for Southwest Airlines, American Airlines, United Airlines, and Delta Airlines. It means September 23, 2015 for Alaska Airlines.

"Enplaned Passengers" means passengers (including non-revenue passengers) embarking on a domestic flight or international flight at the Airport, but does not include the flight crew.

"Enplanements" means passengers boarding an aircraft at the Airport, including revenue, non-revenue, scheduled, or diverted passengers.

"Environmental Law" means any federal, state or local law, regulation, ordinance, permit or order (including without limitation any Airport regulation or rule or any final order of any court of competent jurisdiction) relating to the environment, now or hereafter in effect.

"Excluded Environmental Claims" means any claims, causes of action, demands, liabilities, fines, penalties, costs, expenses or any other liabilities that Signatory Airline can demonstrate were caused by or arise from (a) the migration of Hazardous Substances first Released prior to Signatory Airline's first occupancy or use of Signatory Airline's Premises, provided, however, that Signatory Airline, its officers, agents, employees, contractors, subcontractors, permittees or invitees are not otherwise responsible for the Release; (b) the migration of Hazardous Substances first Released outside Signatory Airline's Premises or onto or under an Signatory Airline's Premises due to leaching or the flow of groundwater, provided, however, that Signatory Airline, its officers, agents, employees, contractors, subcontractors, permittees or invitees are not otherwise responsible for the first Release outside Signatory Airline's Premises; (c) any Hazardous Substances that existed on Signatory Airline's Premises prior to Signatory Airline's first occupancy or use of Signatory Airline's Premises, provided, however that the actions or omissions of Signatory Airline, its officers, agents, employees, contractors, subcontractors, permittees or invitees do not cause or exacerbate a Release or threat of Release of such Hazardous Substances; and (d) any Hazardous Substances Released by the Authority or its officers, agents, employees, contractors, subcontractors, permittees or invitees, or by any third party not under the control or direction of Signatory Airline, on Signatory Airline's Premises, provided, however that the actions or omissions of Signatory Airline, its officers, agents, employees, contractors, subcontractors, permittees or invitees do not cause or exacerbate a Release or threat of Release of such Hazardous Substances.

"Exclusive Premises" means any office space, storage area, VIP Lounge, employee break room, baggage service office, or other areas of the Terminal designated for the exclusive use by Signatory Airline.

"Exclusive Services" means any service provided to a Signatory Airline that is not provided to other Signatory Airlines.

"Expiration Date" means June 30, 2022.

"FAA" means the Federal Aviation Administration or successor agency.

"FIS" means the Federal Inspection Services Facility which include those areas, together with the fixtures and equipment located therein, used by various agencies of the United States Government for the inspection and processing of arriving international passengers.

"Fiscal Year" means a year beginning July 1 and ending June 30.

"Gate" means those portions of the Terminal individually comprised of a passenger loading bridge, if any, a passenger hold room and associated portion of the Terminal Ramp Area.

"Hazardous Substances" means any substance or material (including liquids, solids and gases) defined or designated as a hazardous waste, toxic substance, or other pollutant or contaminant by any Environmental Law.

"In-Terminal Concession Revenue Share" means the percentage of revenues from concessions inside the Terminal that are shared with Signatory Airlines as described under "CALCULATION OF RATES AND CHARGES - Revenue Sharing Credits" herein.

"International Arrivals Building" or **"IAB"** means the federal inspection services facility located in the Terminal.

"Joint Use Premises" means the Baggage Claim Area and Baggage Claim and Baggage Make-up Equipment in the Terminal which are leased for joint use to a Signatory Airline and one or more other Air Carriers.

"Landing Fees" means the fees described under "CALCULATION OF RATES AND CHARGES - Calculation of the Landing Fee" herein.

"Majority-in-Interest" means Signatory Airlines that account for more than fifty percent (50%) in number of the Signatory Airlines and that also account for more than seventy-five percent (75%) of the Landing Fees paid by all Signatory Airlines, including Affiliates, at the Airport during the immediately preceding 12-month period.

"Maximum Gross Landed Weight" means the maximum landing weight at which each aircraft operated by Signatory Airline is certificated by the FAA.

"Net Revenues" means the amount of Airport System revenue remaining after the payment of all Airport System costs and expenses.

"Non-Signatory Airline Airfield Revenues" means all revenues generated from use of or allocable to the Airfield other than Landing Fees.

"Non-Signatory Airline" means any Air Carrier that is not a Signatory Airline.

"Operations and Maintenance Expenses" or **"O&M Expenses"** means operations and maintenance expenses of the Airport System.

"Operations and Maintenance Reserve Fund" or **"O&M Reserve Fund"** means a reserve fund established and maintained by the Authority to be used by the Authority only in accordance with any applicable bond resolution, equal to two (2) months of the estimated O&M Expenses for Fiscal Year 2021 and initially funded from Net Revenues in five (5) equal annual installments beginning in Fiscal Year 2016.

"O&M Reserve Fund Replenishment Costs" means the amount required to replenish any funds estimated to be expended during the next Fiscal Year from the O&M Reserve Fund.

"Passenger Carrier" means an air carrier certificated by the Secretary of Transportation under 49 U.S.C. § 41102.

"Passenger Loading Bridge" means a passenger loading bridge and related equipment owned and maintained by the Authority.

"Passenger Facility Charges" or **"PFCs"** means charges authorized by 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, as they may be amended from time to time.

"Preferential Use" of a Gate means scheduling preference, over similar operations by another Scheduled Signatory Airline, given to a Signatory Airline for the use of a Gate during applicable Periods of Use for its Scheduled Operations.

"Preferential Use Gate" means a Gate assigned by the Authority for Preferential Use by a Signatory Airline.

"Preferential Use Baggage Make-up Areas" means a Baggage Make-up Area assigned by the Authority as Preferential Use Premises to a Signatory Airline.

"Preferential Use Premises" means those areas designated that are within the Terminal, including Preferential Use Gates, Preferential Use Ticket Counters and Preferential Use Baggage Make-up Areas and to which Signatory Airline has a higher priority of use over all other Air Carriers.

"Preferential Use Ticket Counter" means a Ticket Counter assigned by the Authority as Preferential Use Premises to a Signatory Airline.

"Premises" means any: (a) Exclusive Premises, (b) Preferential Use Premises; (c) Joint Use Premises; and (d) unleased premises; provided, however, that in the case of unleased premises, such areas will only constitute "Premises" during the period of time for which a Signatory Airline has the right to use such areas.

"President and CEO" means the President and Chief Executive Officer of the Authority or his/her designee.

"Prior Signatory Airline Agreements" means any use or lease agreement between the Authority and Signatory Airline for the use of the Airfield or Terminal executed prior to the Effective Date.

"Project Costs" means the total cost to construct, complete or acquire a Capital Improvement Project or series of Capital Improvement Projects.

"Public Areas" means sidewalks, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by the Authority from time to time for use by passengers, Authority and Signatory Airline employees and other members of the public.

"Release" means any spilling, leaking, pumping, pouring, emitting, discharging, leaching, dumping or disposing into or on any property or the environment.

"Reliever Airport Support Costs" means the costs of supporting John C. Tune Airport. Reliever Airport Support Costs shall be $400,000 for Fiscal Year 2016 and shall increase each subsequent Fiscal Year as follows: Fiscal Year 2017 - $410,000; Fiscal Year 2018 - $420,000; Fiscal Year 2019 - $431,000; Fiscal Year 2020 - $442,000; Fiscal Year 2021 - $453,000; and Fiscal Year 2022 - $464,000

"Renewal and Replacement Fund" or **"R&R Fund"** means a reserve fund established by the Authority to pay for the renewal or replacement of any Airport assets, to be used by the Authority only in accordance with any applicable bond resolution, up to an aggregate amount of Five Million dollars ($5,000,000) and funded through five (5) annual transfers from Net Revenues of One Million dollars ($1,000,000) beginning in Fiscal Year 2016.

