

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law and assuming compliance by the City with certain provisions of the Internal Revenue Code of 1986, as amended, (1) the interest on the 2011A Bonds (a) is excludable from gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (c) is exempt from State of North Carolina income taxation, and (2) the interest on the 2011B Bonds (a) is excludable from gross income for federal income tax purposes, except for interest on any of the 2011B Bonds for any period during which such 2011B Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the 2011B Bonds or a "related person" within the meaning of Section 147(a) of the Code, (b) is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (c) is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.

\$110,350,000
CITY OF CHARLOTTE, NORTH CAROLINA
Charlotte Douglas International Airport
\$76,100,000 **\$34,250,000**
Airport Revenue Bonds **Airport Revenue Bonds**
Series 2011A (NON-AMT) **Series 2011B (AMT)**

Dated: Date of Issuance

Due: As shown on inside cover

This Official Statement has been prepared by the City of Charlotte, North Carolina (the "City") to provide information on the Bonds offered hereby (the "2011 Fixed Rate Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Security:

THE 2011 FIXED RATE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE FROM NET REVENUES. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2011 FIXED RATE BONDS ARE NOT PAYABLE FROM THE GENERAL FUNDS OF THE CITY, NOR DO THE 2011 FIXED RATE BONDS CONSTITUTE A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE ON ANY OF ITS PROPERTY OR ON ANY OF ITS INCOME, RECEIPTS OR REVENUES, EXCEPT AS PROVIDED IN THE BOND ORDER OR THE 2011 RESOLUTION (AS DEFINED HEREIN) PURSUANT TO WHICH THE 2011 FIXED RATE BONDS ARE ISSUED. NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2011 FIXED RATE BONDS, AND NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE BOND ORDER OR THE 2011 RESOLUTION.

The 2011 Fixed Rate Bonds will be issued and secured under the Bond Order on a parity with the City's outstanding Prior Bonds (as defined herein) and any Additional Bonds (as defined herein) that may be issued, from time to time.

Redemption:

The 2011 Fixed Rate Bonds will be subject to optional redemption, extraordinary redemption and mandatory redemption pursuant to sinking fund provisions, as described herein.

Issued Pursuant to:

The 2011 Fixed Rate Bonds will be issued pursuant to the Bond Order and the 2011 Resolution.

Purpose:

The City is issuing the 2011 Fixed Rate Bonds to obtain funds to (1) acquire and construct certain improvements to the Charlotte Douglas International Airport, (2) fund a deposit to the separate subaccounts of the debt service reserve fund established for each series of 2011 Fixed Rate Bonds and (3) pay related financing costs.

Interest Payment Dates:

January 1 and July 1 of each year, commencing July 1, 2012.

Denomination:

\$5,000 or integral multiples thereof.

Closing/Delivery Date:

On or about November 9, 2011.

Registration:

Full book-entry only; The Depository Trust Company. See **Appendix G** hereto.

Trustee:

U.S. Bank National Association, Charlotte, North Carolina.

Financial Advisor:

DEC Associates, Inc., Charlotte, North Carolina.

Bond Counsel:

Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina.

City Counsel:

DeWitt F. McCarley, Esq., Charlotte, North Carolina.

Underwriters' Counsel:

McGuireWoods LLP, Charlotte, North Carolina.

BofA Merrill Lynch

Wells Fargo Securities

October 19, 2011

MATURITY SCHEDULE

\$76,100,000 2011A Bonds (NON-AMT)

\$41,615,000 Serial Bonds

<u>Maturity (July 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity (July 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$ 870,000	2.00%	0.64%	2023	\$2,015,000	5.00%	3.53%*
2013	1,365,000	2.00	0.87	2024	2,115,000	3.50	3.66
2014	1,395,000	4.00	1.27	2025	2,190,000	5.00	3.77*
2015	1,450,000	5.00	1.64	2026	2,300,000	5.00	3.87*
2016	1,520,000	2.50	2.02	2027	2,415,000	4.00	3.97*
2017	1,560,000	4.00	2.30	2028	2,510,000	5.00	4.07*
2018	1,620,000	5.00	2.60	2029	2,635,000	4.00	4.17
2019	1,700,000	3.25	2.90	2030	2,740,000	4.125	4.24
2020	1,760,000	4.00	3.14	2031	2,855,000	4.25	4.30
2021	1,830,000	5.00	3.24	2036	2,850,000	4.375	4.40
2022	1,920,000	5.00	3.36*				

\$6,100,000 5.00% Term Bonds due July 1, 2033 Yield 4.36%*

\$7,495,000 5.00% Term Bonds due July 1, 2036 Yield 4.40%*

\$20,890,000 5.00% Term Bonds due July 1, 2041 Yield 4.43%*

\$34,250,000 2011B Bonds (AMT)

\$17,285,000 Serial Bonds

<u>Maturity (July 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity (July 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$385,000	2.00%	1.00%	2022	\$ 855,000	5.00%	4.15%*
2013	610,000	3.00	1.35	2023	895,000	4.125	4.30
2014	625,000	4.00	1.85	2024	935,000	4.25	4.41
2015	650,000	3.50	2.32	2025	975,000	5.00	4.52*
2016	675,000	4.00	2.70	2026	1,020,000	4.50	4.60
2017	700,000	4.00	3.00	2027	1,065,000	4.50	4.70
2018	730,000	4.00	3.32	2028	1,115,000	5.00	4.79*
2019	760,000	4.00	3.67	2029	1,170,000	4.75	4.89
2020	790,000	4.00	3.91	2030	1,225,000	4.75	4.95
2021	820,000	4.00	4.03	2031	1,285,000	5.00	5.00

\$7,450,000 5.00% Term Bonds due July 1, 2036 Yield 5.01%

\$9,515,000 5.00% Term Bonds due July 1, 2041 Yield 5.02%

Principal is payable on July 1. Interest is payable on January 1 and July 1, beginning July 1, 2012.

*Yield to the July 1, 2021 optional redemption date at a redemption price of 100%.

IN CONNECTION WITH THIS OFFERING, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AND WELLS FARGO BANK, N.A (THE "*UNDERWRITERS*") MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011 FIXED RATE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon. This Official Statement and its electronic distribution does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any offer or sale of the 2011 Fixed Rate Bonds by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and other sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness by the Underwriters and is not to be construed as a representation by the Underwriters.

NEITHER THE 2011 FIXED RATE BONDS, THE BOND ORDER NOR THE 2011 RESOLUTION (AS DEFINED HEREIN) HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 304(a)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2011 FIXED RATE BONDS AND THE BOND ORDER IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE 2011 FIXED RATE BONDS AND THE BOND ORDER HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2011 Fixed Rate Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof.

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 a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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**State of North Carolina
Department of State Treasurer**

JANET COWELL
Treasurer

*State and Local Government Finance Division
and the Local Government Commission*

T. VANCE HOLLOMAN
Deputy Treasurer

OFFICIAL STATEMENT

relating to

\$110,350,000

**CITY OF CHARLOTTE, NORTH CAROLINA
Charlotte Douglas International Airport**

**\$76,100,000
Airport Revenue Bonds
Series 2011A (NON-AMT)**

**\$34,250,000
Airport Revenue Bonds
Series 2011B (AMT)**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices, provides certain information concerning the City of Charlotte, North Carolina (the "*City*"), the Charlotte Douglas International Airport (the "*Airport*") and certain other information in connection with the issuance by the City of \$76,100,000 Airport Revenue Bonds, Series 2011A (the "*2011A Bonds*") and \$34,250,000 Airport Revenue Bonds, Series 2011B (the "*2011B Bonds*") and collectively with the 2011A Bonds, the "*2011 Fixed Rate Bonds*"). For further information about the City, see **APPENDIX E - "THE CITY OF CHARLOTTE."**

The 2011 Fixed Rate Bonds are being issued pursuant to The State and Local Government Revenue Bond Act, as amended; a Bond Order adopted by the City Council on November 18, 1985, as amended by the First Supplemental Bond Order adopted by the City Council on June 8, 1992 and as further amended by the Second Supplemental Bond Order adopted by the City Council on August 23, 2004 (the "*Second Supplemental Bond Order*," and collectively, the "*Bond Order*") and the Series Resolution adopted by the City Council on September 12, 2011 (the "*2011 Resolution*"). The proceeds of the 2011 Fixed Rate Bonds will be used, with other available funds, to (1) pay the cost of acquisition, rehabilitation, renovation, expansion and construction of certain improvements to the Airport, (2) fund a deposit to the separate subaccounts of the debt service reserve fund established for each series of the 2011 Fixed Rate Bonds and (3) pay a portion of the costs of issuance of the 2011 Fixed Rate Bonds. The sale of the 2011 Fixed Rate Bonds will be made by and with the approval of the Local Government Commission of North Carolina (the "*Local Government Commission*"). See **APPENDIX F - "LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA."**

The previously issued revenue bonds which remain Outstanding under the Bond Order are:

- (1) \$87,095,000 Airport Revenue Bonds, Series 2004A (the "*2004A Bonds*"), all of which are currently Outstanding;
- (2) \$48,465,000 Airport Revenue Bonds, Series 2004B (the "*2004B Bonds*") and collectively with the 2004A Bonds, the "*2004 Bonds*"), of which \$45,485,000 is currently Outstanding;
- (3) \$99,995,000 Airport Revenue and Refunding Revenue Bonds, Series 2007A (the "*2007A Bonds*"), of which \$93,070,000 is currently Outstanding;
- (4) \$47,570,000 Variable Rate Airport Revenue Bonds, Series 2007B (the "*2007B Bonds*") and collectively with the 2007A Bonds, the "*2007 Bonds*"), of which \$31,075,000 is currently Outstanding;
- (5) \$40,585,000 Variable Rate Airport Refunding Revenue Bonds, Series 2008D (the "*2008D Bonds*"), of which \$39,565,000 is currently Outstanding;
- (6) \$51,180,000 Airport Refunding Revenue Bonds, Series 2009B (the "*2009B Bonds*"), of which \$37,865,000 is currently Outstanding;
- (7) \$130,100,000 Airport Revenue Bonds, Series 2010A (the "*2010A Bonds*"), of which \$127,860,000 is currently Outstanding;
- (8) \$67,770,000 Airport Refunding Revenue Bonds, Series 2010B (the "*2010B Bonds*"), of which \$62,335,000 is currently Outstanding; and
- (9) \$31,145,000 Variable Rate Airport Revenue Bonds, Series 2010C (the "*2010C Bonds*") and collectively with the 2010A Bonds and the 2010B Bonds, the "*2010 Bonds*"), of which \$22,965,000 is currently Outstanding.

The 2004 Bonds, the 2007 Bonds, the 2008D Bonds, the 2009B Bonds and the 2010 Bonds are collectively referred to herein as the "*Prior Bonds*." The Prior Bonds are parity obligations with the 2011 Fixed Rate Bonds under the Bond Order.

Pursuant to the Bond Order and the 2011 Resolution and contemporaneously with the issuance of the 2011 Fixed Rate Bonds, the City plans to issue \$30,920,000 aggregate principal amount of its Variable Rate Airport Revenue Bonds, Series 2011C (the "*2011C Bonds*"). The 2011 Fixed Rate Bonds and the 2011C Bonds are referred to herein collectively as the 2011 Bonds. The 2011 Fixed Rate Bonds will be parity obligations with the Prior Bonds and the 2011C Bonds under the Bond Order.

After the issuance of the 2011 Fixed Rate Bonds, Bonds in the aggregate principal amount of \$688,585,000 will be Outstanding under the Bond Order, consisting of Prior Bonds in the aggregate principal amount of \$547,315,000, the 2011 Fixed Rate Bonds in the aggregate principal amount of \$110,350,000 and the 2011C Bonds in the aggregate principal amount of \$30,920,000. The 2011 Fixed Rate Bonds will be secured by and payable from the Net Revenues on a parity with the Prior Bonds, the 2011C Bonds and any Additional Bonds Outstanding from time to time under the Bond Order.

A portion of the debt service on the 2011 Fixed Rate Bonds and the Prior Bonds which meet the definition of PFC Eligible Bonds (as defined in the Bond Order) may also be paid by certain PFC Revenues (as defined in the Bond Order) for PFC Eligible Projects (as defined in the Bond Order). Under

the Aviation Safety and Capacity Act of 1990 (the "*PFC Act*"), as modified by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century ("*AIR-21*") and pursuant to 14 CFR Part 158, airports may apply to the Federal Aviation Administration (the "*FAA*") for authorization to impose a fee on every enplaning revenue passenger ("*Passenger Facility Charge*" or "*PFC*") at the sponsored airport and to use the revenues derived from any such PFC to pay the allowable costs of PFC Eligible Projects. The FAA has granted the City authority to impose a \$3.00 PFC, collect therefrom PFC revenues in an aggregate amount of approximately \$1,039,775,656, and use such PFC revenues to pay the cost of PFC Eligible Projects. The City is permitted to use revenues derived from its existing \$3.00 PFC to pay debt service on that portion of the Prior Bonds and 2011 Bonds used to finance or refinance PFC Eligible Projects.

Pursuant to the Second Supplemental Bond Order, the proceeds received by the City from PFCs will be applied by the City (although not legally and contractually pledged as Revenues) in the following order of priority (1) by transfer to the Bond Fund, to pay debt service on PFC Eligible Bonds, (2) to pay the capital costs of PFC Eligible Projects and (3) as otherwise permitted by federal statute or the regulations promulgated by the FAA, as amended or supplemented, with respect to PFCs. See "**PASSENGER FACILITY CHARGES**" and "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – SOURCE OF PAYMENT.**"

Unless otherwise indicated, capitalized terms used in this Official Statement have the meanings established in the Bond Order and the 2011 Resolution. See **APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS--DEFINITIONS OF CERTAIN TERMS."**

THE 2011 FIXED RATE BONDS

GENERAL

The 2011 Fixed Rate Bonds will be dated their date of issuance and will bear interest from their date payable on July 1, 2012, and semiannually thereafter on each January 1 and July 1, at the rates shown on the inside cover page. Principal on the 2011 Fixed Rate Bonds will be payable, subject to redemption as described herein, on July 1 in the years and amounts shown on the inside cover page. The 2011 Fixed Rate Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof. U.S. Bank National Association, is the initial Trustee for the 2011 Fixed Rate Bonds.

BOOK-ENTRY-ONLY FORM

The 2011 Fixed Rate Bonds will be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the beneficial owners of the 2011 Fixed Rate Bonds. The Trustee will make payments of principal and interest on the 2011 Fixed Rate Bonds to DTC, which will in turn remit such payments to its direct participants for subsequent distribution to the beneficial owners of the 2011 Fixed Rate Bonds. See **APPENDIX G** hereto.

REDEMPTION

Optional Redemption of 2011 Fixed Rate Bonds. The 2011 Fixed Rate Bonds maturing on or after July 1, 2022, may be redeemed prior to their maturities, at the option of the City, from any funds that may be available for such purpose, in whole or in part, on any date on or after July 1, 2021, at a redemption price equal to the principal amount of 2011 Fixed Rate Bonds to be redeemed, together with accrued interest, if any, to the redemption date.

Sinking Fund Redemption. The 2011A Bonds maturing on July 1, 2033 are subject to mandatory sinking fund redemption in part on July 1 in each year by lot, from moneys required to be deposited in the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account, at a redemption price equal to the principal amount of the 2011A Bonds being redeemed, without premium, plus accrued interest to the date of redemption in the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2032	\$2,975,000
2033*	3,125,000

*Maturity

The 2011A Bonds maturing on July 1, 2036 are subject to mandatory sinking fund redemption in part on July 1 in each year by lot, from moneys required to be deposited in the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account, at a redemption price equal to the principal amount of the 2011A Bonds being redeemed, without premium, plus accrued interest to the date of redemption in the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2034	\$3,280,000
2035	3,445,000
2036*	770,000

*Maturity

The 2011A Bonds maturing on July 1, 2041 are subject to mandatory sinking fund redemption in part on July 1 in each year by lot, from moneys required to be deposited in the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account, at a redemption price equal to the principal amount of the 2011A Bonds being redeemed, without premium, plus accrued interest to the date of redemption in the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2037	\$3,780,000
2038	3,970,000
2039	4,170,000
2040	4,375,000
2041*	4,595,000

*Maturity

The 2011B Bonds maturing on July 1, 2036 are subject to mandatory sinking fund redemption in part on July 1 in each year by lot, from moneys required to be deposited in the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account, at a redemption price equal to the principal amount of the 2011B Bonds being redeemed, without premium, plus accrued interest to the date of redemption in the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2032	\$1,350,000
2033	1,415,000
2034	1,485,000
2035	1,560,000
2036*	1,640,000

*Maturity

The 2011B Bonds maturing on July 1, 2041 are subject to mandatory sinking fund redemption in part on July 1 in each year by lot, from moneys required to be deposited in the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account, at a redemption price equal to the principal amount of the 2011B Bonds being redeemed, without premium, plus accrued interest to the date of redemption in the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2037	\$1,720,000
2038	1,805,000
2039	1,900,000
2040	1,995,000
2041*	2,095,000

*Maturity

Extraordinary Optional Redemption. The 2011 Fixed Rate Bonds are subject to redemption, in whole or in part on any date, at a Redemption Price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption, upon instructions from the City, from the Net Proceeds of insurance or Eminent Domain which are deposited in the related Series 2011 Subaccount of the Revenue Bond Redemption Account as provided in the Bond Order.

Notice of Redemption. Notice of redemption of any 2011 Fixed Rate Bonds will be given by the Trustee not less than 30 days nor more than 60 days before the date fixed for redemption (1) to the North Carolina Local Government Commission by mail or facsimile transmission, (2)(a) to DTC or its nominee by registered or certified mail at the address provided to the Trustee by DTC or as otherwise permitted by DTC's rules and procedures or (b) if DTC or its nominee is no longer the Owner of the 2011 Fixed Rate Bonds, by Mail to the then-registered Owners of 2011 Fixed Rate Bonds to be redeemed at the last address shown on the registration books kept by the Registrar and (3) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

Selection of 2011 Fixed Rate Bonds for Redemption. If less than all of the 2011 Fixed Rate Bonds are called for redemption, the City will select the series of the 2011 Fixed Rate Bonds and the maturity or maturities of the 2011 Fixed Rate Bonds within a series to be redeemed and DTC will select the 2011 Fixed Rate Bonds within the same maturity of a series pursuant to its rules and procedures or if a book-entry system is no longer in effect, the Registrar will select the 2011 Fixed Rate Bonds to be redeemed by lot in such manner as the Registrar in its discretion may deem proper. If the 2011 Fixed Rate Bonds are to be redeemed in part, they may be redeemed only in integral multiples of \$5,000. If a portion of a 2011 Fixed Rate Bond is called for redemption, a new 2011 Fixed Rate Bond of such series

in principal amount equal to the unredeemed portion thereof shall be issued to the Owner thereof upon surrender thereof.

Effect of Redemption. On the date fixed for redemption, notice having been given in the manner and under the conditions described above, the 2011 Fixed Rate Bonds or portions thereof called for redemption will be due and payable at the Redemption Price provided therefor, plus accrued interest to the redemption date. If money or non-callable Government Obligations (that have maturity dates or redemption dates which, at the option of the holder of such Government Obligations, are not later than the dates on which moneys will be required to effect such redemption), or a combination of both, sufficient to pay the Redemption Price of the 2011 Fixed Rate Bonds or portions thereof to be redeemed, plus accrued interest thereon to the redemption date, are held by the Trustee in trust for the Owners of the 2011 Fixed Rate Bonds to be redeemed, interest on the 2011 Fixed Rate Bonds or portions thereof called for redemption will cease to accrue; such 2011 Fixed Rate Bonds or portions thereof will cease to be entitled to any benefits or security under the Bond Order or to be deemed Outstanding; and the Owners of such 2011 Fixed Rate Bonds or portions thereof will have no rights in respect thereof except to receive payment of the Redemption Price thereof, plus accrued interest to the redemption date.

OWNERSHIP OF BONDS

The person in whose name any 2011 Fixed Rate Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and premium, if any, and interest on, any such 2011 Fixed Rate Bonds will be made only to or upon the order of the Owner thereof as its name and address appear on the registration books kept by the Bond Registrar at the close of business on the Record Date. All such payments will be valid and effectual to satisfy and discharge the liability upon such 2011 Fixed Rate Bond to the extent of the sum or sums so paid. So long as the 2011 Fixed Rate Bonds are issued in book-entry-only form, Cede & Co., as nominee for DTC, will be deemed and regarded as the absolute owner thereof for all purposes. See "**THE 2011 FIXED RATE BONDS - BOOK-ENTRY-ONLY FORM.**"

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

SOURCE OF PAYMENT

Pledge of Net Revenues. Pursuant to the Bond Order, the City irrevocably pledges to the payment of the principal of, interest on, Credit Support Payment Amounts for, sinking fund requirements for and any premium required to be paid on the redemption of all Bonds outstanding under the Bond Order, including the 2011 Fixed Rate Bonds: (i) Net Revenues, (ii) the City's right to receive Net Revenues, and (iii) any and all unencumbered funds in the Renewal and Improvement Fund. In addition, the City irrevocably pledges (i) to the payment of the principal of, interest on, sinking fund requirements for and any premium required to be paid on the redemption of the 2011A Bonds, all funds in the Series 2011A Subaccount of the Revenue Bond Fund and (ii) to the payment of the principal of, interest on, sinking fund requirements for and any premium required to be paid on the redemption of the 2011B Bonds, all funds in the Series 2011B Subaccount of the Revenue Bond Fund. Under the Bond Order, "*Net Revenues*" for any period means the excess, if any, of Revenues over Current Expenses for such period. See **APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS--DEFINITIONS OF CERTAIN TERMS"** for the definitions of Revenues and Current Expenses. Neither the PFCs nor the land and facilities comprising the Airport have been pledged to secure payment of the 2011 Fixed Rate Bonds or the Prior Bonds.

All Bonds outstanding under the Bond Order, including the 2011 Fixed Rate Bonds, are special obligations of the City. The principal of and interest and premium, if any, on the 2011 Fixed Rate Bonds and the Prior Bonds are not payable from the general funds of the City, nor do the 2011 Fixed Rate Bonds

or the Prior Bonds constitute a legal or equitable pledge, charge, lien or encumbrance on any of its property or on any of its income, receipts or revenues, except as provided in the Bond Order or the 2011 Resolution. Neither the credit nor the taxing power of the City is pledged for the payment of the principal of or interest and premium, if any, on the 2011 Fixed Rate Bonds or the Prior Bonds and no Owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Bond Order or the 2011 Resolution.

PFCs. The City has the authority to impose PFCs in accordance with the terms of the FAA approval. The FAA has granted the City authorization to collect approximately \$1,039,775,656 in PFCs. The City's PFC authorizations permit the City to use revenues derived from its existing \$3.00 PFC to pay debt service on that portion of the 2011 Bonds and the Prior Bonds used to finance PFC Eligible Projects.

Pursuant to the Second Supplemental Bond Order, the proceeds received by the City from PFCs will be applied by the City (although not legally and contractually pledged as Revenues) in the following order of priority (1) by transfer to the Bond Fund, to pay debt service on PFC Eligible Bonds (2) to pay the capital costs of PFC Eligible Projects and (3) as otherwise permitted by federal statute or the regulations promulgated by the FAA, as amended or supplemented, with respect to PFCs. PFCs do not constitute Revenues as defined under the Bond Order. See "**PASSENGER FACILITY CHARGES.**"

REVENUE BOND RESERVE ACCOUNT

The Bond Order provides for the creation of the Revenue Bond Reserve Account within the Revenue Bond Fund and further provides that the respective supplemental series resolution for each series of Bonds issued under the Bond Order will provide for the creation of separate subaccount of the Revenue Bond Reserve Account to be used for such series. In connection with the issuance of the Prior Bonds, separate subaccounts of the Revenue Bond Reserve Account were established in an amount equal to the reserve requirement for each series of the Prior Bonds. Upon the issuance of the 2004A Bonds and the 2004B Bonds, MBIA Insurance Corporation delivered a surety bond to each respective subaccount of the Revenue Bond Reserve Account to meet the applicable Reserve Requirement for each series of 2004 Bonds. Upon the issuance of the 2007A Bonds and the 2007B Bonds, Ambac Assurance Corporation delivered a surety bond to each respective subaccount of the Revenue Bond Reserve Account to meet the applicable Reserve Requirement for each series of 2007 Bonds. The financing documents do not require that these surety bonds be replaced upon a downgrade of the insurers. Each other subaccount of the Revenue Bond Reserve Account was funded with bond proceeds.

The 2011 Resolution requires (i) that a Series 2011A Subaccount of the Revenue Bond Reserve Account be established and maintained as additional security for the 2011A Bonds, in an amount equal to the Reserve Requirement for the 2011A Bonds and (ii) that a Series 2011B Subaccount of the Revenue Bond Reserve Account be established and maintained as additional security for the 2011B Bonds, in an amount equal to the Reserve Requirement for the 2011B Bonds. See **APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS--DEFINITIONS OF CERTAIN TERMS"** for the definition of "Reserve Requirement."

EACH SEPARATE SUBACCOUNT OF THE REVENUE BOND RESERVE ACCOUNT PROVIDES ADDITIONAL SECURITY SOLELY FOR THAT RESPECTIVE SERIES OF BONDS. NO OTHER SERIES OF BONDS IS ENTITLED TO THE BENEFITS OF A DIFFERENT SERIES' SUBACCOUNT OF THE REVENUE BOND RESERVE ACCOUNT.

Under the 2011 Resolution, there may be deposited to the credit of a subaccount of the Revenue Bond Reserve Account certain surety bonds or other insurance policies meeting the requirements of the Bond Order in lieu of or in substitution for all of the moneys or securities then to the credit of such subaccount.

The Reserve Requirement for the 2011A Bonds will be funded by 2011A Bond proceeds and the Reserve Requirement for the 2011B Bonds will be funded by 2011B Bond proceeds concurrently with the issuance of the 2011 Fixed Rate Bonds.

RATE COVENANT

In the Bond Order, the City has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of the deposits required to be made in each Fiscal Year to (1) the Operating Fund, (2) the Revenue Bond Fund, (3) the Renewal and Improvement Fund, plus an amount, if any, which provides an amount on deposit in the Revenue Fund as of the opening of business on the first day of the next Fiscal Year, equal to the Coverage Factor for such preceding Fiscal Year. The Coverage Factor for any Fiscal Year is defined as an amount equal to 25% of the sum of the amounts required to be deposited from Net Revenues into the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account for such Fiscal Year. Revenues for a Fiscal Year are deemed to include amounts retained by the City in the Revenue Fund as of the end of such Fiscal Year.