"R&R Fund Replenishment Costs" means the amount required to replenish any funds that the Authority estimates it will expend from the R&R Fund during the next Fiscal Year.

"Rentable Space" means any areas in the Terminal that are available for lease on an exclusive, preferential or joint use basis, as designated by the President and CEO.

"Security Checkpoint Area" means an area used for passenger security screening and associated queuing space as designated by the President and CEO.

"Signatory Airline" means (1) any Passenger Carrier that has entered into an agreement with the Authority substantially similar to the Signatory Airline Agreement and has accepted the assignment of at least one (1) Preferential Use Gate, one (1) Preferential Use Ticket Counter and ticketing office or operations space; or (2) any Cargo Carrier that has entered into an agreement with the Authority substantially similar to the Signatory Airline Agreement and is leasing at least one (1) cargo bay from the Authority.

"Term" means the Effective Date through the Expiration Date.

"Terminal" means Gates, Ticket Counters, Baggage Claim Areas, Baggage Make-up Areas, Security Checkpoint Areas, office space, storage areas, concourses, lobbies, VIP Lounges, the IAB, employee break rooms and Public Areas located within the "drip-line" of the passenger terminal building at the Airport. For purposes of this definition, the "drip-line" means the footprint (improved or unimproved) inside the outer limits of the passenger terminal building, which in all cases should not extend beyond the roof-drip line.

"Terminal Ramp Area" means the paved areas adjacent to the Terminal used by Passenger Carriers for parking of aircraft and ground service equipment.

"Terminal Rental Rate" means the rate charged per square foot for use of space in the Terminal, as described under "CALCULATION OF RATES AND CHARGES - Calculation of the Terminal Rental Rate" herein.

"Terminal Rents" means the rents charged by the Authority for a Signatory Airline's use of the Terminal, as described under "CALCULATION OF RATES AND CHARGES - Calculation of the Terminal Rental Rate" herein.

"Ticket Counter" means those areas made available by the Authority for use by a Signatory Airline for ticketing passengers and similar activities, including ticketing kiosk space, but excluding curbside check-in positions.

"Unforeseen Terminal Expenses" means costs attributable to the Terminal that the Authority could not have reasonably foreseen on the Effective Date associated with (i) new government mandates or government regulations to the extent such costs are over $500,000 annually or (ii) repair or replacement of property in the Terminal damaged or destroyed by fire or other casualty to the extent such costs have not been reimbursed or covered by any insurance recovery.

"Unimproved Space" means unenclosed space within the Terminal that is neither heated nor air-conditioned.

"VIP Lounge" means those Exclusive Premises used by Signatory Airline to provide premium services to its passengers.

TERM AND USE OF AIRPORT

The term of each Signatory Airline Agreement runs from its Effective Date through the Expiration Date of June 30, 2022. The Signatory Airline Agreements may be terminated under certain specified conditions.

A Signatory Airline may engage in various specified activities related to its air transportation business, as more specifically described in the Signatory Airline Agreement.

Subject to the terms of the Signatory Airline Agreement, the Authority grants to each Signatory Airline certain rights of occupancy and use in certain areas located within the Airport, including the Airfield, Public Areas and the Premises, for the Exclusive Premises, Preferential Use Premises and the Joint Use Premises, all as set forth and subject to the provisions of the Signatory Airline Agreement. The Signatory Airline Agreement also provides 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 Signatory Airline Agreements specify the terms and conditions for the use of leased gates, all of which within the Terminal are for Preferential Use in accordance with the terms of the Signatory Airline Agreement. The Signatory Airline Agreements also provide for the recapture of underutilized Preferential Use gates. Additionally, the Signatory Airline Agreements also allowed Signatory Airlines to reduce their Premises during the period of July 1, 2015 through September 30, 2017.

The Signatory Airline Agreements also provide a process for allocating and reallocating space within the Terminal from an Air Carrier seeking to initiate or expand operations at the Airport.

CAPITAL IMPROVEMENTS

Majority-in-Interest Approval for Projects in the Airfield.

New Capital Improvement Projects. For each new Capital Improvement Project in the Airfield that the Authority seeks to fund through Signatory Airline rates and charges and that is not exempt from Majority-in-Interest approval under the Signatory Airline Agreement, the Authority shall obtain approval from Signatory Airlines representing a Majority-in-Interest. A Capital Improvement Project in the Airfield shall only be deemed to be approved by a Majority-in-Interest when Signatory Airlines representing a Majority-in- Interest have provided their written approval of the Capital Improvement Project to the Authority.

Absent such approval by a Majority-in-Interest of the Signatory Airlines, the Authority may proceed with the Capital Improvement Project only if the Authority confirms in writing to all Signatory Airlines that the Authority will not fund the Capital Improvement Project in any way through rates and charges to be paid by Signatory Airlines.

Capital Improvement Projects outside of the Airfield are not subject to Majority-in-Interest approval.

Cost Increases in Approved Projects. The Authority shall be required to obtain Majority-in-Interest approval in the event that (a) the estimated Capital Costs of any Majority-in-Interest approved Capital Improvement Project increases by the greater of 20% or $100,000 of the Authority's share (net of PFCs and federal and state grants) of Capital Costs; and (b) the increased costs will be funded through rates and charges to be paid by Signatory Airlines.

Exemptions from Majority-in-Interest Approval. The following are exempt from Majority-in-Interest approval requirements: Capital Improvement Projects not funded through rates and charges paid by Signatory Airlines; Capital Improvement Projects previously approved by a Majority-in-Interest under Prior Signatory Airline Agreements or the Signatory Airline Agreement; Capital Improvement Projects with Capital Costs of less than $50,000 of the Authority's share (net of PFCs and federal and state grants) of Capital Costs; Capital Improvement Projects required by a government agency with jurisdiction over the Airport; Capital Improvement Projects of an emergency nature, which, if not made, would substantially impair the current operation of the Airport; Capital Improvement Projects requested, funded, and paid for by an Air Carrier; or Capital Improvement Projects made to satisfy judgments, comply with judicial or administrative orders, or comply with consent decrees against the Authority arising from or relating to its design, construction, ownership, maintenance or use of the Airport, provided that the Authority shall consult with Signatory Airline prior to making the determination to undertake such a Capital Improvement Project.

Other Capital Improvement Projects. The Authority shall, during the Term, undertake Capital Improvement Projects in the Terminal for various purposes including, but not limited to,

extending the useful life of the Terminal, improving the functional and aesthetic elements of the Terminal, and enhancing the Terminal user experience. The total Project Costs of such Capital Improvement Projects in the Terminal shall be equal to or greater than One Hundred Fifty Million, Three Hundred Twelve Thousand Dollars ($150,312,000). These Capital Improvement Projects shall not be funded through rates and charges to be paid by Signatory Airlines.

The Authority shall, during the Term, undertake Capital Improvement Projects in areas of the Airport other than the Terminal or Airfield for various purposes including, but not limited to, improving operational, functional, environmental and aesthetic elements of the Airport. The total Project Costs of such Capital Improvement Projects in other areas of the Airport shall be equal to or greater than One Hundred Million Dollars ($100,000,000). These Capital Improvement Projects shall not be funded through rates and charges to be paid by Signatory Airlines.

CALCULATION 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 from the Effective Date until the expiration or earlier termination of the Signatory Airline Agreement shall be calculated using the rate-setting methods set forth below. In calculating the revenue requirements used to derive such rates and charges, the Authority shall exclude any cost (net of the cost of collection) that (a) has been reimbursed or covered by government grants or PFCs, (b) has been reimbursed or covered by any insurance recovery, condemnation proceeds or other third-party payment, or (c) has been reimbursed or is required to be reimbursed to the Authority by an individual Signatory Airline in connection with projects undertaken by the Authority at the request and for the benefit of an individual Signatory Airline.

Signatory Airline Consultations on Proposed Rates and Charges. The Authority shall consult with the AAAC concerning proposed rates and charges on an annual basis for the next succeeding year. The President and CEO may make such revisions to the proposed rates and charges as the President and CEO determines in his/her sole discretion to be warranted as a result of consultation with the AAAC or otherwise.

Calculation of the Landing Fee. Each year during the Term the Authority shall calculate the estimated Landing Fee for the following Fiscal Year as follows:

The estimated Landing Fee shall be calculated by dividing the Airfield Requirement by the estimated total Maximum Gross Landed Weight ("MGLW") in thousand pound units of Signatory Airlines for the following Fiscal Year. The Airfield Requirement shall be computed as the sum of the following budgeted items: O&M Expenses allocable to the Airfield; *plus* Capital Costs allocable to the Airfield; *plus* the Reliever Airport Contribution; *plus* 50% of O&M Reserve Fund Replenishment Costs; *plus* 50% of R&R Fund Replenishment Costs; *minus* Non-Signatory Airline Airfield Revenues; *minus* Landing Fees from Non-Signatory Airlines.

Calculation of the Terminal Rental Rate. Each year the Authority shall calculate the Terminal Rental Rate for the following Fiscal Year as the sum of the following items: the Base Terminal Rental Rate for that Fiscal Year; *plus* Unforeseen Terminal Expenses divided by Rentable Space. The Base Terminal Rental Rate shall be as follows:

Fiscal Year 2016	$90.00 per square foot
Fiscal Year 2017	$90.00 per square foot
Fiscal Year 2018	$100.55 per square foot
Fiscal Year 2019	$103.07 per square foot
Fiscal Year 2020	$105.65 per square foot
Fiscal Year 2021	$108.29 per square foot
Fiscal Year 2022	$111.00 per square foot

If the Authority anticipates that Unforeseen Terminal Expenses will be included in the calculation of the Terminal Rental Rate for any Fiscal Year, the Authority shall, as soon as practical, give notice to of such previously Unforeseen Terminal Expenses to all Signatory Airlines and consult with the Signatory Airlines about the impact of such Unforeseen Terminal Expenses on the Terminal Rental Rate, the Authority's plans for finance such Unforeseen Terminal Expenses and efforts the Authority intends to undertake to reduce such Unforeseen Terminal Expenses, and the Authority shall give due consideration to any comments or suggestions offered by the Signatory Airlines during such consultations. For Unforeseen Expenses related to government mandates or regulations, Signatory Airlines are only responsible to the extent the costs exceed $500,000 annually.

Calculation of the Terminal Ramp Area Rate. Each year the Authority shall calculate the estimated Terminal Ramp Area Rate for the next Fiscal Year as follows: The Terminal Ramp Area Requirement shall be computed as the sum of: budgeted O&M Expenses allocable to the Terminal Ramp Area, *plus* Capital Costs allocable to the Terminal Ramp Area. The estimated Terminal Ramp Area Rate shall then be calculated by dividing the Terminal Ramp Area Requirement by the total square footage of the Terminal Ramp Area.

Calculation of Baggage Fees. Each year the Authority shall calculate the estimated Baggage Fees for the next Fiscal Year as follows: The estimated Baggage Fee Requirement shall be computed as the sum of the following budgeted items: the product of (i) the Terminal Rental Rate and (ii) the total square footage of the Baggage Claim Areas; *plus* O&M Expenses and Capital Costs allocable to Baggage Claim Equipment and Baggage Make-up Equipment; *minus* Baggage Fees paid by Non-Signatory Airlines.

Charges for the use of Baggage Claim Equipment, Baggage Make-up Equipment and the Baggage Claim Area shall be calculated by allocating twenty percent (20%) of the Baggage Fee Requirement equally among all Signatory Airlines with scheduled service, and allocating eighty percent (80%) of the Baggage Fee Requirement among the Signatory Airlines on the basis of their proportionate numbers of Deplaned Passengers during the Fiscal Year. If, in the future, international activity is conducted in a separate facility and does not utilize the Joint Use facility, then such activity shall be captured in a separate cost center.

Calculation of Passenger Loading Bridge Fees. Each year the Authority shall calculate the estimated Passenger Loading Bridge Fee for the next Fiscal Year as follows: The Passenger Loading Bridge Requirement shall be computed as the sum of budgeted O&M Expenses and Capital Costs allocable to Passenger Loading Bridges.

The estimated Passenger Loading Bridge Fee shall then be calculated by dividing the Passenger Loading Bridge Requirement by the total number of Passenger Loading Bridges.

Unimproved Space Rental Rate. The Rental Rate for Unimproved Space shall be as follows:

Fiscal Year 2016	$2.00 per square foot
Fiscal Year 2017	$2.00 per square foot
Fiscal Year 2018	$4.00 per square foot
Fiscal Year 2019	$4.00 per square foot
Fiscal Year 2020	$4.00 per square foot
Fiscal Year 2021	$4.00 per square foot
Fiscal Year 2022	$4.00 per square foot

Other Charges. If a Signatory Airline requests use of Airport facilities, Exclusive Services, or any other services, the Authority shall invoice such Signatory Airline for any such charges. Each year the Authority shall publish a list of other charges to be paid for the use of facilities at the Airport, Exclusive Services, and other charges.

Revenue Sharing Credits. Each year during the Term the Authority shall calculate Concession Revenue Share credits for Signatory Airlines that are Passenger Carriers. The Concession Revenue Share shall be calculated and credited to the Signatory Airlines as the sum of the following items divided by the estimated total Enplaned Passengers for all Signatory Airlines to yield the Concession Revenue Share per Enplaned Passenger for each Signatory Airline: the budgeted In-Terminal Concession Revenue Share, which shall be seventy percent (70%) for Fiscal Year 2016, sixty percent (60%) for Fiscal Year 2017 and fifty percent (50%) for Fiscal Year 2018 and subsequent.

Monthly, after receiving the Signatory Airline Activity Report, the Authority will provide a credit to each Signatory Airline equal to such Signatory Airline's reported Enplanements multiplied by the Concession Revenue Share per Signatory Airline Enplanement.

Non-Signatory Premium. Non-Signatory Airlines pay a twenty-five percent (25%) premium on all rates and charges and do not receive any Concession Revenue Share credits.

Mid-year Adjustments. If it appears to the Authority on the basis of information it is able to accumulate during the course of any Fiscal Year that the budgeted Capital Costs or O&M Expenses or projected levels of Signatory Airline activity it has used to calculate the rates and charges are likely to vary significantly (higher or lower) from actual results, the Authority may, using current estimates and projections, recalculate the rates and charges in accordance with the Signatory Airline Agreement at mid-year or at such other time during the Fiscal Year (a) as the need for such an adjustment becomes apparent to the Authority and (b) when the variance between the budgeted revenues from the Signatory Airlines and estimated actual results is expected to be ten percent (10%) or more. The Authority shall provide the AAAC with at least thirty (30) days written notice ("Mid-Year Adjustment Notice") of any adjustments to be made, and the AAAC and the Authority may meet to discuss same upon request of the AAAC.

Annual Adjustments-to-Actual.

Landing Fee. Within sixty (60) days after completion of the audit for the preceding Fiscal Year, the Authority shall recalculate the Landing Fee on the basis of actual Capital Costs and O&M Expenses and MGLW and shall determine the amount of any overpayment (credit) or underpayment (debit) due to or from Signatory Airline.