ADDITIONAL BONDS

The City may issue additional obligations on a parity with all Bonds outstanding under the Bond Order, including the 2011 Fixed Rate Bonds, for Additional Facilities only if one of the following conditions is met:

- (1) taking all outstanding Bonds (excluding any Bonds to be refunded by the Bonds to be issued) and the Bonds then to be issued into account as if they had been issued at the beginning of the most recent Fiscal Year for which audited financial statements are available, the Net Revenues for such Fiscal Year were not less than 1.50 times the Long-Term Debt Service Requirement with respect to all outstanding Bonds and the Bonds to be issued for such period; or
- (2) (A) taking into account all outstanding Bonds, but not the Bonds then to be issued, for the most recent Fiscal Year for which audited financial statements are available, the requirements of the Rate Covenant have been satisfied; and (B) an Airport Consultant reports that the requirements of the Rate Covenant, taking the proposed Bonds into account, for (I) in the case of the Bonds to finance Additional Facilities, each of the first two full Fiscal Years succeeding the date on which such Additional Facilities are expected to be completed and in operation or (II) in the case of Bonds not financing Additional Facilities, each of the first two Fiscal Years succeeding the date on which such Bonds are issued, are projected to be satisfied; or
- (3) without compliance with either of the tests mentioned in (1) and (2) above, Additional Bonds in an amount not to exceed 10% of Total Operating Revenues for the most recent Fiscal Year for which audited financial statements are available. The total amount of Bonds which may be issued by the City under this clause (3) and without compliance with one of the tests mentioned in (1) and (2) above may not in the aggregate exceed at any time the amount calculated in accordance with the provisions of this clause (3).

In addition, Bonds may be issued for the purposes of refunding all or any part of any Outstanding Bonds or other indebtedness issued for Airport purposes if before issuance thereof:

- (i) The Trustee determines that the proceeds of such Bonds, together with interest earnings on the Government Obligations to be acquired and other available funds, will be sufficient to pay the principal of and interest and any premium on the Bonds to be refunded to the redemption or maturity date and the expenses incident to the refunding; and
- (ii) The issuance of such Bonds will satisfy the requirements described in item (B) of paragraph (2) above.

Completion Bonds may be incurred without meeting the earnings test described above if the principal amount thereof does not exceed 5% of the principal amount of the Bonds initially issued therefor, and in excess of 5% of such principal amount, but only if any of the tests set forth in (1), (2) and (3) above are met.

Short-Term Bonds may be issued in the ordinary course of business if, immediately after the issuance of such Short-Term Bonds, the outstanding principal amount of all Short-Term Bonds does not exceed 10% of Total Operating Revenues for the most recent Fiscal Year preceding the date of issuance of such Short-Term Bonds for which audited financial statements are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year no such Short-Term Bonds may be outstanding.

SPECIAL PURPOSE FACILITIES BONDS

The Bond Order provides that the City may finance Special Purpose Facilities at the Airport only on the condition that such financing may not, directly or indirectly, be secured by Revenues or issued under or secured by the Bond Order or be payable from Revenues. There is currently \$114,910,000 of Special Purpose Facilities Revenue Bonds outstanding that were issued by the City to finance training and maintenance facilities that are currently leased to US Airways.

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FLOW OF FUNDS

The Bond Order creates a special fund designated the Revenue Fund into which the City is required to set aside and deposit all Revenues on receipt thereof by the City. The Bond Order requires that moneys on deposit in the Revenue Fund be applied solely at such times and in accordance with the priorities established by the Bond Order.

In addition to the Revenue Fund, the Bond Order creates the following funds and accounts:

- Operating Fund
- Interest Account
- Principal Account
- Sinking Fund Account
- Airport Renewal and Improvement Fund
- Revenue Bond Fund
- Capitalized Interest Account
- Redemption Account
- Reserve Account
- Airport Insurance and Condemnation Award Fund
- Airport Construction Fund
- Airport PFC Revenue Fund Account
- Airport Discretionary Fund

Subaccounts are to be created for each account in the Revenue Bond Fund with respect to each Series of Bonds. The 2011 Resolution creates the following subaccounts with respect to the 2011 Fixed Rate Bonds:

2011A Bonds

- (a) Series 2011A Subaccount of the Revenue Bond Interest Account;
- (b) Series 2011A Subaccount of the Revenue Bond Principal Account;
- (c) Series 2011A Subaccount of the Revenue Bond Redemption Account;
- (d) Series 2011A Subaccount of the Revenue Bond Reserve Account;
- (e) Series 2011A Subaccount of the Revenue Bond Sinking Fund Account; and
- (f) Series 2011A Construction Account of the Construction Fund.

2011B Bonds

- (a) Series 2011B Subaccount of the Revenue Bond Interest Account;
- (b) Series 2011B Subaccount of the Revenue Bond Principal Account;
- (c) Series 2011B Subaccount of the Revenue Bond Redemption Account;
- (d) Series 2011B Subaccount of the Revenue Bond Reserve Account;
- (e) Series 2011B Subaccount of the Revenue Bond Sinking Fund Account; and
- (f) Series 2011B Construction Account of the Construction Fund.

Moneys in the Revenue Bond Fund are held by U.S. Bank National Association, a national banking association, as trustee (the "*Trustee*") for the Owners of the Bonds.

Moneys in the Revenue Fund are required by the Bond Order to be transferred and credited to the following funds and accounts at the following times and in the following order of priority:

- (1) Monthly, to the Operating Fund, an amount sufficient to bring the balance in the Operating Fund to equal 1/3rd of the amount shown by the Annual Budget as Current

Expenses for the then current Fiscal Year plus the amount of encumbered funds from previous Budgets;

(2) Monthly, to the subaccounts of the Interest Account on all Bonds after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, an amount equal to 1/6th of the next maturing interest installment on Outstanding Bonds less any amount transferred from the Capitalized Interest Account for such series of Bonds; provided however, that for the 2010C and 2011C Bonds, such amount is to be deposited on the fifth day before each Interest Payment Date into the applicable subaccount of the Revenue Bond Interest Account in an amount necessary to pay the next maturing installment of interest on such series of 2010C Bonds or 2011C Bonds;

(3) Monthly, on the 25th day of each month, to the subaccounts of the Principal Account for such Bonds, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, an amount which is equal to 1/12th of the next maturing principal installment on such Bonds;

(4) Monthly, on the 25th day of each month, to the subaccounts of the Sinking Fund Account for such Bonds, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, an amount which is equal to 1/12th of the next Sinking Fund Requirement for such Bonds;

(5) On or prior to the date that the City provides the Trustee with written notice of redemption, to the subaccount of the Redemption Account for such Bonds to be redeemed, an amount equal to the principal of, and premium, if any, on such Bonds so called for redemption;

(6) In the event that there is not on deposit in any subaccount of the Reserve Account an amount equal to the Reserve Requirement for such subaccount, to such subaccount the amount equal to 1/24th of such deficiency if it has occurred by reason of a change in valuation of investments in such subaccount of the Reserve Account or 1/12th of such deficiency if it has occurred by reason of the withdrawal of funds from such subaccount in order to make payment of interest or principal on any Bonds; and

(7) Monthly, to the Renewal and Improvements Funds, an amount which is equal to 1/12th of the amount necessary to restore the Renewal and Improvement Fund to the Renewal and Improvement Fund Requirement during such Fiscal Year.

If, as of the opening of business on the first day of each Fiscal Year, there are any funds on deposit in the Revenue Fund in excess of the Coverage Factor, such excess will be transferred to the Airport Discretionary Fund on the 25th day of each Fiscal Year.

Amounts deposited to the various funds and accounts described above will be applied as provided in the Bond Order and the 2011 Resolution. See **APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."** Generally, amounts on deposit in the Operating Fund will be used to pay Current Expenses; amounts on deposit in the subaccounts of the Capitalized Interest Account and the Interest Account will be used to pay interest on the Bonds on each Interest Payment Date; amounts on deposit in the subaccounts of the Principal Account and the Sinking Fund Account will be used to pay principal of the Bonds when due; amounts on deposit in the subaccounts of the Reserve Fund will be used to pay principal of and interest on the applicable series of Bonds when due to the extent amounts otherwise on deposit for such purpose are insufficient therefor; amounts on deposit in the Renewal and Improvement Fund will be used to pay costs of capital items for improvements to, unusual or

extraordinary maintenance and repairs, renewals and replacements to the Airport; and amounts on deposit in the Airport Discretionary Fund may be used for any lawful purpose.

Amounts on deposit in the Airport PFC Revenue Account will be applied by the City (although not legally and contractually pledged as Revenues) in the following order of priority (1) by transfer to the Bond Fund, to pay debt service on PFC Eligible Bonds (2) to pay the capital costs of PFC Eligible Projects and (3) as otherwise permitted by federal statute or the regulations promulgated by the FAA, as amended or supplemented, with respect to PFCs.

The Bond Order also creates a special account in the Revenue Fund designated the Rebate Account. The City will annually calculate the amount of money necessary to comply with the arbitrage rebate requirements of Section 148(f) of the Code. The City will direct the Trustee to withdraw moneys from any Series 2011 Subaccount of the Revenue Bond Fund for deposit into the appropriate Series 2011 Subaccount of the Rebate Account if any deposit is required. Amounts in the Rebate Account will be used to satisfy the requirements of Section 148(f) of the Code, and neither the Trustee nor any Owner has a claim on any amounts on deposit therein.

The Bond Order and the 2011 Resolution provide that all interest earned or profit or loss realized on investments or deposits of money for all funds and accounts, except the Rebate Account, the Airport Construction Fund, and the Airport Discretionary Fund (which funds or accounts retain their own earnings), will be credited or charged to the Revenue Fund.

THE PLAN OF FINANCE

The Project consists of various improvements to the Airport, as described below (collectively, the "Project"). In addition, proceeds from the 2011 Fixed Rate Bonds will also be used to (1) fund a separate subaccount of the debt service reserve fund for each series of the 2011 Fixed Rate Bonds and (2) pay the costs of issuing the 2011 Fixed Rate Bonds. The City will use the proceeds of the 2011 Fixed Rate Bonds, together with FAA Airport Improvement Program ("AIP") grants-in-aid, Transportation Security Administration ("TSA") grants and other available funds, to pay the costs, or to reimburse the City for the costs, of the Project.

The Project consists of various improvements to the Airport, as described below. The City will use the proceeds of the 2011 Fixed Rate Bonds, together with other available funds, to pay the costs and to reimburse the City for the costs, of such improvements. The Project consists of two major categories of airport improvements (1) airfield improvements and (2) terminal complex improvements.

AIRFIELD IMPROVEMENTS

The airfield improvements include, but are not limited to the following:

Rehabilitation of Runway 18C/36C. Design and construction of the rehabilitation of Runway 18C/36C. The design component of this part of the Project includes the design of an improved concrete surface on the north end of Runway 18L/36R. The total estimated cost of this component of the Airfield Improvements is approximately \$26,765,033, all of which will be funded from proceeds derived from the sale of the 2011C Bonds.

Access Road – West ARFF Building. Construction of a new Aircraft Rescue Firefighting Facility access road from West Boulevard to the newly constructed west Aircraft Rescue Firefighting Facility. The total estimated cost of this component of the Airfield Improvements is \$1,514,191, of which \$1,125,000 will be funded with AIP grant funds and \$389,191 will be funded by proceeds derived from the sale of the 2011C Bonds.

Taxiway "D" Extension. Design and construction of an extension to Taxiway "D" to the north. The design component of this part of the Project includes the design of a future southern extension of Taxiway "D". The total estimated cost of this component of the Airfield Improvements is \$5,632,702, of which \$3,996,694 will be funded with AIP grant funds and \$1,636,008 will be funded by proceeds derived from the sale of the 2011C Bonds.

TERMINAL COMPLEX IMPROVEMENTS

The terminal complex improvements include, but are not limited to the following:

New Baggage Screening System. Construction of an in-line baggage system in the baggage make-up area in the terminal. The system includes new conveyors and building infrastructure to support TSA screening equipment. The total estimated cost of this component of the Terminal Complex Improvements is approximately \$50,957,401 of which \$45,431,845 will be funded with TSA grant funds and \$5,525,556 will be funded by proceeds derived from the sale of the 2011 Fixed Rate Bonds.

Concourse "E" Expansion. Construction of an expansion to Concourse 'E' which is anticipated to include an additional 120 feet to provide four additional passenger boarding gates and 10,200 square feet additional passenger circulation space inside the building. This expansion to Concourse E was identified in the 1997 Master Plan. The total estimated cost of this component of the Terminal Complex Improvements is \$3,014,249, all of which will be funded by proceeds derived from the sale of the 2011 Fixed Rate Bonds.

East Terminal Expansion. Construction of approximately 55,800 square feet of additional terminal space to accommodate a new 4-lane security checkpoint and expand the ticket lobby. This construction will also provide space on the lower level of the terminal for an expanded international arrival baggage re-check area and circulation space for passengers to access the new checkpoint in the terminal lobby. The total estimated cost of this component of the Terminal Complex Improvements is approximately \$20,676,650, all of which will be funded from proceeds derived from the sale of the 2011 Fixed Rate Bonds.

Renovate Airline Ticket Counters and Conveyors. Renovation of ticket counters and airline ticket office space for Delta Airlines, United Airlines and Continental Airlines and the City; Construction of a new ticket counted bag conveyor system designed to support the new In-line Baggage Screening system described above; and reconstruction of checkpoints A and B in the passenger terminal building which are intended to increase throughput capacity. The total estimated cost of this component of the Terminal Complex Improvements is approximately \$5,585,049, all of which will be funded by proceeds derived from the sale of the 2011 Fixed Rate Bonds.

New Short-Term Public Parking Deck. Construction of an approximately 4,400 space short-term public parking deck to replace the two hourly parking decks located in front of the passenger terminal. The total estimated cost of this component of the Terminal Complex Improvements is approximately \$70,974,113, all of which will be funded by proceeds derived from the sale of the 2011 Fixed Rate Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table presents estimated information as to the sources and uses of funds that will be used to finance the Project.

SOURCES OF FUNDS	TOTAL
Par Amount of 2011A Bonds	\$76,100,000
Par Amount of 2011B Bonds	34,250,000
Par Amount of 2011C Bonds	30,920,000
Total Net Original Issue Premium	3,821,681
Federal AIP Grants	5,121,694
TSA Grants	<u>45,431,845</u>
Total	\$195,645,220
USE OF FUNDS:	
Deposit to 2011A Construction Fund	\$73,990,621
Deposit to 2011B Construction Fund	31,787,849
Deposit to 2011C Construction Fund	28,792,093
Deposit to Series 2011A Revenue Bond Reserve Account	4,827,975
Deposit to Series 2011B Revenue Bond Reserve Account	2,199,750
Deposit to Series 2011C Revenue Bond Reserve Account	1,855,875
Airport Improvement Costs Not Financed by 2011 Fixed Rate Bond Proceeds	50,553,539
Costs of Issuance of 2011 Fixed Rate Bonds ¹	1,365,485
Costs of Issuance of 2011C Bonds ¹	<u>272,033</u>
Total	\$195,645,220

¹ Includes various professional fees and other financing costs, including underwriters' discount.

REPORT OF THE AIRPORT CONSULTANT

Newton & Associates, Inc. prepared the Report of the Airport Consultant which is included as **APPENDIX B**.

The Report of the Airport Consultant describes key factors that will affect future air traffic, presents airline traffic and financial forecasts for the period July 1, 2011 through June 30, 2017 and sets forth the assumptions upon which the forecasts are based. The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecast and actual results, and those difference may be material. See "INVESTMENT CONSIDERATIONS."

The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of Newton & Associates, Inc. as airport feasibility consultants.

PROJECTED PASSENGER ENPLANEMENTS

See **APPENDIX B - "REPORT OF THE AIRPORT CONSULTANT"** for a discussion of projections of future growth of passenger traffic at the Airport. The Report of the Airport Consultant projects total originating passenger enplanements at the Airport will increase by 1.0% for each of the year in the Forecast Period and connecting enplanements will increase by 1.0% for each of the year in the Forecast Period for a combined average annual growth rate of 1.0% growth of total passenger

enplanements over the Forecast Period. See Table IV-18 and the corresponding discussion in the Report of the Airport Consultant attached hereto as **Appendix B**.

PROJECTED DEBT SERVICE COVERAGE AND AIRLINE COST PER ENPLANED PASSENGER

The following table, which is derived from information included in the Report of the Airport Consultant attached hereto as **Appendix B**, summarizes the Airport Consultant's forecast of (i) debt service coverage on all Bonds outstanding under the Bond Order during the forecast period and (ii) airline cost per enplaned passenger during the forecast period, in each case taking into account the issuance of the 2011 Bonds.

<u>Fiscal Year</u>	<u>Net Revenues</u>	<u>Debt Service Coverage</u>	<u>Airline Cost per Enplaned Passenger</u>
2012	\$76,692,173	3.04	\$0.93
2013	81,083,160	2.96	0.93
2014	81,965,510	2.99	0.94
2015	81,610,801	2.98	0.97
2016	81,268,203	3.73	0.87
2017	79,503,311	4.24	0.85

See Tables V-9 and V-11 in the Report of the Airport Consultant attached hereto as **Appendix B**. The Report of the Airport Consultant also demonstrates that Net Revenues for Fiscal Years 2016 and 2017 are forecast to be sufficient to meet the requirements set forth in the Bond Order for the issuance of the 2011 Bonds as Additional Bonds. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – ADDITIONAL BONDS.**"

THE AIRPORT

The Airport is owned by the City and operated as a department of the City. The Airport accounts for its activities on a full accrual basis in accordance with generally accepted accounting principles for government entities.

MANAGEMENT AND PERSONNEL

The Airport is under the supervision of T. J. Orr, Aviation Director, Willard G. Plentl, Jr., Deputy Aviation Director, Charles O. Simmons, Assistant Aviation Director -- Administration, Eugene J. Carney, Assistant Aviation Director -- Operations, Mark Wiebke, Assistant Aviation Director – Facilities, and Jack Christine, Assistant Aviation Director – Development.

T. J. Orr was appointed Aviation Director in January 1989. Prior to his appointment, he was assistant manager, airport operations. Mr. Orr began work at the airport in 1975, coordinating construction of the existing terminal. Mr. Orr is responsible for directing all airport operations, including airfield and building maintenance, airport security, finance and communications. He is also responsible for coordinating and supervising all airport construction projects. Mr. Orr is currently a member of the North Carolina Airports Association and a past president. He is also a former member of the Airport Council International and a current member of the Charlotte Chamber Aviation Committee, Airport Advisory Committee and the Board of Directors of the Foreign Trade Zone. A graduate of North Carolina State University, Mr. Orr has a Bachelor of Science degree in Civil Engineering. He is a North Carolina Registered Professional Engineer and Land Surveyor.

Willard G. Plentl became the Deputy Aviation Director on September 10, 2001. Mr. Plentl worked as an Aviation Consultant before joining the management team at Charlotte Douglas International Airport. He previously served as Director of the Wilmington International Airport and was the Aviation

Director of the North Carolina Department of Transportation for 24 years. With over 44 years of aviation management experience, Mr. Plentl is the past president of the North Carolina Airports Association, National Association of State Aviation Officers and First Flight Society. He received his Bachelor of Science degree in Civil Engineering from Virginia Military Institute. Mr. Plentl holds an Airline Transport Pilot rating and is a registered Professional Engineer in North Carolina, Florida and Virginia.

Charles O. Simmons is a certified public accountant with 29 years of professional experience in public finance. He was named Assistant Aviation Director, Finance and Administration, in 1989. Mr. Simmons is responsible for administrative work in financial and personnel management and is involved with planning, organizing, directing and controlling administrative, financial and economic activities. This includes formulating and recommending methods, rates, charges and collections; coordination and administration of airport budgets, funds and accounts; and assisting in negotiating lease agreements with tenants, concessionaires and others. Mr. Simmons is a member of the American Institute of Certified Public Accountants, the North Carolina Association of CPA's, the Government Finance Officers Association and the American Association of Airport Executives. Mr. Simmons received his Bachelor of Science degree in Accounting from North Carolina A&T State University.

Eugene J. Carney, Assistant Aviation Director, Operations, is responsible for planning and directing airport security and operations, as well as parking, and ground transportation. He began his career with Charlotte Douglas International Airport in 1980, and was named an assistant director in 1986. Previous job responsibilities at the airport include being the airport's noise compliance officer, projects coordinator, assistant manager, administration and finance, and assistant director, development. He is a Charlotte native and a graduate of Duke University.

Mark D. Wiebke, Assistant Aviation Director, Facilities, is responsible for all maintenance aspects of the Charlotte Douglas International Airport which includes Building Maintenance, Field Maintenance, Vehicle Maintenance and Housekeeping. He began his career with Charlotte Douglas International Airport in 1988 as a civil engineer and has progressed through the engineering and planning division. Most recently he was the engineering and construction manager for the 1999 \$200 million Capital Development Program that added Concourse E and a major expansion to Concourse D. Mr. Wiebke holds a Master of Engineering degree in Civil Engineering from the University of South Carolina and a Bachelor of Science in Civil Engineering from Virginia Tech. He is a Registered Professional Engineer in North Carolina, a Certified Member through the American Association of Airport Executives and a Certified Flight Instructor.

Jack L. Christine, Assistant Aviation Director, Development, is responsible for all aspects of planning, design and construction for the Charlotte Douglas International Airport. He began his career with Charlotte Douglas International Airport in 1997 as a Planning Assistant and has worked on numerous development projects from terminal expansions to the design and construction of the third parallel runway. Under the direction of the Aviation Director, Mr. Christine is presently coordinating the implementation of a five-year Capital Improvement Program including the CONRAC, a new airport entrance road and additional cargo and general aviation development. Mr. Christine holds a Master of Public Administration degree from The University of North Carolina at Charlotte and a Bachelor of Science degree in Airport Management and Aviation Safety from Embry-Riddle Aeronautical University. He is an Accredited Airport Executive through the American Association of Airport Executives.

PHYSICAL FACILITIES

The Airport occupies approximately 6,000 acres of land within the City and is located approximately seven miles west of the City's central business district. The Airport currently has four runways, all equipped with precision instrument landing systems. The City is a gateway for international travelers and is a port of entry and export with customs service and a foreign trade zone designation at the Airport. The Airport provides extensive island service to the Caribbean, presently offering nonstop

service to 25 Caribbean destinations. According to Airports Council International, the Airport was the 7th largest airport in the world in terms of total operations for calendar year 2010.

AIRLINES SERVING THE AIRPORT

The Airport is served by 7 domestic carriers and 15 regional carriers and two foreign flag carriers. During the fiscal year ended June 30, 2011, 19,710,766 passengers enplaned on airline flights at the Airport. The Airport is also served by several cargo airlines and is the base for approximately 76 general aviation aircraft. The Airport the single fixed base operator at the Airport. A unit of the North Carolina Air National Guard and other aviation support facilities are also located at the Airport.

The major passenger airlines which serve the Airport are Air Canada, American Airlines, AirTran Airways, Continental Airlines, Delta Air Lines, JetBlue Airways, Lufthansa, United Airlines and US Airways. Of these, American Airlines, Continental Airlines, Delta Air Lines, Inc., JetBlue Airways, United Airlines and US Airways have signed Airport Agreements.

AIR SERVICE AREA

The Airport serves a significant and growing air service area. The City has experienced significant population growth over the past several decades. The United States Department of Commerce, Bureau of the Census, has recorded the population of the City to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>
395,934	540,828	731,424

As of 2011, the City is the core of the Charlotte-Gastonia-Salisbury Combined Statistical Area (the "CSA"), a region of over 2.48 million people (representing an average annual growth rate in population of 2.17% since 2007) that includes the Charlotte-Gastonia-Concord metropolitan area and five micropolitan areas – Albemarle, Mooresville, Salisbury, Shelby and Lincolnton, North Carolina and Lancaster and Chester, South Carolina. The combination of population growth and location reinforce the City's role as a regional center in the Southeast. The nature and location of the major cities of origin and destination for passengers using the Airport underline the central location of the Airport. There are 138 cities with non-stop service to and from the Airport. The 25 major markets listed below represent 68.3% of total origin and destination enplanements. All but seven are less than 1,000 miles from the Airport. See Table IV-8 in the Report of the Airport Consultant attached hereto as **Appendix B**.

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<u>CITY OF ORIGIN OR DESTINATION</u>	<u>DISTANCE (AIR MILES)</u>	<u>PERCENT OF SCHEDULED ORIGIN AND DESTINATION AIRLINE PASSENGERS, FISCAL YEAR 2010</u>
New York Area	544	12.2%
Washington, DC Area	345	5.9
Boston, MA	740	4.8
Chicago, IL	711	4.3
South Florida	659	3.7
Los Angeles, CA	2,264	3.6
Dallas/Ft. Worth, TX	951	3.0
Orlando, FL	484	3.0
Bay Area, CA	2,416	2.6
Las Vegas, NV	1,978	2.5
Philadelphia, PA	530	2.2
Atlanta, GA	227	1.9
Minneapolis/St. Paul, MN	955	1.8
Detroit, MI	520	1.8
Phoenix, AZ	1,884	1.7
Denver, CO	1,450	1.7
Houston, TX	946	1.6
Tampa, FL	538	1.6
Pittsburgh, PA	456	1.4
Seattle, WA	2,420	1.3
St. Louis, MO	633	1.2
Hartford, CT	684	1.1
San Diego, CA	2,193	1.1
Indianapolis, IN	501	1.1
Buffalo, NY	660	<u>1.0</u>
Total		68.3%

OPERATING STATISTICS

From Fiscal Year 1999 through Fiscal Year 2011, the number of origin and destination passengers grew from approximately 3.0 million to an estimated 5.0 million, an average annual growth rate over that period of 4.4%. For Fiscal Year 2002 through Fiscal Year 2011, the number of origin and destination enplanements increased at an average annual rate of 7.8%. See **"REPORT OF THE AIRPORT CONSULTANT – HISTORICAL PASSENGER TRAFFIC"** in **Appendix B**.

The City's central location on the eastern seaboard makes it a natural site as a connecting point in the national aviation system. In 1981, the predecessor of US Airways began to develop its primary hub at the Airport. Since that time, the Airport has experienced significant growth as a transfer point. Connecting enplanements grew from 8.1 million in Fiscal Year 1999 to 14.7 million in Fiscal Year 2011, an average annual growth rate over that period of 5.0%.