Revenue Sharing Credit. Within sixty (60) days after completion of the audit for the preceding Fiscal Year which audit Authority shall endeavor to have completed within one hundred twenty (120) days of the end of such Fiscal Year, the Authority shall recalculate Revenue Sharing Credits on the basis of actual In-Terminal Concession Revenue, and actual Enplaned Passengers, and shall determine the amount of any overpayment (credit) or underpayment (debit) due to or from Signatory Airline.

Combined Adjustments. For each Signatory Airline, the Authority shall combine the credits or debits calculated in accordance with the Signatory Airline Agreement and any resulting credit (on a combined basis) will be issued to the Signatory Airlines, and any resulting debit (on a combined basis) will be invoiced to and payable by the Signatory Airlines within thirty (30) days; provided, however, that any resulting credit cannot be used in any given month to offset more than fifty percent (50%) of any amount otherwise due to the Authority.

PAYMENTS

Payment of Landing Fees and Terminal Rents. The Signatory Airlines shall pay to the Authority on a monthly basis the Terminal Rents, Landing Fees and other fees established by the Authority in accordance with the Signatory Airline Agreements.

Passenger Facility Charges. The Authority expressly reserved the right, under the Signatory Airline Agreement, to impose passenger facility charges ("PFCs") in accordance with 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, 14 CFR Pt. 158, as they may be amended from time to time (the "PFC Regulations"). The net principal amount of all PFCs that are collected by the Signatory Airlines or their respective agents on behalf of the Authority pursuant to 49 U.S.C. § 40117 and the PFC Regulations are to be held in trust for the Authority.

DEVELOPMENT, MAINTENANCE AND REPAIR OF AIRPORT

Subject to the terms of the Signatory Airline Agreement, the Authority shall have the right at all times to change, alter, expand or contract the Airport. The Signatory Airline Agreements provide for the maintenance and repair obligations as between the Authority and the several Signatory Airlines with respect to the Premises.

Damage or Destruction.

Damage. If any portion of the Terminal in which a Signatory Airline occupies Premises under the Signatory Airline Agreements is damaged by fire, earthquake or other casualty, but is

not rendered unfit for use by a Signatory Airline, the damage shall be repaired by the Authority, as soon as is practicable under the circumstances. If the damage renders the Premises unfit for use by the respective Signatory Airline, and if the damage is repairable using reasonable diligence within four months from the date of the occurrence, the Premises shall be repaired by the Authority.

Destruction. If any portion of the Terminal in which a Signatory Airline occupies Premises is completely destroyed by fire, earthquake or other casualty, or damaged to such extent that such damage cannot be repaired within four months from the date of the occurrence, the Authority or such Signatory Airline shall have the option to terminate the related Signatory Airline Agreement to the extent that it shall apply to the destroyed Premises. In addition, the Authority shall within thirty (30) days of a fire, earthquake or other casualty, provide written notice to the affected Signatory Airline that it intends to (i) terminate the related Signatory Airline Agreement or (ii) repair or reconstruct the affected Premises. If the Authority elects to repair or reconstruct the affected Premises, it shall begin any work necessary to do so and shall use reasonable efforts to provide the related Signatory Airline with temporary substitute space while the repairs are being completed if such Signatory Airline does not elect to terminate the related Signatory Airline Agreement to the extent that it shall apply to the destroyed Premises. If a party elects to terminate a Signatory Airline Agreement, such termination shall be effective as to the affected Premises, sixty (60) days after the occurrence of the damage. Without limiting the foregoing, if the Authority terminates a Signatory Airline Agreement to the extent that it shall apply to the destroyed Premises, the Authority shall use reasonable efforts to provide the affected Signatory Airline with substitute space for the remaining Term if requested by such Signatory Airline.

Rent Abatement. For the period from the occurrence of any damage to the affected Premises to the date of completion of the repairs to such Premises (or to the date of termination of the affected Signatory Airline Agreement as to such portions of the affected Premises if the Authority shall elect not to restore them), the rental allocable to the particular Premises involved shall be abated in the same proportion as the unusable portion of such Premises bears to the whole, or, if the damage or destruction has rendered the entire affected Premises unusable, said rental shall be abated entirely, and upon termination of the affected Signatory Airline Agreement as to such damaged or destroyed Premises, such Signatory Airline shall have no further obligation to pay the rental allocable thereto. The costs assigned to such unusable space may be recovered by the Authority as an Unforeseen Terminal Expense pursuant to the Signatory Airline Agreement. In the event that the Authority shall elect to terminate the affected Signatory Airline Agreement as to the portion of the Premises damaged or destroyed as provided above, and in the event the loss of use thereof by the affected Signatory Airline will have a substantial adverse effect on such Signatory Airline's use of the remainder of its Premises and its business and operations at the Airport in the opinion of such Signatory Airline, such Signatory Airline may, within thirty (30) days after receipt of the Authority's notice of termination, terminate the related Signatory Airline Agreement in its entirety by giving the Authority written notice thereof.

INDEMNIFICATION AND INSURANCE

Indemnification. The Signatory Airline Agreement sets forth the obligation of the several Signatory Airlines to indemnify the Authority upon certain specified conditions and events, which

obligations survive the expiration, termination, or early cancellation of the Signatory Airline Agreement.

Insurance. The Signatory Airlines are required to maintain insurance to specified minimum limits and with financially sound insurance companies 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 Signatory Airline liability insurance, automobile liability insurance and, if necessary, commercial umbrella liability insurance, pollution liability insurance coverage, workers' compensation and employer's liability insurance, as further specified in the Signatory Airline Agreement.

ASSIGNMENT AND SUBLETTING

The Signatory Airlines may not assign or transfer the Signatory Airline Agreement or any interest therein nor sublet the whole or any portion of the Premises without first obtaining the Authority's written consent, nor shall the Signatory Airline Agreement or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding of any court, or otherwise without the consent of the Authority first had and obtained, which consent shall not be unreasonably withheld. The foregoing applies to certain specified change of control transactions of more than one-half of a Signatory Airline's stock.

TERMINATION

Signatory Airline Defaults. The occurrence of any one or more of the following events shall constitute a breach of the Signatory Airline Agreement and an "Event of Default" under the Signatory Airline Agreement:

(a) Failure to duly and timely to pay any Landing Fees, Terminal Rent or any other rate or charge due under the Signatory Airline Agreement, when due to Authority, and such failure shall continue for five (5) days beyond a Signatory Airline's receipt of a written notice of such breach or default. Notwithstanding the foregoing, in the event there occur two (2) defaults in the payment of Landing Fees, Terminal Rent or other rate or charge due under the Signatory Airline Agreement in any twelve (12) month period, thereafter a Signatory Airline shall not be entitled to, and Authority shall have no obligation to give, notice of any further payment defaults. In such event, there shall be deemed to occur an "Event of Default" immediately upon Signatory Airline's failure timely to pay Landing Fees, Terminal Rent or other payment due under the Signatory Airline Agreement.

(b) A Signatory Airline shall fail duly and timely to remit to the Authority PFCs collected by such Signatory Aitline.

(c) A Signatory Airline shall become insolvent, take the benefit of any present or future insolvency statute, make a general assignment for the benefit of creditors, file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement for its reorganization or the

readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or of any state, or consent to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property, or petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency law or statute shall be filed against Signatory Airline and shall not be dismissed within ninety (90) days after the filing thereof.

(d) There shall occur a transfer of the Signatory Airline Agreement without the prior approval of the Authority.

(e) A Signatory Airline shall abandon, desert, or vacate the Premises.

(f) Any lien shall be filed against the Premises as a result of an act or omission of Signatory Airline, and shall not be discharged within sixty (60) days after receipt of notice by Signatory Airline.