Total enplanements (origin and destination enplanements, connecting enplanements and international enplanements) at the Airport have grown at an average annual rate of approximately 5.8% from Fiscal Year 2007 through Fiscal Year 2011. See Table IV-4 "Total Passenger Enplanement Traffic" in the Report of the Airport Consultant attached hereto as **Appendix B**.

During the Fiscal Year ended June 30, 2011, US Airways and its code-share regional affiliates enplaned approximately 17,697,167 domestic and international passengers at the Airport, representing 89.8% of the total number of passengers enplaned at the Airport during such Fiscal Year. Of these, US

Airways enplaned 1,197,440 international passengers at the Airport, representing 93.0% of the total number of international commercial aviation passengers enplaned at the Airport during such fiscal year. See Tables IV-5 and IV-6 in the Report of the Airport Consultant attached hereto as **Appendix B**.

PROJECTED AIR TRAFFIC

The projections of future growth of airline traffic during the period beginning July 1, 2011 and ending June 30, 2017 were prepared by Newton & Associates, Inc. and appear in the Report of the Airport Consultant attached hereto as **Appendix B**. In the Report of the Airport Consultant, total enplanements (origin and destination enplanements plus connecting enplanements) were projected to increase at a rate of 1.0% during such period. See the Report of the Airport Consultant attached hereto as **Appendix B** for a more detailed discussion of such projections and the assumptions and rationale underlying such projections. See Table IV-18 and the corresponding discussions in the Report of the Airport Consultant attached hereto as **Appendix B**.

AIR CARGO

In addition to airline passenger traffic, the Airport serves a domestic and international air cargo market. Total weight of domestic air cargo enplaned at the Airport decreased at an average annual rate of 3.3% between July 1, 2007 and June 30, 2011. The airlines enplaning the largest amount of domestic air cargo weight in the Fiscal Year ended June 30, 2011 were Federal Express (49.4%), US Airways (26.2%), United Parcel Service (15.4%) and Air Transport International, LLC (5.5%).

The following table reflects the domestic air cargo activity for the Fiscal Years 2007 through 2011:

**HISTORICAL DOMESTIC AIR CARGO WEIGHTS
CHARLOTTE DOUGLAS INTERNATIONAL AIRPORT
(IN POUNDS)**

<u>Fiscal Year</u>	<u>Total</u>
2007	123,628,977
2008	111,445,798
2009	97,769,646
2010	103,452,340
2011	108,163,551

See Tables IV-9 and IV-10 and the corresponding discussions in the Report of the Airport Consultant attached hereto as **Appendix B** which contains more detailed information regarding the enplaned air cargo and market share of the various airlines serving the Airport during Fiscal Years 2007 through 2011.

DEBT SERVICE REQUIREMENTS

The following table presents information on the City's debt service obligations on the 2011A Bonds, the 2011B Bonds, the 2011C Bonds and the Prior Bonds. All amounts have been rounded to the nearest whole dollar.

FISCAL YEAR	2011A BONDS		2011B BONDS		2011C BONDS		PRIOR BONDS	
ENDING	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST¹	TOTAL^{1,2}	TOTAL
JUNE 30								
2012	\$ 870,000	\$ 2,241,136.11	\$ 385,000	\$ 1,029,012.64	\$ 350,000	\$ 846,864.44	\$ 44,658,003	50,380,015.69
2013	1,365,000	3,460,225.00	610,000	1,589,043.76	555,000	1,299,225.00	44,647,353	53,525,846.26
2014	1,395,000	3,432,925.00	625,000	1,570,743.76	580,000	1,275,637.50	44,634,028	53,513,333.76
2015	1,450,000	3,377,125.00	650,000	1,545,743.76	600,000	1,250,987.50	44,646,465	53,520,321.26
2016	1,520,000	3,304,625.00	675,000	1,522,993.76	630,000	1,225,487.50	44,628,703	53,506,808.76
2017	1,560,000	3,266,625.00	700,000	1,495,993.76	655,000	1,198,712.50	36,020,603	44,896,933.76
2018	1,620,000	3,204,225.00	730,000	1,467,993.76	685,000	1,170,875.00	36,011,413	44,889,506.26
2019	1,700,000	3,123,225.00	760,000	1,438,793.76	710,000	1,141,762.50	36,021,138	44,894,918.76
2020	1,760,000	3,067,975.00	790,000	1,408,393.76	740,000	1,111,587.50	36,001,313	44,879,268.76
2021	1,830,000	2,997,575.00	820,000	1,376,793.76	775,000	1,080,137.50	36,006,338	44,885,843.76
2022	1,920,000	2,906,075.00	855,000	1,343,993.76	805,000	1,047,200.00	35,996,438	44,873,706.26
2023	2,015,000	2,810,075.00	895,000	1,301,243.76	840,000	1,012,987.50	36,004,888	44,879,193.76
2024	2,115,000	2,709,325.00	935,000	1,264,325.00	875,000	977,287.50	39,690,013	48,565,950.00
2025	2,190,000	2,635,300.00	975,000	1,224,587.50	915,000	940,100.00	39,678,638	48,558,625.00
2026	2,300,000	2,525,800.00	1,020,000	1,175,837.50	950,000	901,212.50	39,655,300	48,528,150.00
2027	2,415,000	2,410,800.00	1,065,000	1,129,937.50	995,000	860,837.50	39,647,406	48,523,981.25
2028	2,510,000	2,314,200.00	1,115,000	1,082,012.50	1,035,000	818,550.00	38,049,750	46,924,512.50
2029	2,635,000	2,188,700.00	1,170,000	1,026,262.50	1,080,000	774,562.50	33,717,625	42,592,150.00
2030	2,740,000	2,083,300.00	1,225,000	970,687.50	1,125,000	728,662.50	29,027,200	37,899,850.00
2031	2,855,000	1,970,275.00	1,285,000	912,500.00	1,170,000	680,850.00	29,020,388	37,894,012.50
2032	2,975,000	1,848,937.50	1,350,000	848,250.00	1,220,000	631,125.00	29,007,963	37,881,275.00
2033	3,125,000	1,700,187.50	1,415,000	780,750.00	1,275,000	579,275.00	29,012,525	37,887,737.50
2034	3,280,000	1,543,937.50	1,485,000	710,000.00	1,330,000	525,087.50	29,005,663	37,879,687.50
2035	3,445,000	1,379,937.50	1,560,000	635,750.00	1,385,000	468,562.50	18,145,013	27,019,262.50
2036	3,620,000	1,207,687.50	1,640,000	557,750.00	1,445,000	409,700.00	18,137,150	27,017,287.50
2037	3,780,000	1,044,500.00	1,720,000	475,750.00	1,505,000	348,287.50	18,134,150	27,007,687.50
2038	3,970,000	855,500.00	1,805,000	389,750.00	1,570,000	284,325.00	9,819,513	18,694,087.50
2039	4,170,000	657,000.00	1,900,000	299,500.00	1,635,000	217,600.00	9,823,050	18,702,150.00
2040	4,375,000	448,500.00	1,995,000	204,500.00	1,705,000	148,112.50	--	8,876,112.50
2041	4,595,000	229,750.00	2,095,000	104,750.00	1,780,000	75,650.00	--	8,880,150.00
TOTALS	\$76,100,000	\$66,945,448.61	\$34,250,000	\$30,883,644.00	\$30,920,000	\$24,031,251.94	\$924,848,021	\$1,187,978,365.80

¹ The interest on the 2007B Bonds was calculated at an assumed interest rate of 4.25% per annum and includes remarketing fees and fees payable under the Reimbursement and Security Agreement dated as of August 1, 2007, between the City and Bank of America, N.A. The interest on the 2008D Bonds was calculated at an assumed interest rate of 4.25% per annum and includes remarketing fees and fees payable under the Reimbursement and Security Agreement dated as of November 1, 2008, between the City and Bank of America, N.A. The interest on the 2010C Bonds was calculated at an assumed interest rate of 4.25% per annum and includes remarketing fees and fees payable under the Reimbursement and Security Agreement dated as of February 1, 2010, between the City and Wachovia Bank, N.A., now known as Wells Fargo Bank, N.A. The interest on the 2011C Bonds was calculated at an assumed interest rate of 4.25% per annum and includes remarketing fees and fees payable under the Reimbursement and Security Agreement dated as of November 1, 2011, between the City and Bank of America, N.A. In addition, includes the following fixed rate bonds: the 2004A Bonds, the 2004B Bonds, the 2007A Bonds, the 2009B Bonds, the 2010A Bonds and the 2010B Bonds.

² Rounded.

THE AIRLINE AGREEMENTS

In 1978 the City and several airlines, including Delta Air Lines, Inc. ("*Delta*"), United Air Lines, Inc. ("*United*") and predecessors to US Airways, Inc. ("*US Airways*"), entered into agreements and leases ("*1978 Agreements*") pursuant to which the first phase of the Airport's existing Terminal Complex was constructed. General obligation bonds were issued to finance a portion of the costs of construction of the first phase. The 1978 Agreements were terminated in 1985 and replaced with a standard document designated as an "Airport Agreement," to which American Airlines, Continental Airlines, Delta, JetBlue Airways, United Airlines and US Airways are now parties. These six airlines are currently classified as "Signatory Airlines" under the Airport Agreement, which is defined as any operator of an air transport system at the Airport with an Airport Agreement in effect. The Airport Agreements with all current Signatory Airlines expire on June 30, 2016.

By executing an Airport Agreement, each of the airlines who thereby became a Signatory Airline also approved the Airport Development Plan set forth in the Airport Agreement and authorized the City to issue airport revenue bonds to finance all or a portion of the costs of such development subject, in certain situations, to the prior approval of a majority-in-interest ("*MII Approval*") of the Signatory Airlines.

The Airport Agreement divides the Airport into Cost Centers and provides for revenues from two Cost Centers named the Terminal Complex and the Public Aircraft Facilities (the "*PAF*") to be used to pay general obligation and airport revenue bond debt service. The Terminal Complex is defined in the Airport Agreement as (1) the Terminal Building, (2) the Concourses, (3) the Leased Ramp Areas, (4) the Non-Leased Ramp Areas, (5) the Employee Vehicular Parking Facilities, (6) the Aviation Fuel Facilities, (7) the Public Parking Facilities, (8) the Rental Car Facilities and (9) the portions of the Airport roadway systems immediately adjacent to and contiguous with the arrival and departure curbs of the Terminal Building, and the Commercial Lane, all as the same may exist or may be expanded, modified and or relocated in the future. Also included is certain equipment and personal property owned by the City. The PAF is generally defined in the Airport Agreement as those portions of the Airport which provide for the landing, takeoff and taxiing of aircraft.

AIRPORT REVENUES

The Airport Agreement defines two categories of Airport revenues - "*Airport Fees and Charges*" and "*Non-Airline Terminal Revenues*" - which together comprise all Airport revenues attributed to the Terminal Complex and the PAF under the Airport Agreement. Airport Fees and Charges is defined in the Airport Agreement as all rentals, charges and fees payable by all Signatory Airlines during a particular Fiscal Year. Airport Fees and Charges consist of Terminal Complex Charges and Landing Fees. The Airport Agreement provides that the aggregate of Airport Fees and Charges payable by all Signatory Airlines, together with Non-Airline Terminal Revenues and payments, if any, made by the City with respect to general obligation bond debt service, shall be sufficient to pay for the cost of operating, maintaining and developing the Terminal Complex and the PAF and to satisfy all of the City's obligations to make deposits and payments under the Bond Order. Non-Airline Terminal Revenues is defined in the Airport Agreement as all payments, proceeds, fees, charges, rent and all other income derived by or for the City from the Airport, excluding Airport Fees and Charges, revenues from any Cost Center other than the Terminal Complex and the PAF, payments pledged to secure financing of facilities other than with airport revenue bonds issued under the Bond Order, taxes, proceeds from sale or condemnation of part of the Airport, investment income and gains and certain other revenue. Calculations and payments under the Airport Agreement are applied to a Fiscal Year that begins on July 1 and ends on the ensuing June 30.

TERMINAL COMPLEX CHARGES

Under the Airport Agreement the term "*Leased Premises*" means collectively, at any time, for each Signatory Airline, its exclusive leased premises and joint leased premises. The Airport Agreement

further categorizes the Leased Premises into "*Existing Footage*" and "*Expansion Footage*." Existing Footage describes airline premises in the Terminal Complex financed with proceeds of general obligation bonds and leased to a Signatory Airline under a 1978 Agreement. Only US Airways leases Existing Footage. Expansion Footage is all other Leased Premises in the Terminal Complex. American Airlines, Continental Airlines, Delta Air Lines, JetBlue Airways, United Airlines and US Airways lease Expansion Footage.

Terminal Complex Charges payable by the Signatory Airlines under the Airport Agreement with respect to their Leased Premises include bond debt service allocated to those premises at the time the actual space is leased. In the case of Existing Footage, the debt service is the general obligation bond debt service originally allocated to such footage under the 1978 Agreement. In the case of Expansion Footage, the debt service is an allocation of airport revenue bond debt service determined at the time the Leased Premises were let. In addition, a Signatory Airline leasing Expansion Footage will pay (i) an additional amount for airport revenue bond debt service for the prior Fiscal Year allocated to areas and facilities which at the time were a part of the Terminal Complex but not a part of any Signatory Airline's Leased Premises, if Non-Airline Revenues during the prior Fiscal Year were not sufficient to pay such portion of the airport revenue bond debt service (together with operating and maintenance expense and Airport services costs allocated to those areas and facilities) plus (ii) a portion of any Signatory Airline's past due Terminal Complex charges.

LANDING FEES

The Airport Agreement authorizes the City to charge the Signatory Airlines a landing fee each time a Signatory Airline lands an aircraft at the Airport. The landing fee is equal to the product of the maximum approved landing weight of that aircraft multiplied by the landing fee rate then in effect. **The landing fee rate is determined by dividing the Net Cost of the PAF for the Fiscal Year by the total of the maximum approved landing weight of all aircraft landed by Signatory Airlines during the Fiscal Year.**

Under the Airport Agreement, the "*Net Cost of the PAF*" for each Fiscal Year is defined as an amount equal to (a) the sum of (i) general obligation and airport revenue bond debt service, operating and maintenance expenses and Airport services costs allocated to the PAF for the current Fiscal Year, plus (ii) the amount, if any, by which the aggregate of operating and maintenance expenses, Airport services costs and general obligation bond (but not including airport revenue bond) debt service in the prior Fiscal Year allocated to the portions of the Terminal Complex which were not a part of the Leased Premises of any Signatory Airline exceeded Non-Airline Terminal Revenues for such prior Fiscal Year, plus (iii) certain other specified amounts, less (b) all landing fees or other equivalent user charges which the Airport Agreement obligates the City to charge all users of the PAF other than the Signatory Airlines.

MII APPROVAL OF THE PROJECT

The Airport Agreement authorizes the City to issue airport revenue bonds to fund the costs of designing, constructing and equipping capital projects and related financing costs and costs of issuance with MII Approval from the Signatory Airlines. The City has obtained MII Approval from the Signatory Airlines to fund the improvements comprising the Project and related financing costs and costs of issuance.

See **APPENDIX B - "REPORT OF THE AIRPORT CONSULTANT"** which contains more detailed information regarding the Airport Agreement and the forecasted Airport Fees and Charges and Non-Airline Terminal Revenues for the Airport.

AIRLINE INFORMATION

The Signatory Airlines and certain other airlines operating at the Airport (or their respective parent corporations) file reports and other information (collectively, the "*SEC Reports*") with the United States Securities and Exchange Commission (the "*SEC*"). Certain information, including financial information, as of particular dates concerning each of the Signatory Airlines (or their respective parent corporations) is included in the SEC Reports. The SEC Reports can be read and copied at the SEC's Public Reference Rooms, which can be located by calling the SEC at 1-800-SEC-0330. In addition, electronically filed SEC Reports can be obtained from the SEC's web site at <http://www.sec.gov>. Each Signatory Airline and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be inspected at the Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street S.W., Washington, DC 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates. Non-U.S. airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines.

PASSENGER FACILITY CHARGES

PFCs are available to airports to finance specific eligible projects that (1) preserve or enhance capacity, safety or security of the national air transportation system, (2) reduce noise resulting from an airport or (3) furnish opportunities for enhanced competition among air carriers. The City has received FAA approval to impose and use the revenues derived from a \$3.00 PFC to pay the PFC eligible costs of the PFC Eligible Projects, including the payment of a portion of the debt service on the Prior Bonds and the 2011 Bonds.

In accordance with the PFC approvals, the City's maximum PFC collection authority is approximately \$1,039,775,656. The authority to collect PFCs expires once collections reach the maximum amount approved by the FAA.

The Administrator may terminate a public agency's authority to impose PFCs if the Administrator determines a public agency is in violation of certain provisions of the Airport Noise and Capacity Act (the "*Noise Act*") relating to noise and access restrictions or if the Administrator determines that the PFC Revenue is excessive or cannot determine that such revenue is being used for approved projects in accordance with the approval or with the PFC Act, or, if project implementation does not commence within the time period specified in the PFC Act or if the public agency is otherwise in violation of the PFC. PFCs do not constitute Revenues under the Bond Order and are not pledged to the payment of any Bonds outstanding under the Bond Order. See "**INVESTMENT CONSIDERATIONS – PASSENGER FACILITY CHARGES.**"

INVESTMENT CONSIDERATIONS

The following section describes certain risk factors affecting the payment of and security for all Bonds outstanding under the Bond Order, including the 2011 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the 2011 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors along with all other information described elsewhere or incorporated by reference in this Official Statement in evaluating the 2011 Bonds.

RECENT DEVELOPMENTS AFFECTING AIRLINES

Pursuant to the Bond Order, the principal of and interest on all Bonds outstanding under the Bond Order, including the Prior Bonds and the 2011 Bonds, are payable solely from Net Revenues. The ability

to pay debt service on the Prior Bonds and the 2011 Bonds will depend on the receipt of sufficient Net Revenues. In addition, the Second Supplemental Bond Order provides that the proceeds received by the City from PFCs will be applied by the City (although not legally and contractually pledged as Revenues) in the following order of priority (1) by transfer to the Bond Fund, to pay debt service on PFC Eligible Bonds, (2) to pay the capital costs of PFC Eligible Projects and (3) as otherwise permitted by federal statute or the regulations promulgated by the FAA, as amended or supplemented, with respect to PFCs.

The City's ability to generate Net Revenues or any potential PFC Revenues from its operation of the Airport depends upon many factors which affect the airlines' operations at the Airport, many of which are not subject to the control of the City, including the economy, domestic and international affairs, sufficient levels of aviation activity and passenger traffic at the Airport, cost structure of the airlines and labor issues. The City cannot assess the impact that these factors will have on the airline industry and, in turn, on the Airport's Net Revenues or potential PFC Revenues.

The financial difficulties that have characterized most domestic airlines especially over the past decade, including the bankruptcy of several airlines, the general economic downturn of the U.S. economy, the significant recent increases and overall fluctuations in fuel prices, the threat of future terrorist attacks, international conflicts, the earthquake, tsunami and nuclear breaches in Japan and the increased security requirements in air transportation adversely affected or may adversely affect the North American aviation system, including operations of the Airport and the financial condition of the airlines. Potential investors are urged to review the airlines' financial information on file with the SEC. The Airport has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. As air travel demand recovered following the 2008-2009 economic recession, the U.S. airlines returned to profitability, earning an estimated \$3.6 billion in 2010. The City cannot predict the likelihood of future terrorist incidents or air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions.

NATIONAL ECONOMIC CONDITIONS

Air travel and related services have historically correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth. Economic expansion increases income, boosts consumer confidence, stimulates business activity and increases consumer demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens consumer demand.

INTERNATIONAL ECONOMIC AND POLITICAL CONDITIONS

As international trade and air travel have increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect air carrier travel demand.

AIR CARRIER SERVICE AND ROUTES

While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving that airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service, at will.

FUEL COSTS

Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association (the "ATA"), fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant fluctuations in the price of fuel.

Any unhedged increase in fuel prices causes an increase in airline operating costs. According to the ATA, a one-dollar per barrel increase in the price of crude oil equates to approximately \$445 million in annual additional expense for U.S. airlines. Fuel prices continue to be susceptible to, among other factors, political unrest, Organization of Petroleum Exporting Countries policy, increased demand for fuel caused by rapid growth of economies such as China and India, fuel inventory maintained by certain industries, reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. In recent years, the cost of aviation fuel has risen sharply in response both to political instability abroad as well as increased demand for petroleum products around the world. From 2000 to 2008, the price of aviation fuel more than tripled. Oil prices reached an all-time record high of approximately \$145 per barrel in July 2008, then declined to an average of \$59 per barrel in 2009, and then increased to an average of \$79 per barrel in 2010. Largely as a result of the political uncertainty in Egypt and elsewhere in Northern Africa and the Middle East, oil prices have further increased in 2011. According to the ATA, fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, are now estimated to be 30 percent or more of such costs. Significant fluctuations and prolonged increases in the cost of aviation fuel have adversely affected air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel and to increase airfares and institute fuel, checked baggage, and other extra surcharges, all of which may reduce demand for air travel.

Many airlines engage in or have engaged in fuel hedging — purchasing fuel in advance at a fixed price through derivative contracts — to help manage the risk of future increases in fuel costs. However, there can be no assurance that any fuel hedging contract can provide any particular level of protection from volatile fuel prices. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

AIRLINE BANKRUPTCIES, CONSOLIDATIONS AND MERGERS

The airlines serving the Airport have all been impacted by the events described in this section and have experienced an increase in costs and a resulting decline in financial condition to varying degrees. Since 2001, several airlines with operations at the Airport have filed for and have subsequently emerged from bankruptcy protection. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport of any future bankruptcies, liquidations or major restructurings of other airlines.

In the event of bankruptcy proceedings involving one or more of the airlines operating at the Airport, the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Agreement or other lease agreements or operating agreements. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performances under the relevant agreements. Rejection of a lease or an executory contract by any of such airlines would give rise to an unsecured claim of the Airport for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code.

GEOPOLITICAL RISKS

The war in Afghanistan, international political turmoil and concern about potential disruption in oil shipments from the Persian Gulf, as well as the high demand for oil and other geopolitical factors, have caused oil prices to fluctuate unpredictably. These factors have had, and may continue to have, significant adverse effects on the cost of air travel, on airline industry profitability and service patterns. The full impact of these possibilities cannot be predicted.

AIR TRAVEL SECURITY AND HEALTH CONCERNS

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. The United States Centers for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") did not recommend that people avoid domestic or international travel. Nevertheless, in the event that another outbreak occurs and the CDC or WHO recommends travel restrictions, prospective investors should take into consideration the impact that such developments may have on activity levels at the Airport and the potential financial impact on the airlines that serve the Airport.

In April 2010, airspace and airports in much of Europe were closed for six days because of the threat to flight safety of the ash cloud from the eruption of a volcano in Iceland.

AVIATION SECURITY CONCERNS

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Since September 11, 2001, intensified security precautions have been instituted by government agencies, airlines and airport operators. These precautions include the strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (the "TSA") and revised procedures and techniques for the screening of passengers and baggage for weapons and explosives. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

PASSENGER FACILITY CHARGES

Application. The Second Supplemental Bond Order provides that the proceeds received by the City from PFCs will be applied by the City (although not legally and contractually pledged as Revenues) in the following order of priority (1) by transfer to the Bond Fund, to pay debt service on PFC Eligible Bonds (2) to pay the capital costs of PFC Eligible Projects and (3) as otherwise permitted by federal statute or the regulations promulgated by the FAA, as amended or supplemented, with respect to PFCs. However, federal law dictates that PFC revenues may only be used to pay for, or provide reimbursement for the payment of, projects specifically authorized in the application authorizing the collection and use of the PFCs ("*PFC Eligible Projects*"). As a result, notwithstanding the City's option to use PFC revenues, those revenues may only be applied to pay all or a portion of the debt service on the Prior Bonds or the

2011 Bonds to the extent that Prior Bonds proceeds or the 2011 Bond proceeds are or have been used to pay for PFC Eligible Projects. To the extent the City uses 2011 Bond proceeds to fund components of the Project that are not PFC Eligible Projects, then the City cannot use PFC revenues to pay 2011 Bond debt service allocated to such non-PFC Eligible Projects.

Sufficiency. The City's ability to collect PFC revenues will vary depending on the actual number of passenger enplanements at the Airport. If the number of enplaned passengers at the Airport falls below the estimate used by the Airport Consultant to project annual PFC revenues to be collected in the future, actual PFC revenues will fall short of projections. Such a shortfall in PFC collections could have an adverse impact on the timely payment of principal of or interest on the 2011 Bonds. This adverse impact could be direct, or indirect, which could occur if the PFC shortfall resulted in a sufficient increase in landing fees to impact negatively the Airport's desirability to the airline industry, thus ultimately impacting the City's collection of landing fees. There can be no assurance as to what passenger traffic, and revenues of the Airport, will be in the future.

Availability. The authority to impose and use PFCs is subject to the terms and conditions of the PFC Act, AIR-21 and the related regulations and statutes. Failure to comply with the requirements of applicable law, such as the failure to use PFCs strictly for the approved PFC Eligible Projects, may cause the FAA to terminate or reduce the City's authority to impose and collect PFCs. In addition, notwithstanding FAA regulations requiring airlines that collect PFCs to account for PFC collections separately and indicating that those PFC collections are to be regarded as funds held in trust by the collecting airline for the beneficial interest of the public agency imposing the PFC, in the event of a bankruptcy proceeding involving a collecting airline, there is the possibility that a bankruptcy court could hold that the PFCs in the airline's custody are not to be treated as trust funds and that the Airport is not entitled to any priority over other creditors of the collecting airline as to such funds. Also, there is no assurance that the PFC Act or any other relevant legislation or regulation will not be repealed or amended as to adversely affect the City's ability to collect PFCs or to apply them to pay for the PFC Eligible Projects included in the Project. The occurrence of any of these events could have an adverse impact on the timely payment of principal of or interest on the 2011 Bonds, as noted above. See "**PASSENGER FACILITY CHARGES.**"

FEDERAL LEGISLATION AFFECTING THE AIR TRANSPORTATION INDUSTRY

Since September 11, 2001 and as a result of the financial distress and bankruptcy filings in the airline industry, the Federal government enacted several pieces of legislation that have directly affected the airline industry. Such legislation includes the Federal Aviation and Transportation Security Act enacted on November 19, 2001 to provide, among other things, for the federalization of airport security through the Transportation Security Administration ("*TSA*"). The Homeland Security Act ("*HSA*") created the Department of Homeland Security ("*DHS*") to accomplish several primary goals, identified by the statute as: preventing terrorist attacks within the United States; reducing the nation's vulnerability to terrorism; minimizing the damage of, and assisting in the recovery from, terrorist attacks that do occur; and monitoring connections between illegal drug trafficking and terrorism and coordinating efforts to seek such connections. The TSA is part of DHS.