(g) A Signatory Airline shall fail to obtain and maintain the insurance required by the Signatory Airline Agreement, or provide copies of the policies or certificates to Authority as required.

(h) A Signatory Airline shall fail to keep, perform and observe each and every other promise, covenant and agreement set forth in the Signatory Airline Agreement, and such failure shall continue for a period of more than thirty (30) days after delivery of a written notice of such failure or if satisfaction of such obligation requires activity over a period of time, if Signatory Airline fails to commence the cure of such failure within thirty (30) days after receipt of such notice, or thereafter fails to diligently prosecute such cure, or fails to actually cause such cure within thirty days after the giving of such notice.

Authority Remedies.

General Remedies - Applicable to All Portions of the Premises. Whenever any default shall occur (other than a default with respect to insolvency, etc.) upon which termination of the Signatory Airline Agreement, at the Authority's option, shall be effective immediately without further notice, the Signatory Airline Agreement and all of Signatory Airline's rights thereunder shall terminate if the written notice of default so provides. The Authority shall be entitled to recover from Signatory Airline all unpaid rent and fees and damages incurred because of such default, including, but not limited to, reasonable attorneys' fees and costs ("Termination Damages"), together with interest on all Termination Damages at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by applicable law, whichever is lower, from the date such Termination Damages are incurred by the Authority.

In addition to Termination Damages, and notwithstanding termination, Signatory Airline's liability for all rent and fees which, but for termination of the Signatory Airline Agreement, would have become due over the remainder of the Signatory Airline Agreement ("Future Charges") shall not be extinguished and Signatory Airline agrees that the Authority shall be entitled, upon termination for default, to collect as additional damages a "Rental Deficiency," defined to mean: an amount or amounts equal to Future Charges less the amount or amounts of rental, if any, which the Authority shall receive during the remainder of the Term from others to whom the Premises may be rented, in which case such Rental Deficiency shall be computed and payable at Authority's

option either: (i) in an accelerated lump sum payment or (ii) in monthly installments, in advance, on the first day of each calendar month following termination of the Signatory Airline Agreement and continuing until the date of which the Term would have expired but for such termination, and any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months, shall not in any manner prejudice the Authority's right to collect any portion of Rental Deficiency by a similar proceeding.

Additional Remedies for Exclusive Premises. Whenever any default shall occur (other than a default relating to insolvency of the Signatory Airline) upon which termination of the Signatory Airline Agreement, at the Authority's option, shall be effective without further notice, the Signatory Airline Agreement and all of Signatory Airline's rights thereunder shall terminate if so specified. In the event such default involves space occupied by Signatory Airline on an exclusive use basis, in addition to those remedies for default set forth in the Signatory Airline Agreement, upon termination the Authority may re-enter and take exclusive possession of any such Exclusive Premises and remove all persons and property from such Exclusive Premises. The Authority shall be entitled to recover from Signatory Airline, in addition to Termination Damages, additional damages incurred because of such default, including but not limited to the costs of removing or storing any personal property from the Exclusive Premises, the cost of re-letting the Exclusive Premises and the costs of any necessary renovations or repairs and related expenses ("Additional Termination Damages"), together with interest on all Additional Termination Damages at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by applicable law, whichever is lower, from the date such Additional Termination Damages are incurred by the Authority. A Signatory Airline shall have no right to or claim upon any improvements that may have been previously installed by Signatory Airline in or on the Exclusive Premises.

If the Signatory Airline Agreement terminates as a result of a Signatory Airline's default, the Authority shall use reasonable efforts to relet the Exclusive Premises or any part thereof, alone or together with other Exclusive Premises, for such term or terms and for such use or uses as the Authority in its sole discretion may determine. A Signatory Airline's obligations hereunder shall not be discharged by reason or failure of Authority to relet the Exclusive Premises.

Termination. The Signatory Airline Agreement may be terminated in advance of its Expiration Date in the following events:

(a) In the event that any federal, state or local government or agency or instrumentality thereof shall, by condemnation or deed or conveyance in lieu thereof, take title, possession or the right to possession of the Premises or any substantial portion of the Premises, the Authority may, at its option, terminate the Signatory Airline Agreement as of the date of such taking; or

(b) In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will permanently or for a substantial period of time prevent the performance by the Authority of any of its material obligations under the Signatory Airline Agreement, then either party hereto may terminate the Signatory Airline Agreement by written notice. This right of termination shall be and remain effective whether or not the Authority, by taking affirmative action or by inaction, could have prevented the rendering of the decision or could have caused the decision to be vacated before it became final.

(c) In the event of termination of the Signatory Airline Agreement under any of the above subsections, all rights and obligations of the parties (with the exception of any undischarged rights and obligations that accrued prior to the effective date of such termination) shall terminate, and if the Signatory Airline is not in material default under any of the provisions of the Signatory Airline Agreement on the effective date of termination, any rent prepaid by Signatory Airline shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Signatory Airline.

Authority's Right to Partial Termination. In the event the Authority determines, after consultation with the Signatory Airline, that Airport operations or a Capital Improvement Project require the use of all or a portion of Signatory Airline's Exclusive Premises, the Authority shall provide the Signatory Airline with one hundred eighty (180) days' notice of termination of the required Exclusive Premises. If a Signatory Airline is required to move, the Authority shall relocate the Signatory Airline to Exclusive Premises that are reasonably similar to those previously occupied by the Signatory Airline, and shall pay for all reasonable costs of such relocation.

Rights Related to Termination. In the event of any termination by the Authority based on any breach by Signatory Airline of the covenants, terms and conditions contained in the Signatory Airline Agreement, all rights, powers and privileges of the Signatory Airline under the Signatory Airline Agreement shall cease, and Signatory Airline shall immediately vacate any portions of the Premises occupied by it under the Signatory Airline Agreement. A Signatory Airline shall have no claim of any kind whatsoever against the Authority by reason of such termination or by reason of any act by the Authority.

Authority Defaults. Events of default by the Authority include:

The Authority fails to keep, perform or observe any material term, covenant or condition in the Signatory Airline Agreement to be kept, performed, or observed by the Authority and such failure continues for thirty (30) days after receipt of written notice from a Signatory Airline; or if by its nature such default cannot be cured within such thirty (30) day period, the Authority shall not commence to cure or remove such default within said thirty (30) days and to cure or remove the same promptly as reasonably practicable; provided, however, the Authority's performance under this subsection shall be conditioned by the *force majeure* provisions of the Signatory Airline Agreement.

The Airport is closed to flights in general or to the flights of the Signatory Airline, for reasons other than those circumstances within the Signatory Airline's control, and Airport fails to be reopened to such flights within thirty (30) consecutive days from such closure.

The Airport is permanently closed as an air carrier airport by act of any Federal, state, or local government agency having competent jurisdiction; or a Signatory Airline is unable to use Airport for a period of at least thirty (30) consecutive days due to any law or any order, rule or regulation of any governmental authority having jurisdiction over the operations of the Airport; or any court of competent jurisdiction issues an injunction preventing the Authority or the Signatory Airline from using the Airport for airport purposes, for reasons other than those circumstances within Signatory Airline's control, and such injunction remains in force for a period of at least thirty (30) consecutive days.

The United States Government or any authorized agency of the same (by executive order or otherwise) assumes the operation, control or use of the Airport in such a manner as to substantially restrict Signatory Airline from conducting its operations, if such restriction be continued for a period of thirty (30) consecutive days or more.

Signatory Airline Remedy. So long as a Signatory Airline is not in material default under the Signatory Airline Agreement, the Signatory Airline may cancel the Signatory Airline Agreement upon the occurrence of an Authority event of default. In such event, the Signatory Airline shall provide a thirty (30) day advance written notice of cancellation to the Authority. All rentals, fees and charges payable by the Signatory Airline shall cease as of the date of such cancellation.