On October 17, 2005, amendments to the United States Bankruptcy Code took effect. The amendments were partially established as a result of bankruptcies of airlines. Among other things, the amendments will force companies to reorganize and emerge from Chapter 11 protection more quickly. Companies will have up to 18 months during which they must submit a reorganization plan and are protected from takeover attempts. The amendments also require companies to make decisions within 120 days about whether they want to reject leases of their vendors or partners.

CERTAIN RISKS RELATED TO MARKET DOMINANCE BY US AIRWAYS

Certain information concerning US Airways Group and US Airways set forth under this caption has been obtained from information publicly released by US Airways Group and US Airways. US Airways is a corporation organized under the laws of the State of Delaware and is a certificated air carrier engaged primarily in the business of transporting passengers, property and mail. US Airways is a wholly-owned subsidiary of US Airways Group ("*US Airways Group*"). US Airways is the principal operating subsidiary of the US Airways Group.

US Airways had the largest market share of enplanements at the Airport during the Fiscal Year ended June 30, 2011, enplaning approximately 58.5% of all enplaned passengers during such period. When combined with various regional airlines doing business at the Airport under the name US Airways Express, the percentage of total enplanements by US Airways and its regional affiliates at the Airport during the fiscal year ended June 30, 2011 increased to approximately 89.8%. US Airways also had the largest market share of international enplanements at the Airport during the Fiscal Year ended June 30, 2011, enplaning approximately 93.0% of all international enplanements at the Airport during such period. See Tables IV-5 and IV-6 and the corresponding discussion in the Report of the Airport Consultant attached hereto as **Appendix B**.

According to information obtained from its filings with the SEC, US Airways reported a net profit of \$36 million for the first two quarters of 2011, compared to a net profit of \$272 million for the first two quarters of 2010. Reference is made to US Airways' report on Form 10-Q for the second quarter ended June 30, 2011 filed with the SEC.

FEDERAL REGULATION REGARDING RATES AND CHARGES DISPUTES

The FAA Authorization Act of 1994 establishes that airline rates and charges set by airports be "reasonable" and mandates an expedited administrative process by which the Secretary of Transportation (the "*Secretary*") shall review rates and charges complaints. An affected air carrier may file a written complaint requesting a determination of the Secretary as to reasonableness within 60 days after such carrier receives written notice of the establishment or increase of such fee. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute unless the airport and the complaining carriers agree otherwise. Application of these provisions could adversely impact the amount of airline rates and charges received by airports.

CAPACITY OF NATIONAL AIR TRAFFIC CONTROL AND AIRPORT SYSTEMS

Demands on the national air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. The FAA is gradually automating and enhancing the computer, radar, and communications equipment of the air traffic control system and assisting in the development of additional airfield capacity through the construction of new runways and the more effective use of existing runways. However, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

COST OF CAPITAL DEVELOPMENT PROGRAM

The estimated costs of, and the projected schedule for, the Project are subject to a number of uncertainties. The ability of the City to complete the Project and the Airport's other capital projects may be adversely affected by various factors including: (1) estimating errors, (2) design and engineering

errors, (3) changes to the scope of the projects, (4) delays in contract awards, (5) material and/or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation and (11) environmental issues. No assurance can be made that the existing projects will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue Additional Obligations and may result in increased costs per enplaned passenger to the airlines, thereby making the Airport less economically competitive.

TRAVEL SUBSTITUTES

Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. The recent economic downturn has increased this trend. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. Additionally, teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant included as **Appendix B** to this Official Statement contains certain assumptions and forecasts. Actual results are likely to differ, perhaps materially, from those forecasts. Accordingly, the forecasts contained in the Report of the Airport Consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the City assumes any responsibility for the failure to meet such forecasts. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. If actual results are less favorable than the results forecast or if the assumptions used in preparing such forecasts prove to be incorrect (and, so long as the current Airport Agreements remain in effect, the Signatory Airlines fail to meet their Airport Agreement obligations), the amount of Net Revenues may be materially less than expected and consequently, the ability to make timely payments of the principal of and interest on the Bonds from Net Revenues may be materially adversely affected. See "**REPORT OF THE AIRPORT CONSULTANT.**"

This Official Statement, including particularly the Report of the Airport Consultant, contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimate," "anticipate," "intend," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See "**FORWARD-LOOKING STATEMENTS.**"

FINANCIAL STATEMENTS

The separate audited financial statements of the Airport enterprise for the Fiscal Year ended June 30, 2010, which have been audited by an independent firm of certified public accountants, are included as **Appendix A** to this Official Statement. These audited statements do not present the Airport financial data by cost centers and include certain revenues and expenses attributable to Excluded Cost Centers. Net Revenues, which are pledged to secure the Bonds, are the net revenues of only the Included Cost Centers. No revenues attributable to the Excluded Cost Centers are pledged to the payment of the Bonds.

The debt service reflected in the audited financial statements included as **Appendix A** is debt service attributable to obligations of the City issued to fund projects at the Airport, including debt service attributable to the Prior Bonds.

UNDERWRITING

The Underwriters are offering the 2011 Fixed Rate Bonds pursuant to a firm underwriting contract. The Underwriters have agreed to purchase the 2011 Fixed Rate Bonds at a price equal to \$113,436,950.77 representing the par amount of the 2011 Fixed Rate Bonds, plus net original issue premium of \$3,821,680.55, less an underwriting discount of \$734,729.78. The Underwriters' contract is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriters may offer and sell the 2011 Fixed Rate Bonds to certain dealers (including dealers depositing the 2011 Fixed Rate Bonds into investment trusts) and others at prices different from the public offering prices shown on the cover. The Underwriters may change the public offering prices from time to time at their discretion.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("*WFBNA*"). WFBNA, one of the underwriters of the 2011 Fixed Rate Bonds, has entered into an agreement (the "*Distribution Agreement*") with Wells Fargo Advisors, LLC ("*WFA*") for the retail distribution of certain municipal securities offerings, including the 2011 Fixed Rate Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2011 Fixed Rate Bonds with WFA. WFA is also a subsidiary of Wells Fargo & Company.

LEGAL MATTERS

LITIGATION

No litigation is now pending or, to the best of the City's knowledge, threatened, against or affecting the City which seeks to restrain or enjoin the authorization, issuance or delivery of the 2011 Fixed Rate Bonds, the Bond Order or the 2011 Resolution, or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2011 Fixed Rate Bonds, or the City's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the City's authorization, execution and delivery of the Bond Order, the 2011 Resolution or the 2011 Fixed Rate Bonds, or the City's authority to carry out its obligations thereunder, or which would have a material adverse impact on the City's condition, financial or otherwise.

OPINIONS OF COUNSEL

All legal matters related to the authorization, execution, sale and delivery of the 2011 Fixed Rate Bonds are subject to Bond Counsel's approval. The proposed form of Bond Counsel's opinion is included as **Appendix D**.

RELATED PARTIES

Parker Poe Adams & Bernstein LLP serves as bond counsel for the City and, from time to time it and McGuireWoods LLP, counsel to the Underwriters, have represented the Underwriters as counsel in other financing transactions. Neither the City nor the Underwriters have conditioned the future employment of either of these firms in connection with any proposed financing issues for the City or for the Underwriters on the successful issuance of the 2011 Fixed Rate Bonds.

TAX TREATMENT

GENERAL

On the date of issuance of the 2011 Fixed Rate Bonds, Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina ("*Bond Counsel*"), will render an opinion that, under existing law and assuming compliance by the City with certain provisions of the Internal Revenue Code of 1986, as amended (the "*Code*"), (1) the interest on the 2011A Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (2) the interest on the 2011B Bonds (a) is excludable from gross income for federal income tax purposes, except for interest on any of the 2011B Bonds for any period during which such 2011B Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the 2011B Bonds or a "related person" within the meaning of Section 147(a) of the Code, and (b) is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The interest on the 2011A Bonds will be taken into account in determining adjusted current earnings of certain corporations (as defined for federal income tax purposes) and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its federal alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the 2011 Fixed Rate Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the City rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2011 Fixed Rate Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the 2011 Fixed Rate Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the City subsequent to the issuance of the 2011 Fixed Rate Bonds to maintain the excludability of the interest on the 2011 Fixed Rate Bonds from gross income for federal income tax purposes. Bond Counsel's opinion is given in reliance on certifications by representatives of the City as to certain facts material to the opinion and the requirements of the Code.

The City has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2011 Fixed Rate Bonds in order that the interest on the 2011 Fixed Rate Bonds be, or continues to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the City with such covenants, and Bond Counsel has not been retained to monitor compliance by the City with such covenants subsequent to the date of issuance of the 2011 Fixed Rate Bonds. Failure to comply with certain of such requirements may cause the interest on the 2011 Fixed Rate Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2011 Fixed Rate Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt or accrual of interest with respect to the 2011 Fixed Rate Bonds.

If the interest on the 2011 Fixed Rate Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the City to comply with any requirements described above, the 2011 Resolution does not require the City to redeem the 2011 Fixed Rate Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of

the 2011 Fixed Rate Bonds. Prospective purchasers and owners of the 2011 Fixed Rate Bonds are advised that, if the Internal Revenue Service does audit the 2011 Fixed Rate Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the City as the taxpayer, and the owners of the 2011 Fixed Rate Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the 2011 Fixed Rate Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the 2011 Fixed Rate Bonds should be aware that ownership of the 2011 Fixed Rate Bonds and the accrual or receipt of interest on the 2011 Fixed Rate Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2011 Fixed Rate Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the 2011 Fixed Rate Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the 2011 Fixed Rate Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the 2011 Fixed Rate Bonds to be subject directly or indirectly to federal or State of North Carolina income taxation, adversely affect the market price or marketability of the 2011 Fixed Rate Bonds or otherwise prevent the owners of the 2011 Fixed Rate Bonds from realizing the full current benefit of the status of the interest on the 2011 Fixed Rate Bonds.

Bond Counsel is further of the opinion that, under existing law, the interest on the 2011 Fixed Rate Bonds is exempt from State of North Carolina income taxation.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor 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 the City, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ORIGINAL ISSUE DISCOUNT

As indicated on the inside cover page, the 2011A Bonds maturing on July 1, 2024, July 1, 2029 through 2031, inclusive, and July 1, 2036 in the principal amount of \$2,850,000 and the 2011B Bonds maturing on July 1, 2021, 2023, 2024, 2026, 2027, 2029, 2030, 2036 and 2041 (collectively, the "*OID Bonds*"), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as

interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of the OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals. However, it should be noted that with respect to certain corporations (as defined for federal income tax purposes), a portion of the original issue discount that accrues to such corporate owners of an OID Bonds in each year will be taken into account in determining the adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on such corporations and may result in other collateral federal income tax consequences for certain taxpayers in the year of accrual. Consequently, corporate owners of an OID Bond should be aware that the accrual of original issue discount on any OID Bond in each year may result in a federal alternative minimum tax liability or other collateral federal income tax consequences, even though such corporate owners may not have received any cash payments attributable to such original issue discount in such year.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such OID Bond) at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be appointed in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price difference from the initial offering price during the initial offering of the 2011 Fixed Rate Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state income tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

ORIGINAL ISSUE PREMIUM

As indicated on the inside cover page, the 2011A Bonds maturing on July 1, 2012 through 2023, inclusive, and July 1, 2025 through 2028, inclusive, and July 1, 2033, July 1, 2036 in the principal amount of \$7,495,000 and July 1, 2041 and the 2011B Bonds maturing on July 1, 2012 through 2020, inclusive, July 1, 2022, 2025 and 2028 (collectively, the "*Premium Bonds*"), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial

offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

CONTINUING DISCLOSURE OBLIGATION

In accordance with the requirements of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 ("*Rule 15c2-12*"), the City has undertaken in the 2011 Resolution for the benefit of the beneficial owners of the 2011 Fixed Rate Bonds to provide:

- (1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2011, to the Municipal Securities Rulemaking Board (the "*MSRB*"), the audited financial statements of the City for the preceding Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements are not then available, unaudited financial statements of the City for such fiscal year to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;
- (2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2011, to the MSRB, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year (which data will be prepared at least annually, specify the date as to which such information was prepared and will be delivered together with any subsequent material events notices specified in paragraph (3) below) for the type of information included under the captions "**THE AIRPORT -- AIRLINES SERVING THE AIRPORT,**" "**AIR SERVICE AREA,**" "**OPERATING STATISTICS**" and "**AIR CARGO,**" to the extent such items are not included in the financial statements referred to in paragraph (1) above;
- (3) in a timely manner not in excess of 10 Business Days after the occurrence of the event, to the MSRB notice of any of the following events with respect to the 2011 Fixed Rate Bonds:
 - (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults, if material;
 - (c) unscheduled draws on the debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
 - (e) substitution of any credit or liquidity providers, or their failure to perform;

(f) 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 events affecting the tax status of the 2011 Fixed Rate Bonds;

(g) modification of the rights of the Beneficial Owners of the 2011 Fixed Rate Bonds, if material;

(h) call of any of the 2011 Fixed Rate Bonds, if material, and tender offers;

(i) defeasance of any of the 2011 Fixed Rate Bonds;

(j) release, substitution or sale of any property securing repayment of the 2011 Fixed Rate Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the City;

(m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the 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 such actions, other than pursuant to its terms, if material; and

(n) the appointment of a successor or additional trustee, or the change in the name of a trustee, if material;

(4) in a timely manner, to the MSRB, notice of a failure of the City to provide the required annual financial information described in (1) and (2) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires that the City's financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The City has acknowledged in the 2011 Resolution that its undertaking pursuant to Rule 15c2-12 is intended to be for the benefit of the Owners and the beneficial owners of the 2011 Fixed Rate Bonds and is enforceable by the Trustee or by any Owner or beneficial owner of the 2011 Fixed Rate Bonds. THE RIGHT TO ENFORCE THE PROVISIONS OF THE CITY'S RULE 15C2-12 UNDERTAKINGS IS LIMITED TO A RIGHT TO OBTAIN SPECIFIC PERFORMANCE OF THE CITY'S OBLIGATIONS AND A FAILURE BY THE CITY TO COMPLY WITH ITS RULE 15C2-12 UNDERTAKINGS WILL NOT BE AN EVENT OF DEFAULT UNDER THE BOND ORDER OR THE 2011 RESOLUTION AND WILL NOT RESULT IN ACCELERATION OF THE 2011 FIXED RATE BONDS. ALL ACTIONS SHALL BE INSTITUTED, HAD AND MAINTAINED IN THE MANNER PROVIDED IN THE 2011 RESOLUTION FOR THE BENEFIT OF ALL OWNERS AND BENEFICIAL OWNERS OF THE 2011 FIXED RATE BONDS.

During the past five years, the City has complied in all material respects with all continuing disclosure agreements to which it is a party in accordance with Rule 15c2-12.

The City may modify from time to time, consistent with Rule 15c2-12, the information provided to the extent necessary or appropriate in the judgment of the City, but: (1) any such modification may only be 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 City; (2) the information to

be provided, as modified, would have complied with the requirements of the Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule 15c2-12 as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by the Trustee or nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2011 Fixed Rate Bonds. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The City's Rule 15c2-12 undertakings will terminate on payment, or provision having been made for payment in a manner consistent with the Rule 15c2-12, in full of the principal of and interest on the 2011 Fixed Rate Bonds.

All documents provided to the MSRB as described above will be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The City may discharge its undertaking described above by providing such information in a manner that the SEC subsequently authorizes in lieu of the manner described above.

FORWARD-LOOKING STATEMENTS

The statements contained in the Official Statement, and in any other information provided by the City or the Airport, that are not purely historical, are forward-looking statements, including statements regarding the City or the Airport's expectations, hopes, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in the Official Statement are based on information available to the City and the Airport on the date hereof, and the City and the Airport assume no obligation to update any such forward-looking statements. It is important to note that the Airport's 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 City and the Airport. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

MISCELLANEOUS

RATINGS

The 2011 Bonds have been rated "Aa3" by Moody's Investors Service ("*Moody's*"), "A+" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("*S&P*"), and "A+" by Fitch Ratings ("*Fitch*"). Further explanation of the significance of such ratings may be obtained from Moody's, S&P and Fitch. The ratings are not a recommendation to buy, sell or hold the 2011 Fixed Rate Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, S&P or Fitch. Any such action may have an adverse effect on the market price of the 2011 Fixed Rate Bonds. Neither the City nor the Underwriters have undertaken any responsibility after the execution and delivery of the 2011 Fixed Rate Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL ADVISOR

DEC Associates, Inc., Charlotte, North Carolina, is serving as financial advisor to the City.

APPROVAL

The Local Government Commission and the City have each duly authorized the execution and delivery of this Official Statement.

Members of the Local Government Commission staff have participated in the preparation of this Official Statement and other documents related to the issuance of the 2011 Fixed Rate Bonds, but the Local Government Commission and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this official statement, other than those in **Appendix F**.

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APPENDIX A

**CITY OF CHARLOTTE, NORTH CAROLINA
AUDITED FINANCIAL STATEMENTS OF THE AIRPORT
FOR THE YEAR ENDED JUNE 30, 2010**

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**CITY OF CHARLOTTE AIRPORT
AN ENTERPRISE FUND OF THE CITY OF CHARLOTTE
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010
AND INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of
City Council
Charlotte, North Carolina

We have audited the accompanying statement of net assets of the City of Charlotte Airport (the "Airport"), an enterprise fund of the City of Charlotte, North Carolina (the "City"), as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Airport management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Airport and do not purport to, and do not present fairly the financial position of the City as of June 30, 2010, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2010, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Airport taken as a whole. The Additional Information, as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Certification of Director of Finance as listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on it.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland L.L.P." in a cursive script.

Raleigh, North Carolina
February 28, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Airport's (an enterprise fund of the City of Charlotte) financial statements presents a narrative overview and analysis of the Airport's financial performance for the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the Airport exceeded its liabilities at the end of 2010 by \$931.3 (net assets). Of this amount, \$253.2 (unrestricted net assets), or 27 percent, is available to support operations and capital programs.
- The overall financial position of the Airport improved in 2010 as evidenced by an increase in total net assets of \$93.5.
- The Airport continued collecting Passenger Facility Charges (PFC) during fiscal year 2010 in the amount of \$48.1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists primarily of three parts: management's discussion and analysis (this section), the financial statements, and additional information pertaining to the change in net assets for included and excluded centers as well as schedules of cash deposits and withdrawals by bond issue. The financial statement section includes notes to the financial statements that provide explanations and detailed data (pages 13-23).

The *statement of net assets* includes all of the Airport's assets and liabilities. The *statement of revenues, expenses and changes in net assets* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Airport's net assets and how they have changed. Net assets, the difference between assets and liabilities, is one way to measure the Airport's financial health or position. Over time, increases or decreases in the Airport's net assets are one indicator of whether financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE AIRPORT AS A WHOLE

Net Assets. A summary of the Airport's net assets at June 30, 2010 and 2009 is presented below:

Net Assets (in Millions)		
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 761.0	\$ 627.8
Capital assets	941.6	888.0
Total assets	<u>1,702.6</u>	<u>1,515.8</u>
Current liabilities	57.8	71.8
Noncurrent liabilities	713.5	606.1
Total liabilities	<u>771.3</u>	<u>677.9</u>
Net assets:		
Invested in capital assets, net of related debt	463.0	379.6
Restricted	215.1	181.7
Unrestricted	253.2	276.6
Total net assets	<u>\$ 931.3</u>	<u>\$ 837.9</u>

A primary portion of the Airport's net assets (50 percent) is comprised of its investment in capital assets (land, buildings, runways, etc.), less any related outstanding debt. These capital assets are used to provide services; therefore, they are not available for future spending.

An additional portion of the Airport's net assets (23 percent) represents resources that are subject to external restrictions. The remaining balance, \$253.2 or 27 percent, consists of unrestricted net assets that may be used to support operations and capital programs.

Restricted net assets increased by \$33.4. This is mainly due to collections of passenger facility charges, which are restricted for use on Federal Aviation Administration (FAA) approved projects.

Changes in net assets. The following table presents the Airport's changes in net assets for fiscal years ended June 30, 2010 and 2009:

Changes in Net Assets (in Millions)			
	<u>2010</u>		<u>2009</u>
Revenues			
Operating revenues:			
Terminal area	\$ 25.2	\$	27.6
Airfield	9.1		9.6
Concessions	35.8		35.5
Parking	34.6		33.1
Maintenance facility	7.7		7.5
Other	21.9		24.0
Nonoperating revenue:			
Passenger facility charges	48.1		46.1
Contract facility charges	6.4		6.6
Investment earnings	6.9		17.2
Total revenues	<u>195.7</u>		<u>207.2</u>
Expenses			
Operating	95.9		94.0
Interest and other charges	29.4		47.2
Other	11.8		15.4
Total expenses	<u>137.1</u>		<u>156.6</u>
Capital contributions	<u>34.8</u>		<u>38.2</u>
Increase in net assets	<u>93.4</u>		<u>88.8</u>
Net assets – beginning	837.9		749.1
Net assets – ending	<u>\$ 931.3</u>	<u>\$</u>	<u>837.9</u>

Airport operating revenues were derived primarily from the terminal area, concessions and parking (71 percent). Total revenues decreased 6 percent due to decreased investment earnings as a result of the continued downturn in the economy.

Operating expenses cover a range of areas with the largest being the terminal area. Total operating expenses remained relatively constant while interest and other charges decreased 38 percent due in part to a swap termination payment in the prior year.

User rates and fees are established to provide for operating expenses, debt service costs and adequate working capital.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Airport had \$941.6 (net of accumulated depreciation) in capital assets consisting primarily of land, buildings and runways. This amount represents a net increase of \$53.6, or 6 percent over 2009.

This year's major capital asset additions were runway improvements and business valet parking deck. At June 30, 2010, unexpended authorized capital projects totaled \$165.1. These projects are primarily for expansion and improvements. The Airport has plans to issue debt to finance these projects in addition to using resources currently available.

More detailed information about the Airport's capital assets is presented in Note 2 to the financial statements.

Long-term Debt

The Airport had \$722.4 and \$612.9 of revenue bonds outstanding at June 30, 2010 and 2009, respectively. This was an increase of \$109.5, or 18 percent from last year.

More detailed information about the Airport's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND RATES

The following economic factors impact the Airport's outlook:

- The Airport ranks as the nation's 8th busiest airport in operations, 11th in passengers and 40th in cargo.
- Airport revenues and expenses are expected to decrease 8.9 percent. This decrease is due primarily to reduced debt service requirements.
- Expansion of the Airport's East Terminal is underway. When completed, the 70,000 square foot expansion will increase terminal lobby capacity and reduce the processing time for local passengers. The project is expected to be completed in spring of 2012.

CONTACTING FINANCIAL MANAGEMENT

This financial report is designed to provide investors and creditors with a general overview of the Airport's finances and to demonstrate the Airport's accountability. Questions concerning this report or requests for additional financial information should be directed to the City of Charlotte's Finance Department, 600 East Fourth Street, Charlotte, NC 28202-2848.

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CITY OF CHARLOTTE AIRPORT
STATEMENT OF NET ASSETS
JUNE 30, 2010
(In Thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 462,960
Receivables, net of allowance for uncollectibles of \$144-	
Accounts	21,063
Other	<u>1,480</u>
Total receivables	22,543
Due from other governmental agencies	<u>4,520</u>
Restricted assets-	
Cash and cash equivalents	46,506
Investments	<u>203,746</u>
Total restricted assets	<u>250,252</u>
Total current assets	<u>740,275</u>

Noncurrent assets:

Deferred charges	13,927
Other postemployment benefit assets	6,811
Capital assets (Note 2)-	
Land	255,206
Buildings	600,532
Runways	332,951
Other improvements	79,909
Machinery and equipment	19,896
Construction in progress	<u>113,251</u>
Total capital assets	1,401,745
Less accumulated depreciation	<u>460,104</u>
Total capital assets, net	<u>941,641</u>
Total noncurrent assets	<u>962,379</u>
Total assets	<u>1,702,654</u>

The notes to the financial statements are an integral part of this statement.