ENVIRONMENTAL PROVISIONS

The Signatory Airline Agreement requires 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; storm water permitting; air quality; and termination obligations in respect of same.

MISCELLANEOUS PROVISIONS

Governing Law. The Signatory Airline Agreement shall be deemed to have been made in, and be construed in accordance with the laws of, the State of Tennessee.

Force Majeure. Neither the Authority nor a Signatory Airline shall be deemed in violation of the Signatory Airline Agreement if it is prevented from performing any of its obligations under the Signatory Airline Agreement by reason of strikes, boycotts, certain labor disputes, embargoes, shortages of material, acts of terrorism, riots, rebellion, sabotage or any other casualty which is not within its control; provided, however, that these provisions shall not excuse Signatory Airline from payment of the Landing Fees, Terminal Rents and other rates and charges as specified in the Signatory Airline Agreement.

Exclusiveness of Signatory Airline's Rights. Nothing contained in the Signatory Airline Agreement shall be deemed to grant to any Signatory Airline any exclusive right or privilege within the meaning of 49 U.S.C. § 40103(e) with respect to activity on the Airport, except that, subject to the terms and provisions of the Signatory Airline Agreement, Signatory Airline shall have the right to exclusive possession of any Exclusive Premises made available to Signatory Airline under the provisions of the Signatory Airline Agreement.

Entire Agreement. The Signatory Airline Agreement supersedes all Prior Signatory Airline Agreements, if any, between a Signatory Airline and the Authority and by executing the Signatory Airline Agreement, each Signatory Airline terminates all Prior Signatory Airline Agreements; provided, however, that any approvals obtained from either party under the provisions of Prior Signatory Airline Agreements shall survive its termination. The parties intend that the Signatory Airline Agreement shall be the final expression of their agreement with respect

to its subject matter and that the Signatory Airline Agreement shall constitute the complete and exclusive statement of its terms.

Liens and Encumbrances. Each Signatory Airline shall keep the Premises free and clear of any liens and encumbrances arising or growing out of Signatory Airline's use and occupancy of the Premises or activities at the Airport. Each Signatory Airline agrees to fully indemnify and defend the Authority in connection with any such liens filed against the Premises. At the Authority's request, each Signatory Airline shall furnish the Authority with written proof of payment of any item that would or might constitute the basis for such a lien on the Premises if not paid or with proof that the Signatory Airline has posted any required bond or collateral while it disputes such lien.

Labor Disputes. Each Signatory Airline agrees to use its commercially reasonable efforts to avoid disruption to the Authority, its tenants or members of the public, arising from labor disputes involving the Signatory Airline, and in the event of a strike, picketing, demonstration or other labor difficulty involving the Signatory Airline, to use its good offices, including the utilization of available legal remedies, to minimize or eliminate any disruption to the Authority, its tenants or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

Agreement Not to Grant More Favorable Terms. During the Term, the Authority agrees not to enter into any lease, contract or other agreement with any other Air Carrier conducting operations at the Airport that contains rates, charges or terms more favorable to such Air Carrier than the rates, charges or terms each Signatory Airline has agreed to under the Signatory Airline Agreement, unless the Authority also makes those more favorable rates, charges or terms available to the Signatory Airlines. Such provisions shall not limit, impair or interfere with the Authority's ability to charge or establish such rates and charges as the Authority may deem applicable when entering into any lease, contract or other agreement with any party that is not an Air Carrier.

Irrevocable Election Not to Claim Depreciation or an Investment Credit. Pursuant to Internal Revenue Code Section 142(b)(1)(B)(i), each Signatory Airline makes an irrevocable election not to claim depreciation or an investment credit with respect to any property leased hereunder.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

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APPENDIX F

PROPOSED FORMS OF BOND COUNSEL OPINIONS

Form of Series 2019A Bond Opinion

[LETTER HEAD OF HAWKINS DELAFIELD & WOOD LLP]

_____, 2019

Board of Commissioners
The Metropolitan Nashville Airport
Authority
Nashville International Airport
Nashville, Tennessee 37317

Ladies and Gentlemen:

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019A
$254,435,000

At your request we have examined into the validity of Two Hundred Fifty-Four Million Four Hundred Thirty-Five Thousand Dollars ($254,435,000) principal amount of Subordinate Airport Revenue Bonds, Series 2019A (the "Series 2019A Bonds") of The Metropolitan Nashville Airport Authority (the "Authority"). The Series 2019A Bonds are issued in fully registered form; are dated their date of delivery; are of the denomination of $5,000 or any integral multiple thereof; are numbered consecutively from RA-1 upwards, bear interest payable July 1, 2020 and semi-annually thereafter each January 1 and July 1 at the rates per annum set forth in the schedule below; and mature and become payable as to principal on July 1 in each of the years and in the principal amounts as follows:

Year (July 1)	Principal Amount	Interest Rate	Year (July 1)	Principal Amount	Interest Rate
2025	$2,965,000	5.000%	2035	$5,245,000	5.000%
2026	3,120,000	5.000	2036	5,640,000	5.000
2027	3,270,000	5.000	2037	5,920,000	5.000
2028	3,430,000	5.000	2038	6,210,000	5.000
2029	3,600,000	5.000	2039	6,530,000	5.000
2030	3,790,000	5.000	2044	37,870,000	5.000
2031	3,970,000	5.000	2049	25,000,000	4.000
2032	4,175,000	5.000	2049	39,200,000	5.000
2033	4,380,000	5.000	2054	25,000,000	4.000
2034	5,000,000	5.000	2054	60,120,000	5.000

The Series 2019A Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2019A Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and pursuant to Resolution No. 2019-15 of the Authority, adopted October 16, 2019 (the "Master Subordinate Resolution"), and a First Supplemental Resolution of the Authority, adopted October 16, 2019, and related Certificate of Determination of the Designated Financial Officer dated December 5, 2019 (collectively, the "Supplemental Resolution") (the Master Subordinate Resolution and Supplemental Resolution are referred to herein collectively as the "Subordinate Bond Resolution"). We have examined the Constitution and statutes of the State of Tennessee and certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2019A Bonds, including the Subordinate Bond Resolution. We have also examined a specimen Series 2019A Bond. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Subordinate Bond Resolution.

In our opinion:

1. The Series 2019A Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, constitute valid and binding special obligations of the Authority enforceable in accordance with their terms, and are issued on a parity with all Bonds hereafter issued under the Master Subordinate Resolution, payable *pari passu* from, and equally and ratably secured by a pledge of and lien upon, and security interest in, the Net Revenues of the Authority, subject and subordinate, and secured by a lien on and pledge of the Net Revenues junior and inferior, to the lien on and pledge of the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds.

2. The Master Subordinate Resolution and the Supplemental Resolution have been duly adopted by the Authority; the provisions of the Master Subordinate Resolution and the Supplemental Resolution are valid and binding obligations of the Authority enforceable in accordance with their terms; and the holders of the Series 2019A Bonds are entitled to the security and benefits of the Subordinate Bond Resolution.

3. Under existing statutes, the Series 2019A Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2019A Bonds is (i) excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) not

treated as a preference item in calculating the alternative minimum tax imposed on under the Code. In rendering the opinions in this paragraph (4), we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2019A Bonds, and have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Series 2019A Bonds from gross income under Section 103 of the Code. Under the Code, noncompliance with such requirements may cause the interest on the Series 2019A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is discovered.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2019A Bonds, or the ownership or disposition thereof, except as stated in paragraph (4) above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2019A Bonds.