LIABILITIES

Current liabilities:

Accounts payable	\$ 20,013
Deposits and retainage payable	1,730
Due to component unit	140
Current maturities of long-term liabilities	727
Current liabilities payable from restricted assets-	
Accounts payable	4,190
Deposits and retainage payable	874
Accrued interest payable	14,026
Revenue bonds payable	15,933
Arbitrage payable	206
Total current liabilities payable from restricted assets	<u>35,229</u>
Total current liabilities	<u>57,839</u>

Noncurrent liabilities (Note 3):

Revenue bonds payable - net of deferred amounts on refunding and premiums of \$6,096	712,926
Compensated absences payable	565
Total noncurrent liabilities	<u>713,491</u>
Total liabilities	<u>771,330</u>

NET ASSETS

Invested in capital assets, net of related debt	463,022
Restricted for:	
Debt service	35,446
Passenger facility charges	161,022
Working capital	18,613
Unrestricted	<u>253,221</u>
Total net assets	<u>\$ 931,324</u>

CITY OF CHARLOTTE AIRPORT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

OPERATING REVENUES:

Terminal area	\$ 25,222
Airfield	9,128
Concessions	35,848
Parking	34,663
Maintenance facility	7,670
Other	<u>21,876</u>
Total operating revenues	<u>134,407</u>

OPERATING EXPENSES:

Terminal area	38,913
Services facility	10,929
Public airfield facilities	2,519
Fixed base operator area	10,258
Cargo area	936
Depreciation	<u>32,311</u>
Total operating expenses	<u>95,866</u>
Operating income	<u>38,541</u>

NONOPERATING REVENUES (EXPENSES):

Passenger facility charges	48,088
Contract facility charges	6,440
Investment earnings	6,867
Interest expense and other charges	(29,420)
Non-airline terminal revenue distribution	(11,373)
Miscellaneous	<u>(432)</u>
Total nonoperating revenues (expenses)	<u>20,170</u>

Income before contributions	58,711
-----------------------------	--------

CAPITAL CONTRIBUTIONS	<u>34,760</u>
------------------------------	---------------

Change in net assets	<u>93,471</u>
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Total net assets - beginning	<u>837,853</u>
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Total net assets - ending	<u>\$ 931,324</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF CHARLOTTE AIRPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 134,750
Payments to suppliers	(41,839)
Payments to other City funds for services	(8,412)
Payments to employees	(13,718)
Payments to airlines for non-airline terminal revenue distribution	(12,624)
Other receipts	<u>1,488</u>
Net cash provided by operating activities	<u>59,645</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from capital debt	161,361
Passenger facility charges	47,586
Contract facility charges	5,933
Acquisition and construction of capital assets	(103,128)
Principal paid on capital debt	(49,755)
Interest and other charges paid on capital debt	(31,446)
Capital contributions	<u>32,990</u>
Net cash provided by capital and related financing activities	<u>63,541</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(313,538)
Proceeds from sale and maturities of investments	138,695
Interest received	<u>8,667</u>
Net cash used by investing activities	<u>(166,176)</u>

Net decrease in cash and cash equivalents	(42,990)
Cash and cash equivalents - beginning of year	<u>552,456</u>
Cash and cash equivalents - end of year	<u>\$ 509,466</u>

continued on next page

CITY OF CHARLOTTE AIRPORT
STATEMENT OF CASH FLOWS - (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 38,541
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	32,311
Other receipts	1,488
Non-airline terminal revenue distribution	(12,624)
Change in assets and liabilities-	
Decrease in receivables	343
Decrease in due from other governmental agencies	44
Decrease in other postemployment benefit assets	52
Increase in accounts payable	401
(Decrease) in deposits and retainage payable	(890)
(Decrease) in due to component unit	(59)
Increase in compensated absences payable	38
Total adjustments	<u>21,104</u>
Net cash provided by operating activities	<u>\$ 59,645</u>

NONCASH INVESTING, CAPITAL AND FINANCING

ACTIVITIES:

Proceeds from refunding bonds	\$ 70,893
Payment to refunded bond escrow agent	<u>(70,893)</u>
Net noncash investing, capital and financing activities	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity

The accompanying financial statements present only the activities and resources of the City of Charlotte Airport, an enterprise fund of the City of Charlotte, North Carolina, and, accordingly, do not purport to and do not present the financial position of the City of Charlotte, North Carolina.

b. Basis of Presentation

The City of Charlotte Airport (Airport) is an enterprise fund of the City of Charlotte (City) that accounts for the operations of the Charlotte/Douglas International Airport. All assets and liabilities associated with the Airport's activities are included on the Statement of Net Assets. The Airport financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Airport has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

c. Cash and Cash Equivalents/Investments

The City maintains a cash management pool (pool) that is used by the Airport and other funds of the City. The pool facilitates disbursement and investment and maximizes investment income. Since the Airport may deposit additional amounts at any time and may withdraw funds at any time without prior notice or penalty, the pool is used essentially as a demand deposit account. Therefore, for the Statement of Net Assets and Statement of Cash Flows, pooled cash is considered cash and cash equivalents. The restricted cash and cash equivalents/investments are held by trustees as required by revenue bond covenants. All restricted money market funds are considered cash and cash equivalents. The remaining amount of restricted assets is considered investments.

Deposits

All deposits of the City are made in board-designated official depositories and are secured as required by State statutes. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

All of the City's deposits are either insured or collateralized by using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

Investments

State statute 159-30 authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; repurchase agreements having third-party safekeeping; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The City is not authorized to enter into reverse repurchase agreements.

The restricted investments at June 30, 2010, stated at fair value, were \$203,746 and were invested as follows: \$41,017 in U.S. Agencies, \$9,997 in Commercial Paper, and \$152,732 in NCCMT. All investments have maturities of less than one year.

Interest Rate Risk. Although the City does not have a formal investment policy, internal investment guidelines prohibit maturities longer than five years which helps manage exposure to fair value losses in rising interest rate environments.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NSRO's). Although the City had no formal policy on managing credit risk, internal investment guidelines for commercial paper require at least two ratings from either Standard & Poor's (S&P), Fitch Ratings (Fitch), or Moody's Investors Service (Moody's). As of June 30, 2010, the Airport's investments in commercial paper carried at least S&P A1, Moody's P1 or Fitch F1 ratings. The Airport's investment in the NCCMT Cash Portfolio carried a credit rating of AAAM by S&P as of June 30, 2010. The Airport's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation) are rated AAA by S&P and Aaa by Moody's.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2010, the City had no investments subject to custodial credit risk. The City had no formal policy on custodial credit risk. However, the City's internal policy limits custodial credit risk by providing that security in the collateral be delivered to a third party safekeeping bank designated by the City.

Concentration of Credit Risk. The City's informal investment policy limits the amount of commercial paper or bankers acceptances to a maximum of 25 percent of the portfolio. For commercial paper, a maximum of \$10 million may be invested in any one issuer. For bankers' acceptances, the maximum investment is limited to 10 percent of the portfolio for any one issuer.

d. Capital Assets

Capital assets are assets with an initial, individual cost of more than \$5 and are reported at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	25 years
Runways	33 years
Other Improvements	25 years
Machinery and Equipment	4-30 years

Net interest cost on debt issued to finance the construction of capital assets was capitalized during the construction period in the amount of \$1,235 for the year ended June 30, 2010.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

e. Compensated Absences

Employees earn vacation leave at the rate of 10 to 20 days per year and can accrue a maximum of 20 to 40 days, depending on length of service. Unused vacation days are payable upon termination, resignation, retirement or death.

Employees accumulate sick leave at the rate of one day per month and can accrue an unlimited number of days. Sick leave can be taken for personal illness or illness of a member of the immediate family. Sick leave is lost upon termination or resignation. However, twenty percent of outstanding sick leave, with a maximum of 43.5 days, is payable upon retirement or death.

Compensated absences payable includes accumulated unpaid vacation leave and sick leave.

f. Noncurrent Liabilities

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Bonds payable are reported net of applicable premiums or discounts and any deferred amounts on refunding. The deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the old debt. This amount is amortized as a component of interest expense, using the straight-line basis, over the life of the old debt or new debt, whichever is shorter.

g. Net Assets

Net assets are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, bond covenants, regulations of other governments or by State statute.

h. Revenues

The primary sources of revenue at the Airport are fees and charges paid by the airlines and revenues paid by concessionaires providing services to the general public. Signatory airline terminal and airfield rates and charges are governed by twenty-five or thirty year lease agreements, and concession revenues are established by leases of varying methodologies and terms. The airlines are assessed four categories of fees and charges: rent, airport services, maintenance and operation fees, and landing fees. Airline fees and charges are established at a level adequate to recover the related services and facilities costs. Concession revenues are generated either through fixed annual charges or on the basis of a percentage of sales generated by the tenants' operations.

The Airport distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Airport's principal ongoing operations. The principal operating revenues of the Airport result from exchange transactions associated with the principal activity of the Airport. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

2. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 249,730	\$ 6,772	\$ 1,296	\$ 255,206
Construction in progress	214,222	86,787	187,758	113,251
Total capital assets, not being depreciated	<u>463,952</u>	<u>93,559</u>	<u>189,054</u>	<u>368,457</u>
Capital assets, being depreciated:				
Buildings	546,732	53,800	-	600,532
Runways	221,539	111,412	-	332,951
Other improvements	64,660	15,249	-	79,909
Machinery and equipment	19,623	1,019	746	19,896
Total capital assets being depreciated	<u>852,554</u>	<u>181,480</u>	<u>746</u>	<u>1,033,288</u>
Less accumulated depreciation for:				
Buildings	311,697	20,016	-	331,713
Runways	82,664	8,023	-	90,687
Other improvements	22,477	2,768	-	25,245
Machinery and equipment	11,701	1,504	746	12,459
Total accumulated depreciation	<u>428,539</u>	<u>32,311</u>	<u>746</u>	<u>460,104</u>
Total capital assets, being depreciated, net	<u>424,015</u>	<u>149,169</u>	<u>-</u>	<u>573,184</u>
Capital assets, net	<u>\$ 887,967</u>	<u>\$ 242,728</u>	<u>\$ 189,054</u>	<u>\$ 941,641</u>

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

3. NONCURRENT LIABILITIES:

A summary of changes in noncurrent liabilities for the year ended June 30, 2010, follows by type:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds:					
1997 series	\$ 42,085	\$ -	\$ 42,085	\$ -	\$ -
1998 series, 5.6% due 2028	86,000	-	-	86,000	-
1999 series B	71,805	-	71,805	-	-
2000 series, 7.8% due 2028	34,700	-	-	34,700	-
2004 series A, 4.8% to 5.3% due 2024-2035	87,095	-	-	87,095	-
2004 series B, 4.8% to 5.3% due 2012-2024	48,465	-	-	48,465	-
2004 series C, 4.4% due 2011	5,595	-	2,740	2,855	2,855
2007 series A, 4.0% to 5.0% due 2011-2038	98,520	-	1,745	96,775	1815
2007 series B, variable rate due 2011-2038	46,825	-	885	45,940	915
2008 series D, variable rate due 2011-2035	40,585	-	245	40,340	380
2009 series B, 2.5% to 5.0% due 2011-2017	51,180	-	-	51,180	6,575
2010 series A, 2.0% to 5.5% due 2012-2040	-	130,100	-	130,100	-
2010 series B, 13% to 5.4% due 2011-2029	-	67,770	-	67,770	2,770
2010 series C, variable rate due 2011-2040	-	31,115	-	31,115	225
Total revenue bonds	612,855	229,015	19,505	722,365	15,535
Less deferred amounts on refunding	(2,341)	(1,113)	(801)	(2,883)	(269)
Plus unamortized premiums	6,545	3,244	612	9,177	667
Total bonds payable net of deferred amounts on refunding	617,059	231,146	18,316	728,859	15,933
Arbitrage	117	89	-	206	206
Compensated absences	1,254	1,055	1,017	1,292	727
Total noncurrent liabilities net of deferred amounts on refunding and unamortized premium	\$ 618,430	\$ 232,260	\$ 19,333	\$ 730,357	\$ 16,866

Revenue bond debt service requirements to maturity are as follows:

Year Ended			
June 30	Principal	Interest	Total
2011	\$ 15,535	\$ 29,349	\$ 44,884
2012	18,425	30,057	48,482
2013	19,060	29,392	48,452
2014	19,915	28,663	48,578
2015	20,675	27,916	48,591
2016-2020	90,945	127,699	218,644
2021-2025	97,895	109,618	207,513
2026-2030	253,330	69,750	323,080
2031-2035	116,840	26,219	143,059
2036-2040	69,745	6,063	75,808
	<u>\$ 722,365</u>	<u>\$ 484,726</u>	<u>\$ 1,207,091</u>

In December 1985 and May 1987, the City issued \$108,780 and \$75,880, respectively, of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport and to redeem bond anticipation notes. The 1985 bonds were advance refunded in June 1993 and replaced with 1993 Airport Refunding Revenue Bonds. The 1993 bonds were refunded in February 2009 and replaced with 2009 Airport Refunding Revenue Bonds. The 1987 bonds were refunded in June 1997 and replaced with 1997 Airport Refunding Revenue Bonds. The 1997 bonds were early extinguished on February 10, 2010 in the amount of \$38,465.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

In February 2009, the City issued \$51,180 fixed rate Airport Revenue Bonds with interest rates ranging from 2.50 to 5.00 percent to refund \$62,100 of outstanding variable rate Airport Revenue Bonds Series 1993A. The net proceeds of \$52,995 (after payment of \$941 in underwriting fees, insurance and other issuance costs) and \$14,502 in debt service funds of the 1993A bonds were used to purchase U.S. government securities and fund the debt service reserve fund for the 2009 bonds. The City completed the refunding to reduce its total debt service payments over a period of eight years by \$38,877 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$35,620.

In June 1987 and December 1988, the City issued \$67,000 and \$19,762, respectively, of Airport Special Facility Revenue Bonds to finance the construction of an aircraft hangar, a ground services equipment building and other facilities to be leased to US Airways Group, Inc. The 1987 and 1988 bonds were refunded in March 1998 and replaced with \$66,300 of 1998 Airport Refunding Revenue Bonds. The March 1998 issue also included an additional \$19,700 of Airport Special Facility Revenue Bonds for improvements of other airport facilities to be leased to US Airways Group, Inc.

In December 1999, the City issued \$191,060 of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport. Of the \$191,060 revenue bonds, \$102,255 had fixed interest rates and \$88,805 had variable interest rates. In August 2007, the City issued \$99,995 of fixed rate Airport Revenue Bonds with an average interest rate of 4.82 percent to advance refund \$7,950 of outstanding Airport Revenue Bonds Series 1999A with an average interest rate of 5.75 percent.

In November 2008, the City issued \$24,480 variable rate Airport Revenue Bonds to refund \$28,805 of outstanding variable rate Airport Revenue Bonds Series 1999D. The net proceeds of \$24,258 and \$6,439 in debt service reserve funds of the 1999D bonds were used to purchase U.S. government securities and fund the debt service reserve fund for the 2008 bonds. The City completed the refunding to reduce its total debt service payments over a period of 21 years by \$26,683 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$19,310.

In February 2010, the City issued \$197,870 fixed rate Airport Revenue bonds with interest rates ranging from 1.25 to 5.50 percent to refund \$69,750 of outstanding Airport Revenue Bonds, Series 1999B. The net proceeds of \$199,074 (after payment of \$2,039 in underwriting fees, insurance and other issue costs) were used to purchase U.S. government securities, acquire and construct certain improvements to the Airport, and fund the debt service reserve fund for the 2010 bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,143. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2029 using the effective-interest method. The City completed the refunding to reduce its total debt service payments over a period of 19 years by \$7,105 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,645.

In September 2000, the City issued \$34,700 of Airport Special Facility Revenue Bonds to finance the design, acquisition, construction and equipping of certain Airport related facilities to be leased to US Airways Group, Inc.

In September 2004, the City issued \$166,935 of Airport Revenue Bonds for the purpose of financing or reimbursing the cost of improvements and expansion of the Airport. Of the \$166,935 revenue bonds, \$150,775 had fixed interest rates and \$16,160 had variable interest rates.

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

In November 2008, the City issued \$16,105 variable rate Airport Revenue Bonds to refund \$14,845 of outstanding variable rate Airport Revenue Bonds Series 2004D. The net proceeds of \$15,958 and \$125 in debt service funds of the 2004D bonds were used to purchase U.S. government securities and fund the debt service reserve fund for the 2008 bonds. The City completed the refunding to reduce its total debt service payments over a period of 26 years by \$11,646 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$8,190.

Interest on the variable-rate bonds is determined by a remarketing agent based upon market conditions.

The Airport Special Facility Revenue Bonds are payable solely from and secured solely by a pledge of debt service rentals pursuant to a Special Facility Lease (Lease) agreement with US Airways Group, Inc.

The Revenue and Special Facility Revenue Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Revenue Bond Order or Lease. Neither the credit nor the taxing power of the City is pledged for the payment of the principal or interest and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Revenue Bond Order or Lease.

The Revenue Bond Order provided for the establishment of a special fund designated the Revenue Fund into which the City is required to deposit most Airport revenues upon receipt. Moneys on deposit in this fund will be applied at such times and in accordance with the priorities established by the Revenue Bond Order. Moneys in the Revenue Fund are required to be transferred to the following funds, established pursuant to the Revenue Bond Order, in the following order of priority: the Operating Fund, the Revenue Bond Fund and the Renewal and Improvement Fund.

The principal and interest on the Revenue Bonds are payable from net revenues of the Airport. Pursuant to the Revenue Bond Order, the City has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and to revise such rates, fees, rentals and charges as often as necessary to produce revenues at least equal to the amounts required to be transferred to the funds indicated above plus an amount sufficient to have on deposit in the Revenue Fund, as of the first business day of the next fiscal year, an amount equal to the Coverage factor for the preceding fiscal year. The Coverage factor is equal to 25 percent of the amounts required to be deposited to the Revenue Bond Fund for the principal and interest payments for the fiscal year. In addition, the Revenue Bond Order provided for the establishment of the following reserves:

- (1) In the Revenue Bond Fund an amount equal to the maximum principal and interest requirements for the Revenue Bonds for any current or succeeding fiscal year, \$25,140 in 2010.
- (2) In the Operating Fund an amount equal to one-third of the annual budget for current expenses, \$17,113 in 2010.

4. LEASE AGREEMENTS:

Airport facilities are leased primarily to the signatory airlines under agreements having terms of twenty-five or thirty years. Fees and charges under these agreements are computed in a manner designed to recover the cost of operating the Airport. Provisions in these agreements give the airlines the right to approve future expansion of the Airport Facilities and any issuance of new debt affecting the fees and charges to the airlines. Other provisions insure that sufficient fees and charges will be collected to meet Airport debt service requirements. In addition, the agreements provide for a distribution to the airlines of a portion of the non-airline terminal revenues.

The City has entered into a Special Facility lease agreement with US Airways Group, Inc. for land and a Special Facility. The Special Facility includes an aircraft hangar, a ground services equipment building and other facilities. The lease terminates thirty years from the date of beneficial occupancy, which was March 1987. Fees and charges under this agreement are computed in a manner designed to recover all principal, interest and expenses related to

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

bonds issued for the construction of the Special Facility, all services rendered and expenses incurred for operation and maintenance of the leased premises and a ground rental fee.

The following is a schedule of minimum future rental income on noncancelable operating leases subsequent to June 30, 2010:

2011	\$ 39,165
2012	39,284
2013	39,404
2014	39,525
2015	39,647
2016-2020	59,792
2021-2025	37,526
2026-2028	140,808
Total minimum future rental income	<u>\$ 435,151</u>

Of the \$435,151 minimum future rental income on noncancelable operating leases, \$314,512 relates to agreements with US Airways, Inc. See Note 9 for additional information related to US Airways, Inc.

Contingent rentals that may be received under certain leases based on the tenant's revenues, fuel flow or usage are not included above. Contingent rentals of approximately \$40,615 were received during the year ended June 30, 2010.

5. TRANSACTIONS WITH THE CITY OF CHARLOTTE:

Expenses include certain costs charged the Airport by other funds of the City. These charges are as follows:

Administrative and other City services	\$ 4,894
Crash, fire and rescue services	<u>3,518</u>
	<u>\$ 8,412</u>

6. PENSION PLAN AND OTHER BENEFITS:

a. North Carolina Local Governmental Employees' Retirement System (LGERS)

The Airport, as an enterprise fund of the City, contributes to the LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the North Carolina Office of the State Controller, Accounting and Financial Reporting Section, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Plan members are required to contribute 6.0 percent of their annual covered salary. The Airport is required to contribute at an actuarially determined rate. For the Airport, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8 percent and 4.86 percent, respectively, of annual covered payroll. The contribution requirements of members and of the Airport are established and may be amended by the North Carolina General Assembly. The Airport's contributions to LGERS for the years ended June 30, 2010, 2009 and

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

2008 were \$692, \$663 and \$628, respectively. The contributions made by the Airport equaled the required contributions for each year.

b. Other Post-employment Benefits

The Airport, as an enterprise fund of the City, participates in the City of Charlotte Employee Benefit Trust Plan (EBTP), a single-employer defined benefit healthcare plan administered by the City of Charlotte. The EBTP provides health and welfare benefit plans for the benefit of eligible retired employees of the City. Section 4.05 of the Charlotte City Code assigns the authority to establish benefit provisions for EBTP to the City Council. The EBTP is included in the Comprehensive Annual Financial Report (CAFR) for the City of Charlotte. The City's CAFR includes financial statements and required supplementary information for EBTP. That report may be obtained by writing to City of Charlotte, Finance Department – Financial Reporting, Charlotte-Mecklenburg Government Center, 600 East Fourth Street, 10th Floor, Charlotte, North Carolina 28202-2848.

The contribution requirements of plan members and the City are established and may be amended by the City Council. For retired employees, the City Council set the employer contribution rate based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) of the plan over a period not to exceed thirty years. The Airport's contributions to EBTP for the year ended June 30, 2010 were \$302. Amounts previously contributed to prefund benefits are shown as a noncurrent asset on the Statement of Net Assets.

7. INSURANCE:

a. Employee Health and Life

The City provides health and life benefits to employees and retirees. Private companies administer these benefits pursuant to administrative services agreements. The City maintains insurance coverage with private carriers for life claims, vision claims, and excess coverage for health claims in excess of \$275 per year per person.

The Airport participates in the City's employee health and life insurance program which is accounted for in the Employee Health and Life Insurance Fund (EHLIF), an internal service fund, of the City. The Airport makes payments to the EHLIF for both an amount per employee and a proportionate share of the administrative cost. The amount per employee is based on actuarial estimates of amounts needed to pay prior and current year claims. The employees and retirees contribute a portion of the cost for health coverage. The City provides life insurance for employees in the amount of two times the employees' salary up to a maximum of \$100. Employees may purchase additional life insurance up to a maximum of four times their salary. The Airport made payments to the EHLIF for the year ended June 30, 2010 in the amount of \$1,557.

b. Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport participates in the risk management program of the City. The City has a Risk Management Fund (RMF), an internal service fund, to account for and finance its insured and uninsured risks of loss. Currently, insurance coverage is purchased for excess property damage for buildings and contents, excess workers' compensation, excess vehicle and general liability, property damage, and airport liability. Insurance coverage includes vehicle and general liability claims in excess of \$2,000 but less than \$22,000 per occurrence, workers' compensation claims in excess of \$1,000, property damage claims in excess of \$500 and flood insurance \$100,000 in all flood zones, except \$5,000 in flood zone A in excess of federal flood program maximums. The finance officer is bonded for \$100. Employees who handle funds or have access to inventories are bonded under a blanket bond for \$250. Settled claims have not exceeded insurance coverage in the

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

past three years. The actuarially determined losses for the remaining risks and deductible amounts are funded in the RMF. The Airport makes payments to the RMF based on historical cost information or actuarial estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses. The Airport made payments to the RMF for the year ended June 30, 2010 in the amount of \$1,480.

8. COMMITMENTS AND CONTINGENCIES:

Noise litigation suits have been filed against the City in connection with the operation of the Airport. In the opinion of the City's attorney and management, the ultimate outcome of the suits is not expected to have a significant impact upon the financial position or results of operations of the Airport.

The City has filed an agreement with the Internal Revenue Service to reallocate proceeds of the September 2004 Airport Revenue Bonds. The request is under consideration but has not been finalized as of the date of this report.

The Airport has received a number of federal and state grants for specific purposes that are subject to review by the grantor agencies. Such reviews could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. The City management believes that such disallowances, if any, would not be significant.

The Airport has authorized capital projects at June 30, 2010 as follows:

Project Authorization	\$ 842,783
Expended	<u>677,699</u>
Unexpended	<u>\$ 165,084</u>

The Airport has construction and other contractual commitments of approximately \$39 million at June 30, 2010.

9. MAJOR CUSTOMER:

US Airways, Inc. (US Airways), a wholly owned subsidiary of US Airways Group, Inc., is the major passenger airline serving Charlotte/Douglas International Airport (Airport). For the fiscal year ended June 30, 2010, US Airways and its affiliates provided 24.73 percent of the Airport's operating revenues.

US Airways conducts its passenger air carrier operations at the Airport pursuant to several agreements, the most significant of which is the City of Charlotte's 1985 Airport Agreements and Lease (Airport Agreement), which has also been executed by American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, and United Airline (collectively, the Signatory Airlines). Pursuant to the Airport Agreement, the Signatory Airlines lease certain premises in the passenger terminal building (terminal) and are obligated to pay landing fees and terminal rentals which, in the aggregate, are sufficient to enable the City to pay the annual operating expenses of the airfield and terminal, and the annual debt service on General Airport Revenue Bonds (GARBS) issued by the City to fund airfield and terminal improvements.

As of June 30, 2010, the City had \$601,665 of GARBS outstanding, the proceeds of which were used for airfield and terminal improvements. The GARBS are not general obligations of the City and are payable solely from revenues generated by the City in the airfield and terminal. The City has \$35,446 in reserve to pay principal and interest on GARBS.

In addition to the GARBS, the City has also issued Special Facility Revenue Bonds to finance the construction of crew training, airfield maintenance and other Airport facilities (Special Facilities) that are leased to US Airways by the City. As rental for the Special Facilities, US Airways is obligated to pay directly to the City a Ground Rental and an

CITY OF CHARLOTTE AIRPORT
NOTES TO THE FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2010
(Dollar Amounts In Thousands)

Airport Service Fee Rental. In addition, US Airways is obligated to pay directly to a Trustee for the benefit of bondholders a facility rental (Special Facilities Debt Service Rental) in an amount equal to the annual installments of principal and interest on the Special Facility Revenue Bonds. The Special Facilities Debt Service Rental is not a general obligation of the City. If US Airways fails to pay the Special Facilities Debt Service Rentals, the City is obligated to use reasonable efforts to re-let the Special Facilities to another tenant and apply the debt service rentals from such re-letting to the payment of the principal and interest on the Special Facility Revenue Bonds. The City is not obligated to make any payments relating to the Special Facilities or the Special Facility Revenue Bonds except for such debt service rentals as it receives from the tenant of the Special Facilities. As of June 30, 2010, there was \$120,700 of Special Facility Revenue Bonds outstanding. The Special Facility Revenue Bonds provide for the semi-annual payment of interest with a lump-sum payment of principal on the maturity date of the bonds. The Special Facility Revenue Bonds mature on July 1, 2027 and February 1, 2028.

10. DEBT SERVICE COVERAGE:

The 1985 Revenue Bond Order provided that Revenues pledged under the Bond Order be sufficient to meet Revenue Bond Debt Service, current expenses, and other required deposits to funds and accounts established by the Bond Order. Net Revenues for calculation of coverage as defined by the 1985 Bond Order are determined as follows:

Revenues

Operating revenues	\$ 109,315
Nonoperating revenues	2,403
Bond cushion	<u>10,306</u>
Total revenues	122,024

Application of revenues	<u>(52,435)</u>
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Net revenues available for revenue bond debt service (1)	<u>\$ 69,589</u>
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Requirement for Revenue Bond Fund (2)	<u>\$ 20,957</u>
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Debt Service Coverage (1)/(2)	3.3
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11. PASSENGER FACILITY CHARGES:

The Federal Aviation Administration (FAA) authorized the Airport to collect Passenger Facility Charges (PFC) of \$3 per qualifying enplaned passenger commencing November 1, 2004. The net receipts from PFC are accounted for on the accrual basis of accounting and are restricted to use on FAA approved projects. The Airport has been authorized to collect PFC in the aggregate amount of \$875,474. Collections during fiscal year 2010 were \$48,088 and aggregate collections from inception through June 30, 2010 were \$248,345.

12. SUBSEQUENT EVENTS

On August 24, 2010, the City early extinguished \$5,790 of fixed rate Airport Special Facility Revenue Bonds, Series 2000.