It is to be understood that the rights of the holders of the Series 2019A Bonds under the Subordinate Bond Resolution and under such Series 2019A Bonds and the enforceability of such rights may be subject to the exercise of judicial discretion, the sovereign police powers of the State of Tennessee and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2019A Bonds and express no opinion relating thereto.

Very truly yours,

Hawkins Delafield & Wood LLP

Form of Series 2019B Bond Opinion

[LETTER HEAD OF HAWKINS DELAFIELD & WOOD LLP]

_____, 2019

Board of Commissioners
The Metropolitan Nashville Airport
Authority
Nashville International Airport
Nashville, Tennessee 37317

Ladies and Gentlemen:

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019B
$665,150,000

At your request we have examined into the validity of Six Hundred Sixty-Five Million One Hundred Fifty Thousand Dollars ($665,150,000) principal amount of Subordinate Airport Revenue Bonds, Series 2019B (the "Series 2019B Bonds") of The Metropolitan Nashville Airport Authority (the "Authority"). The Series 2019B Bonds are issued in fully registered form; are dated their date of delivery; are of the denomination of $5,000 or any integral multiple thereof; are numbered consecutively from RB-1 upwards, bear interest payable July 1, 2020 and semi-annually thereafter each January 1 and July 1 at the rates per annum set forth in the schedule below; and mature and become payable as to principal on July 1 in each of the years and in the principal amounts as follows:

Year (July 1)	Principal Amount	Interest Rate	Year (July 1)	Principal Amount	Interest Rate
2025	$7,920,000	5.000%	2035	$13,905,000	5.000%
2026	8,315,000	5.000	2036	14,920,000	5.000
2027	8,735,000	5.000	2037	15,655,000	5.000
2028	9,170,000	5.000	2038	16,445,000	5.000
2029	9,625,000	5.000	2039	17,260,000	5.000
2030	10,110,000	5.000	2044	100,175,000	5.000
2031	10,610,000	5.000	2049	50,000,000	4.000
2032	11,145,000	5.000	2049	116,170,000	5.000
2033	11,700,000	5.000	2054	62,500,000	4.000
2034	13,240,000	5.000	2054	157,550,000	5.000

The Series 2019B Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2019B Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, and pursuant to Resolution No. 2019-

15 of the Authority, adopted October 16, 2019 (the "Master Subordinate Resolution"), and a First Supplemental Resolution of the Authority, adopted October 16, 2019, and related Certificate of Determination of the Designated Financial Officer dated December 5, 2019 (collectively, the "Supplemental Resolution") (the Master Subordinate Resolution and Supplemental Resolution are referred to herein collectively as the "Subordinate Bond Resolution"). We have examined the Constitution and statutes of the State of Tennessee and certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2019B Bonds, including the Subordinate Bond Resolution. We have also examined a specimen Series 2019B Bond. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Subordinate Bond Resolution.

In our opinion:

1. The Series 2019B Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Tennessee, including particularly the Metropolitan Airport Authority Act, as amended, and the Local Government Public Obligations Act of 1986, as amended, constitute valid and binding special obligations of the Authority enforceable in accordance with their terms, and are issued on a parity with all Bonds hereafter issued under the Master Subordinate Resolution, payable *pari passu* from, and equally and ratably secured by a pledge of and lien upon, and security interest in, the Net Revenues of the Authority, subject and subordinate, and secured by a lien on and pledge of the Net Revenues junior and inferior, to the lien on and pledge of the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds.

2. The Master Subordinate Resolution and the Supplemental Resolution have been duly adopted by the Authority; the provisions of the Master Subordinate Resolution and the Supplemental Resolution are valid and binding obligations of the Authority enforceable in accordance with their terms; and the holders of the Series 2019B Bonds are entitled to the security and benefits of the Subordinate Bond Resolution.

3. Under existing statutes, the Series 2019B Bonds and the interest thereon are exempt from taxation by the State of Tennessee or any county or municipality thereof, except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State of Tennessee.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2019B Bonds is (i) excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2019B Bond for any period during which the Series 2019B Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Series 2019B Bonds or a "related person," and (ii) treated as a preference item in calculating the alternative minimum tax imposed under the Code. In rendering the opinions in this paragraph (4), we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with

the Series 2019B Bonds, and have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Series 2019B Bonds from gross income under Section 103 of the Code. Under the Code, noncompliance with such requirements may cause the interest on the Series 2019B Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is discovered.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2019B Bonds, or the ownership or disposition thereof, except as stated in paragraph (4) above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2019B Bonds.

It is to be understood that the rights of the holders of the Series 2019B Bonds under the Subordinate Bond Resolution and under such Series 2019B Bonds and the enforceability of such rights may be subject to the exercise of judicial discretion, the sovereign police powers of the State of Tennessee and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Series 2019B Bonds and express no opinion relating thereto.

Very truly yours,

Hawkins Delafield & Wood LLP

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

by and between

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

and

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

relating to:

$254,435,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2019A (NON-AMT)

and

$665,150,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2019B (AMT)

Dated December 17, 2019

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") dated December 17, 2019, is executed and delivered by the **METROPOLITAN NASHVILLE AIRPORT AUTHORITY** (the "Authority") and **DIGITAL ASSURANCE CERTIFICATION, L.L.C.**, and any successor dissemination agent serving hereunder pursuant to Section 11 hereof (the "Dissemination Agent" or "DAC").

RECITALS:

A. Contemporaneously with the execution and delivery of this Disclosure Agreement, the Authority issued and delivered those certain: (a) $254,435,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2019A (Non-AMT) (the "Series 2019A Subordinate Bonds"); and (b) $665,150,000 in aggregate principal amount of its Subordinate Airport Revenue Bonds, Series 2019B (AMT) (the "Series 2019B Subordinate Bonds" and together with the Series 2019A Subordinate Bonds, the "Series 2019 Subordinate Bonds"), pursuant to, among other things, that certain Resolution No. 2019-15 adopted by the Board of Commissioners of the Authority (the "Board") on October 16, 2019, as amended from time to time (the "Master Subordinate Resolution"), and particularly as supplemented by that certain First Supplemental Resolution adopted by the Board on October 16, 2019 (the "First Supplemental Resolution" and together with the Master Subordinate Resolution, the "Subordinate Bond Resolution").

B. The Series 2019 Subordinate Bonds and any Additional Subordinate Bonds are special limited obligations of the Authority equally and ratably secured by a pledge of and lien on the Net Revenues, subject and subordinate to the pledge of and lien on the Net Revenues created in the Senior Bond Resolution for the payment and security of the Senior Bonds, including the Outstanding Senior Bonds and any other Additional Senior Bonds and upon the effective date of the contemplated amendment to the Note Purchase Agreement, which is expected to be on or before the date of delivery of the Series 2019 Subordinate Bonds, will be senior to the payment obligations of the Authority under the Note Purchase Agreement as to the pledge of and lien on the Net Revenues.

C. The Series 2019 Subordinate Bonds are the first issue of Subordinate Bonds issued under and pursuant to the Subordinate Bond Resolution and the proceeds thereof will be used to provide funds to, among other things: (a) pay and/or reimburse the Authority for all or a portion of the costs of certain elements of the Authority Capital Projects; (b) pay all or a portion of the amounts outstanding under the Note Purchase Agreement; (c) fund capitalized interest on the Series 2019 Subordinate Bonds; (d) fund a deposit to the Subordinate Bond Reserve Fund to meet the Subordinate Bond Reserve Fund Requirement; and (e) pay certain costs of issuance related to the Series 2019 Subordinate Bonds.

D. The Authority has authorized the preparation and distribution of the Preliminary Official Statement dated November 14, 2019 with respect to the Series 2019 Subordinate Bonds (the "Preliminary Official Statement") and, on or before the date of the Preliminary Official Statement, the Authority deemed that the Preliminary Official Statement was final within the meaning of the Rule (as defined herein).