On December 1, 2010, the City early extinguished \$3,670 of variable rate Airport Revenue Bonds, Series 2007B.

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ADDITIONAL INFORMATION

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CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CHANGE IN NET ASSETS - INCLUDED AND EXCLUDED CENTERS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Included Centers	Excluded Centers	Total
OPERATING REVENUES:			
Terminal area	\$ 25,260	\$ (38)	\$ 25,222
Airfield	9,128	-	9,128
Concessions	35,848	-	35,848
Parking	34,663	-	34,663
Maintenance facility	-	7,670	7,670
Other	4,416	17,460	21,876
Total operating revenues	<u>109,315</u>	<u>25,092</u>	<u>134,407</u>
OPERATING EXPENSES:			
Terminal area	38,816	97	38,913
Services facility	10,929	-	10,929
Public airfield facilities	2,519	-	2,519
Fixed base operator area	-	10,258	10,258
Cargo area	-	936	936
Depreciation	-	32,311	32,311
Total operating expenses	<u>52,264</u>	<u>43,602</u>	<u>95,866</u>
Operating income (loss)	<u>57,051</u>	<u>(18,510)</u>	<u>38,541</u>
NONOPERATING REVENUES (EXPENSES):			
Passenger facility charges	-	48,088	48,088
Contract facility charges	-	6,440	6,440
Investment earnings	2,403	4,464	6,867
Interest expense and other charges	(21,750)	(7,670)	(29,420)
Non-airline terminal revenue distribution	(11,373)	-	(11,373)
Miscellaneous	-	(432)	(432)
Total nonoperating revenues (expenses)	<u>(30,720)</u>	<u>50,890</u>	<u>20,170</u>
Income before contributions	26,331	32,380	58,711
CAPITAL CONTRIBUTIONS	-	34,760	34,760
Change in net assets	<u>\$ 26,331</u>	<u>\$ 67,140</u>	<u>\$ 93,471</u>

Note: The Schedule of Change in Net Assets identifies current year activity in included centers and excluded centers.

Included centers are cost centers for the Terminal complex and Public Aircraft Facilities. Excluded centers are cost centers for those areas and parts of the Airport other than included centers, primarily cargo and fixed base operators. The 1985 Revenue Bond Order established included and excluded centers. Included center revenues are used for debt service expenditures except for debt service expenditures for the Special Facilities Revenue Bonds which are retired from debt service rentals as described in Note 3 to the Financial Statements.

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FUNDS HELD BY CITY
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	1980 Reserve Account	Revenue Fund	Operating Fund	Operating Fund Reserve
Beginning balance	\$ 793	\$ 63,143	\$ -	\$ 17,113
Deposits:				
Operating revenue	-	108,586	-	-
PFC revenue	-	-	-	-
Investment earnings	7	1,095	-	-
Interfund transfers	-	800	52,594	-
Transfers from capital project	-	-	-	-
Transfers from trustee	-	620	-	-
Total deposits	7	111,101	52,594	-
Withdrawals:				
Operating expense	-	-	52,594	-
Interfund transfers	800	84,154	-	-
Transfers to capital project	-	-	-	-
Transfers to trustee	-	21,128	-	-
Distribution to airlines of 40 percent share of excess non-airline terminal revenue	-	-	-	-
Total withdrawals	800	105,282	52,594	-
Ending balance	\$ -	\$ 68,962	\$ -	\$ 17,113

<u>Renewal and Improvement Fund</u>	<u>Discretionary Fund</u>	<u>PFC Fund</u>	<u>Total</u>
\$ 1,500	\$ 46,561	\$ 122,809	\$ 251,919
-	-	-	108,586
-	-	47,586	47,586
-	2,205	2,531	5,838
-	31,560	-	84,954
-	145,687	-	145,687
-	-	-	620
-	179,452	50,117	393,271
-	-	-	52,594
-	-	-	84,954
-	14,781	-	14,781
-	29,696	20,318	71,142
-	12,624	-	12,624
-	57,101	20,318	236,095
<u>\$ 1,500</u>	<u>\$ 168,912</u>	<u>\$ 152,608</u>	<u>\$ 409,095</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 1997 REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Refunding Bond Fund			
	Interest Account	Principal Account	Reserve Account	Total
Beginning balance	\$ -	\$ 3,662	\$ 6,606	\$ 10,268
Deposits:				
Transfers from City	2,968	32,058	-	35,026
Investment earnings	-	35	138	173
Total deposits	2,968	32,093	138	35,199
Withdrawals:				
Interest	2,968	-	-	2,968
Principal	-	35,604	6,481	42,085
Other debt expenditures	-	116	-	116
Transfers to City	-	35	263	298
Total withdrawals	2,968	35,755	6,744	45,467
Ending balance	\$ -	\$ -	\$ -	\$ -

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1987 SPECIAL FACILITY REVENUE BOND ORDER
FOR THE 1998 REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Refunding Bond Fund</u>		
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Total</u>
Beginning balance	\$ 2,433	\$ 9	\$ 2,442
Deposits:			
Payments from US Airways Group, Inc.	4,875	23	4,898
Transfers from 2000 Special Facility Revenue Bond Fund	5	-	5
Intrafund transfers	<u>5</u>	<u>-</u>	<u>5</u>
Total deposits	4,885	23	4,908
Withdrawals:			
Interest	4,869	23	4,892
Other debt expenditures	21	-	21
Intrafund transfers	<u>-</u>	<u>5</u>	<u>5</u>
Total withdrawals	<u>4,890</u>	<u>28</u>	<u>4,918</u>
Ending balance	<u>\$ 2,428</u>	<u>\$ 4</u>	<u>\$ 2,432</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 1999B AIRPORT REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Revenue Bond Fund</u>			
	<u>Interest Account</u>	<u>Principal Account</u>	<u>Reserve Account</u>	<u>Total</u>
Beginning balance	\$ 2,136	\$ 2,075	\$ 6,380	\$ 10,591
Deposits:				
Transfers from City	2,401	1,268	-	3,669
Investment earnings	<u>1</u>	<u>20</u>	<u>-</u>	<u>21</u>
Total deposits	2,402	1,288	-	3,690
Withdrawals:				
Interest	4,168	-	-	4,168
Principal	-	2,055	-	2,055
Payment to refunding bond escrow agent	-	-	6,121	6,121
Other debt expenditures	345	9	159	513
Transfers to 2010B Refunding Bond Fund	-	1,279	-	1,279
Transfers to City	<u>25</u>	<u>20</u>	<u>100</u>	<u>145</u>
Total withdrawals	<u>4,538</u>	<u>3,363</u>	<u>6,380</u>	<u>14,281</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1987 SPECIAL FACILITY REVENUE BOND ORDER
FOR THE 2000 SPECIAL FACILITY REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Revenue Bond Fund	Construction Fund		
	Interest Account	Improvements Account	Special Facility Account	Total
Beginning balance	\$ 22	\$ 6,418	\$ 698	\$ 7,138
Deposits:				
Payments from US Airways Group, Inc.	2,772	-	-	2,772
Withdrawals:				
Construction expense	-	1,322	-	1,322
Interest	2,750	-	-	2,750
Other debt expenditures	20	-	-	20
Transfer to 1998 Refunding Bond Fund	5	-	-	5
Total withdrawals	2,775	1,322	-	4,097
Ending balance	\$ 19	\$ 5,096	\$ 698	\$ 5,813

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2004 AIRPORT REVENUE BONDS - REVENUE BOND FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Series A	Series B	Series C		
	Interest Account	Interest Account	Interest Account	Principal Account	Total
Beginning balance	\$ 2,200	\$ 1,273	\$ 119	\$ 2,768	\$ 6,360
Deposits:					
Transfers from City	4,359	2,520	124	2,858	9,861
Investment earnings	<u>3</u>	<u>2</u>	<u>-</u>	<u>25</u>	<u>30</u>
Total deposits	4,362	2,522	124	2,883	9,891
Withdrawals:					
Interest	4,348	2,517	179	-	7,044
Principal	-	-	-	2,740	2,740
Other debt expenditures	11	3	-	3	17
Transfers to City	<u>26</u>	<u>15</u>	<u>2</u>	<u>27</u>	<u>70</u>
Total withdrawals	<u>4,385</u>	<u>2,535</u>	<u>181</u>	<u>2,770</u>	<u>9,871</u>
Ending balance	<u>\$ 2,177</u>	<u>\$ 1,260</u>	<u>\$ 62</u>	<u>\$ 2,881</u>	<u>\$ 6,380</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1986 REVENUE BOND ORDER
FOR THE 2004 AIRPORT REVENUE BONDS - CONSTRUCTION FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Series B</u>	<u>Series D</u>	<u>Total</u>
Beginning balance	\$ 14,651	\$ 3,270	\$ 17,921
Deposits:			
Investment earnings	2	-	2
Withdrawals:			
Construction expense	<u>2,858</u>	<u>-</u>	<u>2,858</u>
Ending balance	<u>\$ 11,795</u>	<u>\$ 3,270</u>	<u>\$ 15,065</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2007 AIRPORT REVENUE BONDS - REVENUE BOND FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Series A		Series B		
	Interest Account	Principal Account	Interest Account	Principal Account	Total
Beginning balance	\$ 2,335	\$ 1,754	\$ -	\$ 892	\$ 4,981
Deposits:					
Transfers from City	4,557	1,815	254	915	7,541
Investment earnings	<u>2</u>	<u>17</u>	<u>-</u>	<u>9</u>	<u>28</u>
Total deposits	4,559	1,832	254	924	7,569
Withdrawals:					
Interest	4,580	-	128	-	4,708
Principal	-	1,745	-	885	2,630
Other debt expenditures	11	-	126	-	137
Transfers to City	<u>28</u>	<u>9</u>	<u>-</u>	<u>7</u>	<u>44</u>
Total withdrawals	<u>4,619</u>	<u>1,754</u>	<u>254</u>	<u>892</u>	<u>7,519</u>
Ending balance	<u>\$ 2,275</u>	<u>\$ 1,832</u>	<u>\$ -</u>	<u>\$ 924</u>	<u>\$ 5,031</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2007 AIRPORT REVENUE BONDS - CONSTRUCTION FUNDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Series A</u>	<u>Series B</u>	<u>Total</u>
Beginning balance	\$ 38,160	\$ 1,237	\$ 39,397
Deposits:			
Investment earnings	9	-	9
Withdrawals:			
Construction expense	<u>11,589</u>	<u>1,237</u>	<u>12,826</u>
Ending balance	<u>\$ 26,580</u>	<u>\$ -</u>	<u>\$ 26,580</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2008D AIRPORT REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Refunding Bond Fund			
	Interest Account	Principal Account	Reserve Account	Total
Beginning balance	\$ 5	\$ 245	\$ 3,134	\$ 3,384
Deposits:				
Transfers from City	372	380	-	752
Investment earnings	-	1	-	1
Total deposits	372	381	-	753
Withdrawals:				
Interest	113	-	-	113
Principal	-	245	-	245
Other debt expenditures	264	-	-	264
Transfers to City	-	-	5	5
Total withdrawals	377	245	5	627
Ending balance	\$ -	\$ 381	\$ 3,129	\$ 3,510

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2009B AIRPORT REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Refunding Bond Fund			
	Interest Account	Principal Account	Reserve Account	Total
Beginning balance	\$ 764	\$ -	\$ 5,408	\$ 6,172
Deposits:				
Transfers from City	2,242	6,575	-	8,817
Investment earnings	<u>1</u>	<u>2</u>	<u>102</u>	<u>105</u>
Total deposits	2,243	6,577	102	8,922
Withdrawals:				
Interest	1,779	-	-	1,779
Other debt expenditures	203	-	-	203
Transfers to City	<u>2</u>	<u>-</u>	<u>56</u>	<u>58</u>
Total withdrawals	<u>1,984</u>	<u>-</u>	<u>56</u>	<u>2,040</u>
Ending balance	<u>\$ 1,023</u>	<u>\$ 6,577</u>	<u>\$ 5,454</u>	<u>\$ 13,054</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2010A AIRPORT REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Revenue Bond Fund				
	Interest Account	Reserve Account	Cost of Issuance Account	Construction Account	Total
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits:					
Bond proceeds	-	9,004	1,381	120,048	130,433
Transfers from City	2,471	-	-	-	2,471
Investment earnings	-	3	-	38	41
Total deposits	2,471	9,007	1,381	120,086	132,945
Withdrawals:					
Other debt expenditures	-	-	1,364	-	1,364
Ending balance	<u>\$ 2,471</u>	<u>\$ 9,007</u>	<u>\$ 17</u>	<u>\$ 120,086</u>	<u>\$ 131,581</u>

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2010B AIRPORT REFUNDING BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Refunding Bond Fund				
	Interest Account	Principal Account	Reserve Account	Cost of Issuance Account	Total
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits:					
Bond proceeds	-	-	5,752	156	5,908
Transfers from City	1,220	1,490	-	-	2,710
Transfers from 1999B Revenue Bond Fund	-	1,279	-	-	1,279
Investment earnings	-	2	1	-	3
Total deposits	1,220	2,771	5,753	156	9,900
Withdrawals:					
Other debt expenditures	-	-	-	148	148
Ending balance	\$ 1,220	\$ 2,771	\$ 5,753	\$ 8	\$ 9,752

CITY OF CHARLOTTE AIRPORT
SCHEDULE OF CASH DEPOSITS AND WITHDRAWALS FROM FUNDS AND ACCOUNTS
ESTABLISHED BY THE 1985 REVENUE BOND ORDER
FOR THE 2010C AIRPORT REVENUE BONDS
FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Revenue Bond Fund					
	Interest Account	Principal Account	Reserve Account	Cost of Issuance Account	Construction Account	Total
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits:						
Bond proceeds	-	-	1,861	349	28,934	31,144
Transfers from City	70	225	-	-	-	295
Investment earnings	-	-	-	-	9	9
Total deposits	70	225	1,861	349	28,943	31,448
Withdrawals:						
Interest	24	-	-	-	-	24
Other debt expenditures	46	-	-	336	-	382
Total withdrawals	70	-	-	336	-	406
Ending balance	\$ -	\$ 225	\$ 1,861	\$ 13	\$ 28,943	\$ 31,042

**CITY OF CHARLOTTE AIRPORT
CERTIFICATION OF DIRECTOR OF FINANCE
FOR THE YEAR ENDED JUNE 30, 2010**

1. As of June 30, 2010 none of the covenants or agreements contained in the 1985 Revenue Bond Order or the 1987 Special Facility Revenue Bond Order were violated.
2. During the period July 1, 2009 to June 30, 2010 no default, as defined in the 1985 Revenue Bond Order or the 1987 Special Facility Revenue Bond Order, occurred.

A handwritten signature in black ink, appearing to read "Greg C. Gaskins", is written over a horizontal line.

Greg C. Gaskins
Director of Finance

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APPENDIX B

REPORT OF THE AIRPORT CONSULTANT

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REPORT OF THE AIRPORT CONSULTANT

Prepared for

CITY OF CHARLOTTE

**In Connection With The
Proposed Issuance of its
Airport Revenue Bonds, Series 2011**

CHARLOTTE DOUGLAS INTERNATIONAL AIRPORT

October 12, 2011

Prepared by:

Newton & Associates, Inc.
AVIATION INDUSTRY CONSULTANTS

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Newton & Associates, Inc.

AVIATION INDUSTRY CONSULTANTS

October 12, 2011

Mr. T. J. Orr
Aviation Director
Charlotte Douglas International Airport
5501 Josh Birmingham Parkway
Charlotte, NC 28208

Re: Report of the Airport Consultant
City of Charlotte Airport Revenue Bonds – Series 2011

Dear Mr. Orr:

Newton & Associates, Inc. (“NAI”) is pleased to submit herewith its report of the airport consultant (“Report”)¹ which has been prepared for the City of Charlotte, North Carolina (“City”) by Newton & Associates, Inc. (“NAI”) in connection with the City’s issuance of its Airport Revenue Bonds, in three series (collectively, the “2011 Bonds”), as hereinafter described, and which are to be secured by and paid from Net Revenues derived from the City’s operation of the Charlotte Douglas International Airport (“Airport”). Terms not otherwise defined herein have the meanings ascribed to them in the City’s 1985 Bond Order and the 1985 Amended and Restated Airport Agreement and Lease.

The purpose of this Report is to examine and opine as to the financial feasibility of the City’s issuance of the 2011 Bonds, the proceeds of which will be used to fund, in part, certain improvements at the Airport (the “2011 Project,” as described herein).

The test of financial feasibility is the Airport’s forecast ability to generate Revenues sufficient to pay: (1) expenses of operating and maintaining the Airport; (2) debt service on existing bonds and related expenses; (3) debt service on the 2011 Bonds; (4) non-operating expenses of the Airport; and (5) costs of any other capital assets required during the Forecast Period (as defined below) necessary for the operation of the Airport but not included in the 2011 Project, and to otherwise satisfy the requirements of the Bond Order adopted by the City Council on November 18, 1985, as amended (“Bond Order”).

In applying the test of feasibility, NAI has considered, and this Report describes, the Airport, the demographic and economic characteristics of the primary geographic area served by the Airport (“Air Service Area”), the demand for air service at the Airport and the financial performance of the Airport, all for the period from July 1, 2006 to June 30, 2011, or, the most recent five-year period for which complete data were available (“Study Period”). This Report also examines,

¹ This letter and the attached report titled *BACKGROUND, ASSUMPTIONS AND RATIONALE FOR FINANCIAL FORECASTS* comprise the *REPORT OF THE AIRPORT CONSULTANT*.

discusses and forecasts the future demand for air service at the Airport, passenger enplanements at the Airport, revenues and expenses of the Airport, Passenger Facility Charges (“PFC”) to be collected by the Airport, the Net Revenues of the Airport available for debt service, debt service requirements and debt service coverage for the period July 1, 2011 to June 30, 2017 (“Forecast Period”). This Report concludes with NAI’s findings regarding the feasibility of the City proceeding with financing a portion of the cost of the 2011 Project with proceeds of the 2011 Bonds.

Based upon these assumptions and NAI’s analysis, NAI projects Net Revenues, debt service coverage and airline costs per enplaned passenger for each year of the Forecast Period as set forth below:

Fiscal Year	Net Revenues	Debt Service Coverage	Airline Cost per Enplaned Passenger
2012	\$76,692,173	3.04	\$0.93
2013	\$81,083,160	2.96	\$0.93
2014	\$81,965,510	2.99	\$0.94
2015	\$81,610,801	2.98	\$0.97
2016	\$81,268,203	3.73	\$0.87
2017	\$79,503,311	4.24	\$0.85

The 2011 Project

The 2011 Project is needed by the City to: (i) address inadequacies of Airport facilities to accommodate existing demand; (ii) provide additional facilities to meet projected demand; and, (iii) replace, repair or refurbish existing facilities that have deteriorated over time and with usage. When completed, the 2011 Project is expected to have a total cost of \$189,854,812 and is to be funded with federal AIP grants, federal TSA grants and proceeds of the 2011 Bonds.

The 2011 Project comprises two major categories of improvements: (i) Airfield Improvements; and, (ii) Terminal Complex Improvements. The following summarizes the improvements comprising the 2011 Project. See Section II of the Report for a more complete description of the 2011 Project.

Airfield Improvements:

Estimated Project Cost

- Rehabilitation of Runway 18C/36C	\$ 26,765,033
- Access Road-West ARFF Building	\$ 1,514,191
- Taxiway “D” Extension North	\$ 5,632,702

Terminal Complex Improvements:

- New Baggage Screening	\$ 50,957,401
- Concourse "E" Expansion	\$ 3,014,249
- East Terminal Expansion	\$ 20,676,640
- Renovate Airline Ticket Counters/Conveyors	\$ 5,585,049
- New Short Term Public Parking Deck	<u>\$ 75,709,547</u>

Total 2011 Project	<u>\$189,854,812</u>
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Feasibility Analysis

At your request, NAI has examined the feasibility of the issuance of the 2011 Bonds by the City to finance the 2011 Project. The test of feasibility is whether it is reasonable to expect the City to be able to satisfy the requirements of the Bond Order after the issuance of the 2011 Bonds and the completion of the 2011 Project. In conducting its study, NAI has examined the historical, operational and financial performance of the Airport and the economic characteristics of the Air Service Area for the Study Period and has prepared a forecast of passenger enplanement activity and Net Revenues for the Forecast Period.

Under the Bond Order, the City must fix, charge and collect rates, fees, rentals and charges for the use of the Airport and must revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of deposits required to be made to the funds and accounts created under the Bond Order plus an amount which provides as of the first day of the next Fiscal Year funds on deposit in the Revenue Fund created under the Bond Order equal to 25% (the "Coverage Requirement") of the principal and interest on the Revenue Bonds for the preceding Fiscal Year. The Bond Order provides that amounts retained in the Revenue Fund as of the end of each Fiscal Year are to be deemed Revenues. The amount on deposit in the Revenue Fund with respect to the Coverage Requirement as of June 30, 2011 is estimated by the City to be \$10,312,103.²

The Airport

The Airport is a large hub airport located in the western part of Charlotte, Mecklenburg County, North Carolina.³ The Airport was built by the City of Charlotte in 1932. In 1940, the United States took over use of the Airport and expanded it into the Morris Field Army Air Corps Bomber Training Base. After World War II it was returned to the City and put into service as a

² City of Charlotte, Aviation Department.

³ An airport is classified by the FAA as a large hub if it is boarded annually at least 1% of the total passengers that boarded commercial passenger aircraft in the United States in the period under question. In Calendar Year 2010, 18,629,181 passengers boarded commercial passenger aircraft at the Airport, representing 2.6 % of the 711,264,076 passengers that boarded commercial passenger aircraft in the United States for the same period.

commercial airport. It has experienced much growth since 1946 and today comprises more than 6,000 acres of land, on which is located an airfield which includes four runways, (including one of ten thousand feet in length), a passenger terminal building of more than 1.9 million square feet and including 97 aircraft gates, an air cargo center, an aircraft maintenance base, and public automobile parking facilities for more than 26,000 automobiles comprising a combination of structured and surface, self-parking and valet facilities. See Section I of the Report for a more detailed discussion of the Airport, its management and its facilities.

Financial Structure of the Airport

The Airport operates as a self-sustaining enterprise of the City. No general fund revenues of the City are used for Airport purposes. The City operates the Airport so that Revenues at a minimum are sufficient to pay the expenses of operating and maintaining the Airport and to pay the debt service on all parity Bonds outstanding and any other subordinate indebtedness of the Airport Enterprise Fund in each Fiscal Year.

Existing Revenue Bond Indebtedness

The Bond Order was adopted in 1985 in conjunction with the issuance of the City's first issuance of Airport Revenue Bonds. The Bonds currently outstanding are parity obligations under the Bond Order (collectively, the "Prior Bonds") which are secured by a pledge by the City of the Net Revenues of the Airport and include:

- (i) \$87,095,000 Airport Revenue Bonds, Series 2004A (non-AMT) (the "2004A Bonds"), all of which are currently outstanding;
- (ii) \$48,465,000 Airport Revenue Bonds, Series 2004B (AMT) (the "2004B Bonds" and collectively with the 2004A Bonds, the "2004 Bonds"), of which \$45,485,000 is currently outstanding;
- (iii) \$99,995,000 Airport Revenue and Refunding Bonds, Series 2007A (non-AMT) (the "2007A Bonds"), of which \$93,070,000 is currently outstanding;
- (iv) \$47,570,000 Variable Rate Airport Revenue Bonds, Series 2007B (non-AMT) (the "2007B Bonds" and collectively with the 2007A Bonds, the "2007 Bonds"), of which \$31,075,000 is currently outstanding;
- (v) \$40,585,000 Airport Revenue Refunding Bonds, Series 2008D (non-AMT) (the "2008D Bonds"), of which \$39,565,000 is currently outstanding;
- (vi) \$51,180,000 Airport Refunding Revenue Bonds, Series 2009B (non-AMT) (the "2009B Bonds") of which \$37,865,000 is currently outstanding;
- (vii) \$130,100,000 Airport Revenue Bonds, Series 2010A (non-AMT) (the 2010A Bonds"), \$127,860,000 of which is currently outstanding;

- (viii) \$67,770,000 Airport Refunding Revenue Bonds, Series 2010B (AMT) (the “2010B Bonds”), of which \$62,335,000 are currently outstanding; and
- (ix) \$31,145,000 Variable Rate Airport Revenue Bonds, Series 2010C (non-AMT) (the “2010C Bonds” and collectively with the 2010A Bonds and the 2010B Bonds, the “2010 Bonds”), of which \$22,965,000 are currently outstanding.

The total principal of the Prior Bonds currently outstanding is \$547,315,000.

Historical Airport Financial Performance

NAI has reviewed the financial performance of the Airport during the Study Period, including estimated Fiscal Year 2011 revenues and expenses. During each year of the Study Period, Airport Revenues have been more than sufficient to meet the requirements of the Bond Order. Over the Study Period the ratio of Net Revenues to Bond Fund Deposits, net of Passenger Facility Charges (“PFCs”), (“Net Bond Fund Deposits”) was no less than 3.56 times the Net Bond Fund Deposit in FY 2011 (estimated) and was as high as 4.02 in FY 2008. During the Study Period, deposits to the discretionary fund, net of Signatory Airline Credits, totaled \$141,088,645. Signatory credits over the Study Period totaled \$78,359,904.

The Airline Agreements

The City has entered into agreements (the “1985 Airline Agreements”) with American Airlines, Continental Airlines, Delta Air Lines, JetBlue Airways, United Airlines and US Airways (the “Signatory Airlines”) regarding the use of the Airport and the establishment of rates, fees and charges (“Airport Fees and Charges”) payable by the Signatory Airlines.

The 1985 Airline Agreements replaced and superseded earlier agreements the City had entered into with the airlines (“1978 Agreements”). The term of the 1985 Airline Agreements expires on June 30, 2016.

The following features of the 1985 Airline Agreements (as amended to date) are important to understanding the financial structure of the Airport and in determining the ability of the City to comply with the requirements of the Rate Covenant.

Airport Cost Centers

The activities, facilities, revenues and costs related to the major operational activities of the Airport are accounted for by the City as “Cost Centers.” For this purpose a Cost Center is an operational and/or physical area of the Airport into which the revenues and expenses generated by such Cost Centers are accumulated. There are two major types of Cost Centers: revenue producing and non-revenue producing. The revenue producing Cost Centers established in the 1985 Airline Agreements for the purpose of calculating the Airport Fees and Charges (“Included Cost Centers”) are the Public Aircraft Facilities (“P.A.F.”) and the Terminal Complex. The 1985

Airline Agreements define the P.A.F. as those portions of the Airport which provide for the landing, takeoff and taxiing of aircraft, including navigational aids, hazard designation and warning devices, airfield security roads, fencing, lighting, clear zone areas and all modifications, additions and expansions thereto which are approved by a Majority-In-Interest ("MII") of the Signatory Airlines.