E. Upon the initial sale of the Series 2019 Subordinate Bonds to the Participating Underwriter (as defined herein), the Authority authorized the preparation and distribution of the Official Statement dated December 5, 2019 with respect to the Series 2019 Subordinate Bonds (the "Official Statement").

F. As a condition precedent to the initial purchase of the Series 2019 Subordinate Bonds by the Participating Underwriter in accordance with the terms of the Bond Purchase Agreement dated December 5, 2019, by and between the Participating Underwriter and the Authority, and in compliance with the Participating Underwriter's obligations under the Rule, the Authority has agreed to undertake for the benefit of the holders of the Series 2019 Subordinate Bonds, to provide certain annual financial information and notice of the occurrence of certain events as set forth herein and in the continuing disclosure undertakings of the Authority.

NOW THEREFORE, in consideration of the purchase of the Series 2019 Subordinate Bonds by the Participating 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 Subordinate Bond Resolution and the Official Statement, 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 January 31st of each year commencing with January 31, 2021. If January 31st 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 such term is used in paragraph (f)(9) of the Rule and specified in Section 6(a) hereof.

"Audited Financial Statements" means the financial statements (if any) 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 2019 Subordinate 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, Notice Event Filing, 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, Audited Financial Statements (if any), the Notice Event Filings, and the Voluntary Filings.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"Notice Event" means an event listed in Sections 5(a) and 5(b) 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 2019 Subordinate 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 2019 Subordinate Bonds.

"Participating Underwriter" means, collectively, the original purchasers of the Series 2019 Subordinate Bonds required to comply with the Rule in connection with the offering of the Series 2019 Subordinate 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 in effect as of the date hereof.

"SEC" means the United States Securities and Exchange Commission.

"Third-Party Beneficiary" shall have 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. <u>Scope of this Disclosure Agreement</u>.

(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 2019 Subordinate 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 2019 Subordinate 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 2019 Subordinate Bonds, in accordance with the Subordinate Bond Resolution, as amended, 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 as to the Series 2019 Subordinate 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. 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. 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. 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 prior to 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;

(ii) upon receipt and no later than the Annual Filing Date, promptly file each Audited Financial Statement or Unaudited Financial Statement received under Sections 4(a) and 4(c) hereof with the Repository in an electronic format as prescribed by the MSRB;

(iii) provide the Authority evidence of the filings of each of the above when made, which shall be made by means of the DAC system, for so long as DAC is the Dissemination Agent under this Disclosure Agreement.

(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. <u>Reporting of Notice Events</u>.

(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 2019 Subordinate 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 2019 Subordinate Bonds, or other material events affecting the tax status of the Series 2019 Subordinate 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 2019 Subordinate 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;

(xiii) 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;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) 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

(xvi) 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. <u>Content of Annual Filings</u>.

(a) Each Annual Filing shall contain 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 Official Statement:

(i) the table entitled "Airlines Serving the Airport" under the heading "NASHVILLE INTERNATIONAL AIRPORT - Airlines Serving the Airport;"

(ii) the table entitled "Enplaned Passengers and O&D Enplaned Passengers" under the heading "NASHVILLE INTERNATIONAL AIRPORT - Enplaned Passenger Traffic;"

(iii) the table entitled "Enplaned Passenger Market Share" under the heading "NASHVILLE INTERNATIONAL AIRPORT - Enplaned Passenger Market Share;"

(iv) the table entitled "Passenger, Cargo, and Miscellaneous Landed Weight" under the heading "NASHVILLE INTERNATIONAL 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 "Senior Debt Service Coverage" under the heading "AUTHORITY FINANCIAL INFORMATION - Senior Debt Service Coverage."

While not currently presented in the Official Statement, from and after Fiscal Year 2020, the Authority will amend the title and substance of the chart entitled "Senior Debt Service Coverage" to provide for debt service coverage on Subordinate Bonds in future years. To the extent any of the foregoing charts include information that is no longer available and/or prepared by the Authority and/or its consultants, the Authority will provide notice of such event in its first Annual Filing after it has made such a determination and, if necessary or required, alter the format of the foregoing charts from time to time.

(b) If available at the time of such filing, the Audited Financial Statements for the prior Fiscal Year. 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 (if any) 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 Comprehensive Annual 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 2019 Subordinate 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 8, 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 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 Business Day notice period. An extension of such five 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 Subordinate Bond Resolution to the contrary, no default under this Disclosure Agreement shall constitute a default or event of default under the Subordinate Bond Resolution.

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 Subordinate Bond Resolution.

(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 2019 Subordinate 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 2019 Subordinate 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 2019 Subordinate 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 2019 Subordinate 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. <u>Agency Relationship</u>.

(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 2019 Subordinate 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 2019 Subordinate 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.

[SIGNATURE PAGES TO FOLLOW]

SIGNATURE PAGE TO
CONTINUING DISCLOSURE AGREEMENT

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019A (NON-AMT) AND
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019B (AMT)

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.

THE METROPOLITAN NASHVILLE AIRPORT AUTHORITY

By:_____
Douglas E. Kreulen, A.A.E.,
President and Chief Executive Officer

By:_____
Margaret M. Basrai, CPA, CGMA, C.M.,
Vice President and Chief Financial Officer

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

SIGNATURE PAGE TO
CONTINUING DISCLOSURE AGREEMENT

METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019A (NON-AMT) AND
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019B (AMT)

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.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:_____
Name:_____
Title:_____

EXHIBIT A

NOTICE TO REPOSITORY OF THE OCCURRENCE OF
[INSERT THE NOTICE EVENT]

Relating to

$254,435,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2019A (NON-AMT)

and

$665,150,000
METROPOLITAN NASHVILLE AIRPORT AUTHORITY
SUBORDINATE AIRPORT REVENUE BONDS,
SERIES 2019B (AMT)

Originally Issued on December 17, 2019

[CUSIP NUMBERS**]**

Notice is hereby given by the Metropolitan Nashville 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 December 17, 2019. **[**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: _____

METROPOLITAN NASHVILLE AIRPORT AUTHORITY

By:_____
Name:_____
Title:_____

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither the Authority nor the Underwriters make any representation or warranty or take any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Series 2019 Subordinate Bonds. The Series 2019 Subordinate 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 2019 Subordinate Bond certificate will be issued for each maturity of each series of the Series 2019 Subordinate Bonds as set forth on the inside front cover of this Official Statement, each in the aggregate principal amount of such maturity and will be deposited with DTC. If, however, the aggregate principal amount of any maturity of Series 2019 Subordinate Bonds exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series of the Series 2019 Subordinate Bonds.

DTC 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 Exchange Act. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments 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" and, together with the Direct Participants, the "Participants"). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2019 Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Subordinate Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Subordinate Bond ("Beneficial Owner") is in turn to be recorded on the 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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Subordinate Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Subordinate Bonds, except in the event that use of the book-entry system for the Series 2019 Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Subordinate Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2019 Subordinate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Subordinate Bonds are credited, which may or may not be the Beneficial Owners. The 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 may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Subordinate Bond Resolution. For example, Beneficial Owners may wish to ascertain that the nominee holding the Series 2019 Subordinate 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 Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2019 Subordinate Bonds within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Subordinate 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 Series 2019 Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2019 Subordinate 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

payment 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, premium, if any, and interest on the Series 2019 Subordinate Bonds, as applicable, 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 Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2019 Subordinate Bonds at any time by giving reasonable notice to the Authority or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2019 Subordinate Bond certificates 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, Series 2019 Subordinate Bond certificates will be printed and delivered to DTC.

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METROPOLITAN NASHVILLE AIRPORT AUTHORITY • SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2019A (NON-AMT) AND SERIES 2019B (AMT)

BNA

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com