The 1985 Airline Agreements define the Terminal Complex as the Terminal Building, the Concourses, the Leased Ramp Areas, the Non-Leased Ramp Areas, the Employee Vehicular Parking Facilities, the Aviation Fuel Facilities, the Public Parking Facilities, the Rental Car Facilities, the portions of the Airport roadway systems immediately adjacent to and contiguous with the arrival and departure curbs of the Terminal Building, and the Commercial Lane, all as the same presently exist or may be expanded, modified or relocated in the future. The Terminal Complex also includes any equipment or personal property acquired or owned by the City for use in connection with the Terminal Complex including passenger loading bridges, preconditioned air units and 400hz ground power supply units purchased by the City.

Airport Services Cost Center

The total costs of the City providing: (i) certain administration and operation and maintenance services ("Airport Services") including security and crash, fire and rescue; and (ii) those properties, property rights and facilities, the costs of which are not attributable to the revenue producing Cost Centers ("Airport Services Facilities") are defined as the Airport Services Costs. These Airport Services Costs are accounted for in the Airport Services Cost Center. The Airport Services Costs are allocated to the revenue producing Cost Centers in accordance with a cost distribution formula.

Excluded Cost Centers

The City has also established Cost Centers to account for economic activity at the Airport other than the Terminal Complex and P.A.F. These include the Fixed Based Operator Cost Center, the Cargo Cost Center, the Aircraft Maintenance Cost Center and the Catering Cost Center. Pursuant to the 1985 Airline Agreements, only the Terminal Complex and the P.A.F. are used to establish Airport Fees and Charges. The City may not take into account any costs associated with the Excluded Cost Centers in establishing Airport Fees and Charges nor does it include revenues from these Cost Centers in calculating Excess Non-Airline Terminal Revenues. Under the Bond Order only the Revenues from the Included Cost Centers (the P.A.F. and the Terminal Complex Cost Centers) are pledged to the payment of the Revenue Bonds and the interest thereon. All other Cost Centers are referred to as Excluded Cost Centers. Airport revenues generated in the Excluded Cost Centers are not pledged to the payment of the Bonds or the interest thereon and are not considered as Revenues for the purposes of the Rate Covenant.

Airport Fees and Charges

The Signatory Airlines collectively have agreed to make payments to the City for the use of the Airport and the lease of exclusive and common use airline areas in the Terminal Complex that

will enable the City to meet the requirements of the Rate Covenant each Fiscal Year. These payments are made in the form of Landing Fees and Terminal Complex Charges. The sum of Signatory Airline Landing Fees and Terminal Complex Charges are referred to as Airport Fees and Charges.

Terminal Complex Charges

The Signatory Airlines each lease a certain amount of exclusive use premises in the Terminal Building, Concourses and Leased Ramp Areas (collectively "Terminal") of the Terminal Complex Cost Center. In addition they all use certain areas in common with each other. Collectively, they pay to the City rentals and use fees ("Terminal Complex Charges") for the exclusive and common airline areas that equal the cost to the City of providing, operating and maintaining the Terminal.

There are two categories of airline premises in the Terminal Building and the Concourses: Existing Footage and Expansion Footage. The Existing Footage is the area comprising airline premises in the Terminal constructed in 1980 and assigned to 1978 Signatory Airlines pursuant to the 1978 Agreements. The Expansion Footage includes those areas of the Terminal constructed with the proceeds of Revenue Bonds and leased to one or more of the Signatory Airlines.

The methods for establishing Terminal Complex Charges for the Existing Footage and the Expansion Footage, as set forth in Section 5.01 (a) and (b) respectively of the 1985 Agreements, are:

- Existing Footage. Terminal Complex Charges on the Existing Footage are determined in the same manner as set forth in the 1978 Agreement. Each Signatory Airline pays Terminal Complex Charges on its Existing Footage Leased Premises originally allocated to such footage plus an allocation of O&M Expenses and Airport Services Costs to such footage.
- Expansion Footage. Terminal Complex Charges on the Expansion Footage include an allocation of Revenue Bond Debt Service, O&M Expenses and Airport Services Costs allocated to such footage. Each Signatory Airline that leases any Expansion Footage Leased Premises pays Terminal Complex Charges on its Expansion Footage Leased Premises **plus** its pro rata share of:
 - (i) the Revenue Bond Debt Service allocated to the Public Use Premises of the Terminal Complex to the extent Non-Airline Terminal Revenues are insufficient to pay such debt service after deducting from Non-Airline Revenues the O&M Expenses and Airport Services Costs allocated to the Public Use Premises; **plus**
 - (ii) any Expansion Footage Terminal Complex Charges unpaid by all other Signatory Airlines; **plus**

(iii) any non-Revenue Bond Debt Service⁴ allocated to the Expansion Footage approved by an MII.

American Airlines, Continental Airlines, Delta Air Lines, JetBlue Airways, and United Airlines lease only Expansion Footage and US Airways leases both Existing Footage and Expansion Footage.

Landing Fees

Under the 1985 Airline Agreements, the Signatory Airlines pay Landing Fees for the use of the P.A.F. calculated to recover to the City its full cost of providing, operating and maintaining the P.A.F., including an allocation of Airport Services Costs. Under the cost distribution formula approximately 50% of the Airport Services Costs is allocated to the P.A.F. The amount of Landing Fees payable by each airline is the product of the weight (expressed in 1,000 pound units) of the aircraft landed at the Airport during a fiscal year multiplied by the landing fee rate in effect for such fiscal year.

The landing fee rate is calculated by the City each fiscal year by estimating the total costs it will incur in providing, operating and maintaining the P.A.F. less the amount of any ancillary P.A.F. revenues (the "Net Cost of P.A.F.") and dividing the Net Cost of P.A.F. by the weight of all aircraft anticipated to be landed ("Landed Weight") by the Signatory Airlines at the Airport during such fiscal year. If necessary in any fiscal year the Airport may add to the Net Cost of P.A.F. for such fiscal year:

- (i) the amount by which the sum of O&M Expenses and Airport Services Costs allocated to the Public Use Premises exceeded Non-Airline Terminal Revenues for the preceding fiscal year;
- (ii) any (A) Landing Fees or (B) Airport Services Costs allocable to any Signatory Airline's Existing Square Footage deemed unpaid when due as of the end of the preceding fiscal year; and
- (iii) any O&M Expenses and Airport Services Costs allocated to any Existing Footage pursuant to a 1985 Airline Agreement which has terminated for any reason.

At the end of each fiscal year, the Airport reconciles its actual landing fee revenue for the fiscal year with its actual costs for the fiscal year and if there is a difference, either collects the additional amounts from the Signatory Airlines or makes a payment to the Signatory Airlines. The effect of this is that revenue from landing fees each fiscal year equals the Net Cost of P.A.F. for such fiscal year.

⁴ This may include an allocation of the amortization of the cost of certain improvements made by City and funded out of its reserves on Terminal complex facilities.

Excess Non-Airline Terminal Revenues

In any fiscal year in which Non-Airline Terminal Revenues (revenues less Airport Fees and Charges) exceed the sum of O&M Expenses, Airport Services Costs and Revenue Bond Debt Service allocated to the Terminal complex for such fiscal year (such excess is referred to as “Excess Non-Airline Terminal Revenues”), 40% of such Excess Non-Airline Terminal Revenues are paid to the Expansion Footage Signatory Airlines. In calculating the amount of Excess Non-Airline Terminal Revenues each year, the City also deducts an imputed debt service on the amounts of City funds invested in capital assets of P.A.F. and the Terminal complex.

Additional Capital Projects - Majority-In-Interest Approval

The 1985 Airline Agreements require approval by an MII of Signatory Airlines for the issuance of additional Bonds by the City. On August 15, 2011 the City received MII approval to issue additional Bonds to fund, in whole or part the improvements that make up the 2011 Project.

Funding of the 2011 Project

The estimated cost of the 2011 Project is \$189,854,812, of which \$5,121,694 is being funded with existing federal Airport Improvement Program (“AIP”) grants, \$45,431,845 is being funded with federal Transportation Security Administration (“TSA”) grants, and \$139,301,273 is to be funded with proceeds of the 2011 Bonds, all as set forth in detail in Section II of the Report.

Forecast of Application of Revenues and Coverage Requirement

NAI has prepared an Application of Revenues and Coverage Requirement forecast for the Included Cost Centers, covering the Forecast Period and taking into account: (i) projected results of current Airport operations from the Included Cost Centers; (ii) the application of PFCs to pay the PFC eligible debt service on the 2011 Bonds; (iii) estimates of additional Revenues to be generated from the use of the completed 2011 Project; (iv) additional Current Expenses to be generated by the 2011 Project; and (v) the estimated additional 2011 Bonds debt service, all as set forth on Table V-9 of the Report.

According to this forecast, the Airport is expected to meet all requirements of the Rate Covenant during each Fiscal Year of the Forecast Period. This forecast has been made on the basis of the Revenues the City should be able to generate from the operation of the Included Cost Centers and the expected costs of operating the Included Cost Centers. Although the Signatory Airlines are obligated to increase their payments to the City in any year in which Net Revenues are insufficient to meet the Coverage Requirement of the Bond Order, no such payments are seen to be needed during the Forecast Period and none have been included in the Forecast Application of Revenues and Coverage Requirement.

Airport Liquidity

Although not strictly a component of the test of feasibility, the amount of unrestricted cash on hand can be an important cushion to allow an airport to endure unforeseen and temporary periods of business interruption. Along with debt service reserve funds, PFC funds and unrestricted cash can enable an airport to meet its debt service obligations and pay operating expenses for a temporary period when airport revenues are diminished or non-existent.

As shown on **Table V-10**, according to the City's unaudited financial records for FY 2011, total balance sheet cash and cash equivalents for the Airport Enterprise Fund were \$604,488,593 as of June 30, 2011. This amount includes amounts in the PFC Fund, the CFC Fund, the Cannon Estate Fund and the debt service coverage fund which the City considers to be restricted in use and not available to pay for the operation and maintenance of the Airport. Therefore these amounts are excluded from the estimation of unrestricted cash for FY 2012 available to pay Current Expenses. PFC funds, debt service funds and the debt service coverage fund would be available to pay debt service.

The City has appropriated \$31,373,448 from its cash reserves to the Construction Fund to fund a portion of the 2011 Project from its unrestricted cash reserves. This amount of cash transfers will be reimbursed with proceeds from the issuance of the 2011 Bonds resulting in an increase in available, unrestricted cash. The Airport is also projected to generate \$23,180,351 in net surplus revenue from its operations for FY 2012, which amount will also increase the amount of unrestricted cash on hand as of July 1, 2012.

As depicted on Table V-10, the projected total estimated unrestricted cash available for Current Expenses that would be available on of July 1, 2012 is projected to be \$395,194,085. This amount of available cash would be available to pay Current Expenses as well as debt service during a period of diminished or non-existent Airport Revenues.

Air Service Area and Demand for Air Service

Although under the 1985 Airline Agreements the Signatory Airlines are obligated to pay all amounts necessary to operate the Included Cost Centers, such obligation is not the basis of our analysis regarding the feasibility of the 2011 Project. Rather, NAI has analyzed the demand for air service at the Airport. It is this demand for air service and the potential revenues derived therefrom by the airlines which compels airlines to serve the Airport. This activity generates a level of revenue which enables the Airport to operate self-sufficiently.

Origin and destination ("O&D") passengers are responsible for the Airport's parking revenues (\$36,027,872 in estimated Fiscal Year 2011) and the rental car revenues (\$10,210,469 in estimated Fiscal Year 2011).⁵ Together, these two activities generated approximately

⁵ See Table V-1.

\$46,238,341 which was approximately 38% of total estimated Included Cost Center revenues in Fiscal Year 2011. By comparison, Signatory Airlines paid the City approximately \$17,907,132 (estimated) in Airport Fees and Charges during Fiscal Year 2011, approximately 15% of the total Included Cost Center Revenues. Furthermore, the City estimates the Signatory Airlines will receive a credit payment from the City in the amount of approximately \$17,675,038 as their share of Fiscal Year 2011 Excess Non-Airline Terminal Revenues.⁶

Section III of the Report examines the economic base of the Air Service Area and Section IV examines the current and expected future demand for air service at the Airport. These Sections show that the demand for air service at the Airport has been stable over the Study Period with local enplanements growing at an average annual rate of 1.1% and accounting for approximately 5 million enplanements, or approximately 25% of total Airport enplanements in Fiscal Year 2011. NAI believes this level of demand for local air service is a function of the stable economy in the Charlotte region during the Study Period, taking into account the national economic recession which began in December of 2007, and the increase in the level of local enplanements from FY 2010 to FY 2011 (6.4%).

Charlotte is the largest financial center in the southeastern United States and the second largest financial center in the United States in terms of assets held by banks (second to New York). Twenty-four banks are located in Charlotte and hold more than \$2.3 trillion in assets. In addition to the 24 banks, a branch of the Federal Reserve is also located in Charlotte. Bank of America Corporation, the nation's largest bank in terms of assets (\$2.261 trillion as of June 30, 2011 and as reported by Bank of America) is headquartered in Charlotte and employed approximately 15,000 persons in 2010.

In addition to banking, Charlotte and the region have long been a prosperous center of manufacturing and commerce and taking into consideration the negative impacts of the economic crisis, the local economic indicators suggest that the region will remain strong and continue to grow economically. NAI therefore believes that it is reasonable to expect that the Air Service Area's economy will remain stable and continue to generate demand for air service at the Airport during the Forecast Period.

US Airways Hubbing Activity

In addition to the airline activity generated by the Air Service Area, the Airport boarded approximately 14,710,872 connecting passengers in Fiscal Year 2011 due to the activities of US Airways, which operates its largest hub at the Airport.⁷

⁶ See Table V-4.

⁷ The term "hub" in this context has a different meaning than the FAA term hub under which the Airport is a large "hub" airport. The US Airways hub at Charlotte means that it uses the Airport as a central location at which to aggregate passengers from flights from many different locations and to reroute these passengers on different aircraft to their eventual destinations.

The City believes that the importance of the US Airways hub at the Airport has much more impact on the economy of the region than the revenues generated by the connecting passengers at the Airport or the Airport Fees and Charges paid by US Airways at the Airport. This impact is the economic value to local residents and businesses of having access to a much greater number of non-stop destinations from the Airport than would be justified by only the local passenger demand. US Airways and US Airways Express together operate approximately 3,200 daily flights to 200 communities in the U.S., Canada, the Middle East, the Caribbean, Latin America and Europe. NAI believes that this level of air service has contributed greatly to the success the Charlotte region has enjoyed in attracting national businesses to the area and the resulting economic vitality of the area.

Although US Airways has executed an Airline Agreement this does not obligate the airline to operate any number of flights at the Airport. In spite of its investment in facilities at the Airport, the low cost of operations at the Airport and the financial value of its share of the local market, it is possible that US Airways could decide to reduce or eliminate its hubbing activities at the Airport.

The loss of US Airways connecting passengers would be expected to result in a considerable reduction in the amount of revenues generated by in-terminal food, beverage and retail concessions. Public parking revenues and rental car revenues (which are generated by local passengers), however, would not be expected to be similarly impacted.

If US Airways were to cease operations at the Airport, the remaining airlines serving the Airport could not be expected to carry the local passengers being carried by US Airways at their present level of operations. Airport management expects, and NAI believes it is reasonable to assume, that these airlines would add the flights necessary to serve the locally generated demand. With respect to PFCs, the City would apply for FAA approval to increase its PFC level from \$3.00 to \$4.50 per enplaned passenger (currently the maximum PFC level) which would generate approximately \$20.6 million per year in Fiscal Year 2013, leaving approximately \$6.7 million dollars in PFC debt service which would be payable from amounts on deposit in the PFC Account or Net Revenues. A sensitivity analysis assuming the loss of the US Airways hub and its potential impact on the additional bonds test, forecast Coverage Factor and the airline cost per enplaned passenger is included in Section V of the Report.

The Report of the Airport Consultant

A detailed report on our examination of these issues is attached hereto in the document entitled *BACKGROUND, ASSUMPTIONS AND RATIONALE FOR FINANCIAL FORECASTS*. Said document along with this letter comprise the *REPORT OF THE AIRPORT CONSULTANT*.

In connection with this Report, NAI has studied and analyzed, among other things, the 2011 Project, the plan of finance, the issuance of the 2011 Bonds, the future traffic and earnings prospects of the Airport during the Forecast Period and has considered whether, in its opinion, the City will be able to satisfy the requirements of the Rate Covenant with respect to the 2011

Project, the 2011 Bonds and the Prior Bonds during the Forecast Period. In conducting the study NAI has:

- 1) examined the historical financial performance of the Airport from Fiscal Year 2007 through estimated Fiscal Year 2011;
- 2) determined the historical relationship between Airport passenger enplanements and related Airport revenues;
- 3) performed an analysis of the Air Service Area of the Airport and estimated the demand for air service at the Airport in the future;
- 4) estimated future Current Expenses at the Airport, considering the scope of the 2011 Project, and projected general price-level increases;
- 5) estimated Revenues and Net Revenues to be generated at the Airport during the Forecast Period if the 2011 Project is completed and the assumptions are realized; and
- 6) prepared a Forecast Application of Revenues under provisions of the Bond Order and projected debt service coverage for the Included Cost Centers for the Forecast Period to test the sufficiency of forecasted Revenues during the Forecast Period to pay Current Expenses and make the Annual Deposit Requirements on the 2011 Bonds and to otherwise satisfy the requirements of the Rate Covenant.

A discussion of our study and a report of our findings are set forth in the body of this Report.

ASSUMPTIONS UNDERLYING CASH FLOW PROJECTIONS

In preparing the Report and our analysis of the feasibility of the 2011 Project, NAI has estimated Revenues, Current Expenses and Debt Service requirements of the Airport based upon the following assumptions:

- 1) a total 2011 Project cost of \$189,854,812 including payments to contractors, architects and engineers, owner's cost and consulting fees, escalation and phasing costs, general conditions and contingency;
- 2) a total 2011 Project funding requirement (uses of funds) of \$202,855,899 including the 2011 Project cost, and 2011 Project financing costs;
- 3) a 2011 Project sources of funds of \$202,855,899 (including a net premium of \$6,337,360), of which \$5,121,694 will be provided by AIP grant funding sources, \$45,431,845 will be provided from TSA grant funding sources, and \$145,965,000 in proceeds from 2011 Bonds; and

- 4) the continued growth of airline passenger enplanements during the Forecast Period as set forth in Section IV of the Report.

In NAI's opinion, the techniques employed for this analysis are consistent with industry practice for airport facilities and in support of issuances of airport revenue bonds.

In making these projections and formulating this Report, NAI has relied upon certain information and estimates provided by the City and its underwriters, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). Historical Airport financial data and estimates of 2011 Project costs and construction schedules were provided by the City. Sizing of the bond issue, estimated interest rates and sources and uses of funds were provided by Merrill Lynch.

While NAI believes the information and assumptions relied upon in formulating its opinion are accurate and reasonable, actual variations from these assumptions, estimated costs, revenues and trends are inevitable, and such variations may be material.

Subject to the foregoing, however, NAI expects the Airport to generate Net Revenues, as defined in the Bond Order, in amounts which will be sufficient for the City to make all payments required under the Bond Order and to satisfy the Rate Covenant in each Fiscal Year of the Forecast Period.

Accordingly, NAI concludes it is feasible to proceed with issuance of the 2011 Bonds in the estimated principal amount of \$145,965,000 and to use the proceeds thereof, along with other funds, to complete the 2011 Project.

Sincerely,

NEWTON & ASSOCIATES, INC.

A handwritten signature in cursive script, appearing to read "Nancy Newton".

Nancy Newton
President

Attachment

**BACKGROUND, ASSUMPTIONS AND RATIONALE
FOR FINANCIAL FORECAST**

ATTACHMENT

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I. INTRODUCTION

A. PURPOSE AND SCOPE OF THIS REPORT

This Report of the Airport Consultant (“Report”) has been prepared for the City of Charlotte, North Carolina (“City”) by Newton & Associates, Inc. (“NAI”) in connection with the City’s issuance of its Airport Revenue Bonds, in three series (collectively, the “2011 Bonds”), as hereinafter described, and which are to be secured by and paid from Net Revenues derived from the City’s operation of the Charlotte Douglas International Airport (“Airport”). Terms not otherwise defined herein have the meanings ascribed to them in the City’s 1985 Bond Order and the 1985 Amended and Restated Airport Agreement and Lease.

The purpose of this Report is to examine and opine as to the financial feasibility of the City’s issuance of the 2011 Bonds, the proceeds of which will be used to fund, in part, certain improvements at the Airport (the “2011 Project,” as described herein).

The test of financial feasibility is the Airport’s forecast ability to generate Revenues sufficient to pay: (1) expenses of operating and maintaining the Airport; (2) debt service on existing bonds and related expenses; (3) debt service on the 2011 Bonds; (4) non-operating expenses of the Airport; and (5) costs of any other capital assets required during the Forecast Period (as defined below) necessary for the operation of the Airport but not included in the 2011 Project, and to otherwise satisfy the requirements of the Bond Order adopted by the City Council on November 18, 1985, as amended (“Bond Order”).

In applying the test of feasibility, NAI has considered, and this Report describes, the Airport, the demographic and economic characteristics of the primary geographic area served by the Airport (“Air Service Area”), the demand for air service at the Airport and the financial performance of the Airport, all for the period from July 1, 2006 to June 30, 2011, or, the most recent five-year period for which complete data were available (“Study Period”). This Report also examines, discusses and forecasts the future demand for air service at the Airport, passenger enplanements at the Airport, revenues and expenses of the Airport, Passenger Facility Charges (“PFC”) to be collected by the Airport, the Net Revenues of the Airport available for debt service, debt service requirements and debt service coverage for the period July 1, 2011 to June 30, 2017 (“Forecast Period”). This Report concludes with NAI’s findings regarding the feasibility of the City proceeding with financing a portion of the cost of the 2011 Project with proceeds of the 2011 Bonds.

B. THE AIRPORT

1. General Description/Location of the Airport

The Airport is a large hub commercial airport served primarily by commercial passenger and cargo airlines. It is the largest connecting hub for US Airways in terms of passenger traffic, which as of the date of this Report, was the fifth largest airline in terms of revenue passenger miles. US Airways, together with its commuter affiliates, currently account for approximately 90% of the passenger activity at the Airport.

The Airport is located within the city limits of Charlotte, in Mecklenburg County and approximately seven miles west of the City's central business district. The Airport is bounded by I-85, U.S. 74 (Wilkinson Boulevard) and the Norfolk Southern Railroad to the north, Billy Graham Parkway to the east, West Boulevard to the south and I-485 to the west.

2. The City

The City is a municipal corporation of the State of North Carolina. It is governed by an elected council of 11 members and a non-voting Mayor (except for ties). Management of the City is vested by City Council in a professional City Manager.

3. Airport Ownership and Management

The Airport is owned and operated as a department ("Aviation Department") of the City and, for accounting purposes, is treated as a self-supporting enterprise fund. The Airport's financial accounting system is on a full accrual basis in accordance with generally accepted accounting principles for government entities.

Management of the Airport is vested by the City in the Aviation Director who reports directly to the City Manager. The Aviation Director is supported by such staff as is deemed necessary by the Aviation Director and the City Manager to properly operate, develop and maintain the Airport. The current Aviation Director is Mr. T. J. Orr. He is assisted by Mr. Willard G. Plentl, Jr., Deputy Director, Mr. Charles O. Simmons, C.P.A., Assistant Aviation Director - Administration and Finance, Mr. Eugene J. Carney, Assistant Aviation Director - Operations, Mr. Jack L. Christine, A.A.E., Assistant Aviation Director - Development, and, Mr. Mark D. Wiebke, Assistant Aviation Director - Maintenance.

4. The Land Comprising the Airport

The Airport is located on and includes approximately 6,000 acres of land located seven miles west of the City's central business district. (See **Exhibit "A"** attached hereto and made part hereof.)

5. Existing Facilities

The existing facilities of the Airport are described in general below and depicted on Exhibit "A".

a. Airfield (P.A.F.)

The largest portion of Airport land consists of the airfield (also referred to as Public Aircraft Facilities or "P.A.F.") which has four runways, associated taxiways, runway safety areas and runway protection zones. Runways 18L/36R, 18C/36C and 18R/36L are parallel runways. Runway 18L/36R and 18C/36C have a separation of 5,000 feet and are 10,000 feet long and 150 feet wide, and 8,646 feet long and 150 feet wide, respectively. Runway 18R/36L is separated by 4,300 feet from Runway 18C/36C and is 150 feet wide and 9,000 feet long. Simultaneous

independent parallel departures are authorized on these parallel runways. Runway 5/23 is 7,500 feet long, 150 feet wide and intersects Runway 18L/36R.

b. Terminal Complex

The Terminal Complex consists of the passenger terminal building, aircraft parking apron, public automobile parking facilities, rental car parking lots and service facilities, employee parking lots, fuel farm, FAA air traffic control tower and public roadways.

i. Passenger Terminal Building

The existing passenger terminal building (“Terminal”) was originally constructed in 1982, replacing the original passenger terminal building which was constructed in 1954. Since its initial construction of approximately 325,000 square feet, the Terminal has been renovated and expanded to the approximately 1,900,000 square foot facility that exists today.

The Terminal consists of a main terminal building and five passenger concourses with 97 passenger boarding gates. The main terminal building has six levels: the basement level consists mainly of building maintenance equipment and vendor storage and receiving areas; the ground or ramp level consists of passenger baggage claim areas and baggage conveyor devices and ground transportation services; the ticketing level consists of airline ticket counters and offices and food, beverage and retail merchandise concessions; the administrative level consists of the Aviation Department offices and conference rooms and airline offices; and two ramp control tower levels which facilitate airline control over apron operations.

ii. Automobile Parking Facilities

The existing public automobile parking facilities include both surface and multi-level parking facilities. Together, the parking facilities comprise 26,000 parking spaces made up of a combination of structured and surface, self-parking and valet parking. Upon completion of the Short Term Public Parking deck component of the 2011 Project, the number of public parking spaces at the Airport will increase to 30,400.

iii. Rental Car Ready/Return Parking and Service Facilities

There are currently seven rental car service facility sites located on the Airport, each of which has automobile service facilities, customer check-in facilities and ready/return parking facilities. There are approximately 2,700 rental car ready/return parking spaces located on the Airport which are allocated among seven on-Airport rental car concession operators’ service facility sites. These facilities are to be relocated and replaced in FY 2015 with new consolidated rental car facilities which will have approximately 2,900 ready/return and quick-turn-around parking spaces, the cost of which will not be funded with Additional Bonds or Revenues under the Bond Order.

c. The CLT Center

The CLT Center is a multi-purpose complex located north of the passenger terminal building and adjacent to Wilkinson Boulevard where the Aviation Department's administrative, financial, planning, engineering and maintenance functions are directed and managed. The CLT Center also serves as the Airport's motor pool storage facility and maintenance warehouse for equipment and supplies.

d. General Aviation Facilities

The Airport's general aviation facilities are located east of Runway 18L/36R and include approximately 50 acres of land, 44,000 square feet of general aviation terminal facilities and 480,120 square feet of aircraft hangars and operations space. The general aviation facilities include a full service fixed base operator ("FBO") which is operated for the City by Wilson Air Center - North Carolina, LLC under a management contract with the City.

e. Aviation Leased Facilities

The Airport's aviation leased facilities consist of cargo facilities, airline maintenance facilities, an airline flight kitchen facility, National Guard facilities and fuel farm facilities.

f. Aircraft Rescue and Fire Fighting Facilities

The Airport has two aircraft rescue and fire fighting facilities: one is located east of the intersection of Taxiway "D" and Taxiway "R", approximate to the general aviation facilities and the other is located between Runway 18C/36C and Runway 18R/36L and southwest of the intersection of Runway 5/23 and Runway 18C/36C.

g. Airline Fueling Facilities

Commercial airlines serving the Airport obtain their fuel from a consolidated airline fuel storage and distribution facility located on Airport property. This facility has 180,000 barrels of fuel storage capacity connected to both main fuel providers by underground transmission lines; pumping and filtration systems, and an in-pavement hydrant system that allows airlines to obtain the fuel directly into the wing at the Terminal gates without the need for fuel tankers on the Terminal apron. Airlines receiving fuel from the fuel storage system at points away from the Terminal are fueled by tankers that draw the fuel directly from the fuel storage system.

C. THE STATE AND LOCAL GOVERNMENT REVENUE BOND ACT

Under the provisions of the North Carolina State and Local Government Revenue Bond Act the City is empowered to undertake the obligations and commitments related to the issuance of the proposed 2011 Bonds. The sale of the 2011 Bonds is being made by and with the approval of the Local Government Commission of North Carolina.

D. THE BOND ORDER

The proposed 2011 Bonds are to be issued under the terms and conditions of the Bond Order and Series Resolution describing the terms for the sale of the 2011 Bonds and adopted by the City Council of the City on September 12, 2011.

The Bond Order was adopted in 1985 in conjunction with the issuance of the City's first issuance of Airport Revenue Bonds. The Bonds currently outstanding are parity obligations under the Bond Order (collectively, the "Prior Bonds") which are secured by a pledge by the City of the Net Revenues of the Airport and include:

- (i) \$87,095,000 Airport Revenue Bonds, Series 2004A (non-AMT) (the "2004A Bonds"), all of which are currently outstanding;
- (ii) \$48,465,000 Airport Revenue Bonds, Series 2004B (AMT) (the "2004B Bonds" and collectively with the 2004A Bonds, the "2004 Bonds"), of which \$45,485,000 is currently outstanding;
- (iii) \$99,995,000 Airport Revenue and Refunding Bonds, Series 2007A (non-AMT) (the "2007A Bonds"), of which \$93,070,000 is currently outstanding;
- (iv) \$47,570,000 Variable Rate Airport Revenue Bonds, Series 2007B (non-AMT) (the "2007B Bonds" and collectively with the 2007A Bonds, the "2007 Bonds"), of which \$31,075,000 is currently outstanding;
- (v) \$40,585,000 Airport Revenue Refunding Bonds, Series 2008D (non-AMT) (the "2008D Bonds"), of which \$39,565,000 is currently outstanding;
- (vi) \$51,180,000 Airport Refunding Revenue Bonds, Series 2009B (non-AMT) (the "2009B Bonds") of which \$37,865,000 is currently outstanding;
- (vii) \$130,100,000 Airport Revenue Bonds, Series 2010A (non-AMT) (the 2010A Bonds"), \$127,860,000 of which is currently outstanding;
- (viii) \$67,770,000 Airport Refunding Revenue Bonds, Series 2010B (AMT) (the "2010B Bonds"), of which \$62,335,000 are currently outstanding; and

- (ix) \$31,145,000 Variable Rate Airport Revenue Bonds, Series 2010C (non-AMT) (the “2010C Bonds” and collectively with the 2010A Bonds and the 2010B Bonds, the “2010Bonds”), of which \$22,965,000 are currently outstanding.

The total principal of the Prior Bonds currently outstanding is \$547,315,000.

The 2011 Bonds will be parity obligations with the Bonds Outstanding under the Bond Order. In the Bond Order, the City has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of deposits required to be made in each Fiscal Year to: (i) the Operating Fund; (ii) the Revenue Bond Fund; and (iii) the Renewal and Improvement Fund, plus an amount, if any, which provides an amount on deposit in the Revenue Fund as of the opening of business on the first day of the next Fiscal Year, equal to the Coverage Factor for such preceding Fiscal Year. The Coverage Factor for each Fiscal Year is defined as an amount equal to 25% of the sum of the amounts required to be deposited from Net Revenues into the Revenue Bond Fund for such Fiscal Year. Revenues for a Fiscal Year are deemed to include amounts retained by the City in the Revenue Fund as of the end of the preceding Fiscal Year.

Revenues are defined as income derived by the City from the Airport from areas other than Excluded Cost Centers and include amounts that the City may authorize but is not obligated to pay or transfer to the Revenue Fund. Revenues do not include Passenger Facility Charges (see discussion on Passenger Facility Charges in Section II hereof). For any Fiscal Year, Net Revenue is Revenue for such Fiscal Year net of Current Expenses for such Fiscal Year. Current Expenses for any Fiscal Year is the sum of operation, maintenance and repair expenses for such Fiscal Year and capital items expense for such Fiscal Year, not to exceed 15% of such operation, maintenance and repair expenses. Current Expenses do not include depreciation expense in the Included Cost Centers or any costs or expense of the Excluded Cost Centers.

The Included Cost Centers comprise the majority of the revenue-producing land and facilities at the Airport. In FY 2011 (unaudited), income from the Included Cost Centers (Revenues) accounted for approximately 85% of total Airport income.

Areas of the Airport other than the Included Cost Centers are the Excluded Cost Centers. Income from the Excluded Cost Centers is not Revenues and is excluded from the pledge of Net Revenues. Excluded Cost Centers are the Cargo Areas, Aircraft Maintenance Center, Catering Areas and the Fixed Base Operator Area. In FY 2011 (unaudited), the Excluded Cost Centers accounted for approximately 15% of total Airport income. Income from the Excluded Cost Centers are available to the City for any Airport purpose, but is not pledged to the payment of Bonds issued under the Bond Order.

E. THE 1985 AIRLINE AGREEMENTS

In 1978, in connection with the construction of the existing Terminal Complex, the City and four airlines⁸ then operating at the Airport entered into the 1978 Agreement setting forth the rights and obligations of the parties and the procedures for calculating airline rentals, fees and charges for the use and occupancy of the Terminal Complex and the P.A.F.

In connection with the issuance of the 1985 Bonds and construction of expansions and improvements to the Terminal Complex, the P.A.F and the Airport Services Facility (“A.S.F”), the City and seven airlines⁹ then serving the Airport executed the 1985 Airline Agreements, which superseded the 1978 Agreement. Today, American Airlines, Continental Airlines, Delta Air Lines, JetBlue Airways, United Airlines and US Airways are the Signatory Airlines. In FY 2011, the Signatory Airlines (excluding their commuter affiliate airlines) accounted for approximately 64% of the passenger enplanements at the Airport. The Signatory Airlines, together with their commuter affiliates which are non-signatory airlines, accounted for approximately 99% of passenger enplanements at the Airport.

The 1985 Airline Agreements require approval by a Majority-in-Interest (“MII”) of Signatory Airlines for the issuance of additional Bonds by the City. On August 15, 2011 the City received unanimous MII approval to issue additional Bonds to fund, in whole or part the improvements that make up the 2011 Project.

The 1985 Airline Agreements lease a certain amount of exclusive premises (“Leased Premises”) in the Terminal building to each Signatory Airline.

The 1985 Airline Agreements also establish procedures for the review and adjustment of rentals, fees and charges at least annually so that the aggregate of Airport Fees and Charges payable by all Signatory Airlines together with Non-Airline Terminal Revenues shall be sufficient to pay Current Expenses for the cost of operating, maintaining and developing the Terminal complex and the P.A.F. (the Included Cost Centers), and to satisfy all of the City’s obligations to make deposits and payments under the Bond Order.

The term of the 1985 Airline Agreements extends to June 30, 2016.

In addition to the Signatory Airlines, the Airport was served by 17 passenger airlines in FY 2011 that have not executed a 1985 Airline Agreement. Fifteen of these operated as contract carriers for a Signatory Airline and do not lease or use any Terminal facilities controlled by the City (“City Gates”). These airlines operated solely from the Leased Premises of their Signatory Airline and made no payments to the City for the use of Terminal facilities. These include Air Wisconsin, American Eagle, Atlantic Southeast Airlines, Chautauqua Airlines, Comair, Compass Airlines, ExpressJet, Mesa Airlines, Mesaba Airlines, Piedmont Airlines, PSA Airlines, Pinnacle Airlines, Republic Airlines, Shuttle America, and SkyWest.

⁸ Delta Air Lines, Eastern Airlines, Piedmont Airlines and United Airlines.

⁹ American Airlines, Delta Air Lines, Eastern Airlines, People Express Airlines, Piedmont Airlines, United Airlines and US Airways (the “Signatory Airlines”).

Six of 17 airlines (Air Wisconsin, Chautauqua Airlines, Mesa Airlines, Piedmont Airlines, PSA Airlines and Republic Airlines operating as US Airways Express) operate from City Gates on Concourse E.

In FY 2011, the Airport was also served by Air Canada, AirTran Airways, and Lufthansa each of which operated from City Gates on Concourses A and D.

All passenger airlines regularly operating at the Airport other than Signatory Airlines and those contract carriers operating from Signatory Airlines' Leased Premises operate under a Commercial Use Permit issued by the City. Under the terms of the Commercial Use Permit, these carriers pay the City a fee ("turn charge") for each use of each gate. All airlines operating at the Airport pay landing fees, either directly to the City or through the Signatory Airline under which they operate.

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II. THE 2011 PROJECT

A. NEED FOR THE 2011 PROJECT

The 2011 Project is needed by the City to: (i) address inadequacies of Airport facilities to accommodate existing demand; (ii) provide additional facilities to meet projected demand; and, (iii) replace, repair or refurbish existing facilities that have deteriorated over time and with usage. When completed, the 2011 Project is expected to have a total cost of \$189,854,812 as depicted on Table II-1 and is being funded with federal AIP grants, federal TSA grants and proceeds of the 2011 Bonds.

B. DESCRIPTION AND COSTS OF THE 2011 PROJECT

The 2011 Project comprises two major categories of improvements: (i) Airfield Improvements; and, (ii) Terminal Complex Improvements. The 2011 Project elements for which the City has received approval¹⁰ of a MII of the Signatory Airlines include the following elements.

1. Airfield Improvements

a. Rehabilitation of Runway 18C/36C

This project includes the design and construction of the rehabilitation of Runway 18C/36C and will extend the life of existing airport infrastructure by strengthening the center 50 feet of the width of Runway 18R-36L and parallel taxiway for their entire lengths. This project will also include the replacement of runway lighting, cabling and wiring in the center of the runway. The design component included in this project also provided for the design of an improved concrete surface on the north end of Runway 18L/36R. The estimated cost for this element is \$26,765,033, all of which is to be funded with proceeds of the 2011 Bonds.

b. Access Road – West ARFF Building

This project will construct a new ARFF access road from West Blvd. to the newly constructed west ARFF Facility. The estimated cost for this element is \$1,514,191, of which \$1,125,000 is to be funded with AIP grant funds in hand, and \$389,191 is to be funded with proceeds of the 2011 Bonds.

c. Taxiway “D” Extension

This project will provide for the extension of this taxiway to the north, from Taxiway “M” to the end of R/W 18L. The design component of this project also provided for the design of a future southern extension of Taxiway “D”. The estimated cost for the Taxiway “D” Extension is \$5,632,702, of which \$3,996,694 is to be funded with AIP grant funds in hand, and \$1,636,008 is to be funded with proceeds of the 2011 Bonds.

¹⁰ See Section I herein for a discussion on the terms of the 1985 Airline Agreement and the MII provisions.

2. Terminal Complex Improvements

a. New Baggage Screening System

This project will construct an in-line baggage system in the baggage make-up area in the terminal. The system includes new conveyors and building infrastructure to support TSA screening equipment. The budget for this project is \$50,957,401 of which \$45,431,845 is to be funded with TSA grant funds, and \$5,525,556 is to be funded with proceeds of the 2011 Bonds.

b. Concourse “E” Expansion

This project will expand Concourse “E” an additional 120 feet to provide four additional passenger boarding gates and 10,200 square feet of additional passenger circulation space inside the building. This expansion is part of the Concourse “E”’s overall development identified in the 1997 Master Plan. The budget for this element is \$3,014,249, all of which is to be funded with proceeds of the 2011 Bonds.

c. East Terminal Expansion

This project will construct 55,817 square feet of additional terminal space to accommodate a new 4-lane security checkpoint and expand the ticket lobby. It will also provide space on the lower level of the terminal for an expanded international arrival baggage re-check area and circulation space for passengers to access the new checkpoint in the terminal lobby. The budget for this element is \$20,676,650, all of which is to be funded with proceeds of the 2011 Bonds.

d. Renovate Airline Ticket Counters and Conveyors

This project, which is complete, provided remodeled ticket counters and airline ticket office space for Delta, United and Continental and the City; new ticket counted bag conveyor system designed to support the New Baggage Screening System to be constructed as a part of the 2011 Project; and a total reconstruction of checkpoints A and B to increase throughput capacity. The budget for this element is \$5,585,049, all of which is to be funded with proceeds of the 2011 Bonds.

e. Short Term Public Parking Deck

This project will provide for replacement of the two hourly parking decks located in front of the terminal building. The new deck will comprise 4,400 public parking spaces, resulting in an additional 1,687 spaces over the existing 2,713 short-term parking deck spaces. The New Short Term Public Parking Deck’s placement will provide for expansion of the terminal lobby and the future expansion of the aircraft ramp near Concourse “A” and enable the construction of a unit terminal when demand requires it. The budget for this project is \$75,709,547, all of which is to be funded with proceeds of the 2011 Bonds.

C. 2011 PROJECT COST AND FUNDING

As depicted on **Table II-1**, the estimated cost of the 2011 Project is \$189,854,812, of which \$5,121,694 is to be funded with existing federal AIP grants, \$45,431,845 is to be funded with federal TSA and \$139,301,273 is to be funded with proceeds of the 2011 Bonds, all as set forth in detail on **Table II-1 and Table II-2**.¹¹

TABLE II-1
Estimated 2011 Project Cost

2011 PROJECT:	Total
<u>Airfield Projects:</u>	<u>Project Cost</u>
Rehab Rwy 18C/36C - Design & Construction	\$26,765,033
Access Road - West ARFF Building	1,514,191
Taxiway "D" Extension North	5,632,702
	<hr/>
Total - Airfield Projects	\$33,911,926
<u>Terminal Complex Improvements:</u>	
New Baggage Screening System - Design & Construction	\$50,957,401
Concourse "E" Expansion	3,014,249
E. Terminal Expansion	20,676,640
Renovate Airline Ticket Counters/Conveyors	5,585,049
New Short Term Public Parking Deck	75,709,547
	<hr/>
Total - Terminal Complex Improvements	\$155,942,886
TOTAL 2011 PROJECT	<u>\$189,854,812</u>
<hr/>	
Prepared by Newton & Associates, Inc.	September 23, 2011
Source: Charlotte Douglas International Airport	2011 GARBS Section II - fcn3

¹¹ The City intends to reimburse itself in the amount of \$31,373,448 with proceeds of the 2011 Bonds for monies previously appropriated for the 2011 Project.

TABLE II-2
2011 Project Funding Plan

2011 PROJECT:	Federal and State Funding				Local Share Funding Plan - 2011 Bonds			
	Project Cost	Existing AIP Funds	TSA Funds	Total Fed. Funds	Total Local Share	GARBS		
						Total 2011 Bonds	PFC Bonds	Non-PFC Bonds
Airfield Projects:								
Rehab Rwy 18C/36C - Design & Const.	\$26,765,033	\$0	\$0	\$0	26,765,033	\$26,765,033	\$26,765,033	\$0
Access Road - West ARFF Building	1,514,191	1,125,000	0	1,125,000	389,191	389,191	389,191	0
Taxiway "D" Extension North	5,632,702	3,996,694	0	3,996,694	1,636,008	1,636,008	1,636,008	0
Total - Airfield Projects	\$33,911,926	\$5,121,694	\$0	\$5,121,694	\$28,790,232	\$28,790,232	\$28,790,232	\$0
Terminal Complex Improvements:								
New Baggage Screening System - Design & Const.	\$50,957,401	\$0	\$45,431,845	\$45,431,845	\$5,525,556	\$5,525,556	\$5,525,556	\$0
Concourse "E" Expansion	3,014,249	0	0	0	3,014,249	3,014,249	3,014,249	0
E. Terminal Expansion	20,676,640	0	0	0	20,676,640	20,676,640	20,676,640	0
Renovate Airline Ticket Counters/Conveyors	5,585,049	0	0	0	5,585,049	5,585,049	0	5,585,049
New Short Term Public Parking Deck	75,709,547	0	0	0	75,709,547	75,709,547	0	75,709,547
Total - Terminal Complex Improvements	\$155,942,886	\$0	\$45,431,845	\$45,431,845	\$110,511,041	\$110,511,041	\$29,216,445	\$81,294,596
TOTAL 2011 PROJECT	\$189,854,812	\$5,121,694	\$45,431,845	\$50,553,539	\$139,301,273	\$139,301,273	\$58,006,677	\$81,294,596
<div> <div>Prepared by Newton & Associates, Inc.</div> <div>Source: Charlotte Douglas International Airport</div> </div> <div> <div>September 23, 2011</div> <div>2011 GARBS Section II - fcn3</div> </div>								

D. THE 2011 BONDS

The 2011 Bonds are to be issued as Airport Revenue Bonds on parity with the City's Prior Bonds. The 2011 Bonds are anticipated to be issued in three series: (i) the 2011A Bonds (Fixed Rate Non-AMT); (ii) the 2011B Bonds (Fixed Rate - AMT) and (iii) the 2011C Bonds (Variable Rate - Non-AMT), the proceeds of which are to fund in whole or in part the 2011 Project. The estimated sources and uses of the 2011A Bonds, the 2011B Bonds and the 2011C Bonds are set forth on **Table II-3**. As shown on Table II-3, the par amount of the 2011 Bonds is estimated to be \$145,965,000.

TABLE II-3
Estimated 2011 Bonds Sources and Uses of Funds

SOURCES:	2011 A Bonds Fixed Rate (Non-AMT)			2011B Bonds Fixed Rate (AMT)			2011C Bonds	Total 2011 GARBS
	PFC	Non-PFC	Total	PFC	Non-PFC	Total	Variable Rate PFC	
2011 CAPITAL PROJECTS BONDS								
Par Amount	\$3,088,959	\$77,586,041	\$80,675,000	\$28,022,046	\$5,972,954	\$33,995,000	\$31,295,000	\$145,965,000
Net Premium/OID	206,303	5,181,750	5,388,053	782,513	166,794	949,307	0	6,337,360
TOTAL SOURCES	\$3,295,262	\$82,767,791	\$86,063,053	\$28,804,559	\$6,139,748	\$34,944,307	\$31,295,000	\$152,302,360
USES:								
2011 PROJECT FUNDS:								
<u>Airfield Projects:</u>								
Rehab Rwy 18C/36C - Design & Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$26,765,033	\$26,765,033
Access Road - West ARFF Building	0	0	0	0	0	0	389,191	389,191
Taxiway "D" Extension North	0	0	0	0	0	0	1,636,008	1,636,008
Total - Airfield Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$28,790,232	\$28,790,232
<u>Terminal Complex Improvements:</u>								
* New Baggage Screening System - Design & Const.	\$0	\$0	\$0	\$5,525,556	\$0	\$5,525,556	\$0	\$5,525,556
Concourse "E" Expansion	3,014,249	0	3,014,249	0	0	0	0	3,014,249
* E. Terminal Expansion	0	0	0	20,676,640	0	20,676,640	0	20,676,640
* Renovate Airline Ticket Counters/Conveyors	0	0	0	0	5,585,049	5,585,049	0	5,585,049
New Short Term Public Parking Deck	0	75,709,547	75,709,547	0	0	0	0	75,709,547
Total - Terminal Complex Improvements	\$3,014,249	\$75,709,547	\$78,723,796	\$26,202,196	\$5,585,049	\$31,787,245	\$0	\$110,511,041
TOTAL 2011 PROJECT FUNDS	\$3,014,249	\$75,709,547	\$78,723,796	\$26,202,196	\$5,585,049	\$31,787,245	\$28,790,232	\$139,301,273
FINANCING COSTS:								
Debt Service Reserve Fund	\$219,222	\$5,506,253	\$5,725,475	\$2,041,624	\$435,176	\$2,476,800	\$1,878,325	\$10,080,600
Delivery Date Expenses	61,790	1,551,992	1,613,782	560,739	119,523	680,262	626,443	2,920,487
Total Financing Costs	\$281,012	\$7,058,245	\$7,339,257	\$2,602,363	\$554,699	\$3,157,062	\$2,504,768	\$13,001,087
TOTAL USES	\$3,295,262	\$82,767,792	\$86,063,053	\$28,804,559	\$6,139,748	\$34,944,307	\$31,295,000	\$152,302,360
Source: Merrill Lynch. Compiled by Newton & Associates, Inc.								
October 11, 2011 2011 GARBS Section II 8th draft dnz								

E. BOND DEBT SERVICE

Table II-4 sets forth the estimated debt service schedule for the 2011 Bonds. **Table II-5** sets forth the PFC eligible and non-PFC eligible amounts of debt service on the 2011 Bonds.

TABLE II-4
Estimated 2011 Bonds Debt Service Preliminary

Period Ending	2011A Bonds - Fixed Rate (Non-AMT)			2011B Bonds - Fixed Rate (AMT)			2011C Bonds - Variable Rate (Non-AMT)		
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
7/1/2012	\$740,000	\$2,946,311	\$3,686,311	\$300,000	\$1,295,277	\$1,595,277	\$360,000	\$882,997	\$1,242,997
7/1/2013	1,175,000	4,547,813	5,722,813	475,000	1,998,663	2,473,663	560,000	1,314,738	1,874,738
7/1/2014	1,220,000	4,503,750	5,723,750	500,000	1,976,100	2,476,100	585,000	1,290,938	1,875,938
7/1/2015	1,275,000	4,445,800	5,720,800	520,000	1,952,350	2,472,350	610,000	1,266,075	1,876,075
7/1/2016	1,340,000	4,385,238	5,725,238	550,000	1,922,450	2,472,450	635,000	1,240,150	1,875,150
7/1/2017	1,415,000	4,308,188	5,723,188	585,000	1,890,825	2,475,825	665,000	1,213,163	1,878,163
7/1/2018	1,495,000	4,226,825	5,721,825	615,000	1,857,188	2,472,188	690,000	1,184,900	1,874,900
7/1/2019	1,580,000	4,140,863	5,720,863	650,000	1,821,825	2,471,825	720,000	1,155,575	1,875,575
7/1/2020	1,675,000	4,050,013	5,725,013	690,000	1,784,450	2,474,450	750,000	1,124,975	1,874,975
7/1/2021	1,770,000	3,953,700	5,723,700	730,000	1,744,775	2,474,775	785,000	1,093,100	1,878,100
7/1/2022	1,870,000	3,851,925	5,721,925	770,000	1,702,800	2,472,800	815,000	1,059,738	1,874,738
7/1/2023	1,980,000	3,744,400	5,724,400	820,000	1,656,600	2,476,600	850,000	1,025,100	1,875,100
7/1/2024	2,090,000	3,630,550	5,720,550	865,000	1,607,400	2,472,400	885,000	988,975	1,873,975
7/1/2025	2,215,000	3,510,375	5,725,375	920,000	1,555,500	2,475,500	925,000	951,363	1,876,363
7/1/2026	2,340,000	3,383,013	5,723,013	975,000	1,500,300	2,475,300	965,000	912,050	1,877,050
7/1/2027	2,475,000	3,248,463	5,723,463	1,035,000	1,441,800	2,476,800	1,005,000	871,038	1,876,038
7/1/2028	2,615,000	3,106,150	5,721,150	1,095,000	1,379,700	2,474,700	1,050,000	828,325	1,878,325
7/1/2029	2,765,000	2,955,788	5,720,788	1,160,000	1,314,000	2,474,000	1,090,000	783,700	1,873,700
7/1/2030	2,925,000	2,796,800	5,721,800	1,230,000	1,244,400	2,474,400	1,140,000	737,375	1,877,375
7/1/2031	3,095,000	2,628,613	5,723,613	1,305,000	1,170,600	2,475,600	1,185,000	688,925	1,873,925
7/1/2032	3,270,000	2,450,650	5,720,650	1,380,000	1,092,300	2,472,300	1,235,000	638,563	1,873,563
7/1/2033	3,460,000	2,262,625	5,722,625	1,465,000	1,009,500	2,474,500	1,290,000	586,075	1,876,075
7/1/2034	3,660,000	2,063,675	5,723,675	1,550,000	921,600	2,471,600	1,345,000	531,250	1,876,250
7/1/2035	3,870,000	1,853,225	5,723,225	1,645,000	828,600	2,473,600	1,400,000	474,088	1,874,088
7/1/2036	4,090,000	1,630,700	5,720,700	1,745,000	729,900	2,474,900	1,460,000	414,588	1,874,588
7/1/2037	4,325,000	1,395,525	5,720,525	1,850,000	625,200	2,475,200	1,525,000	352,538	1,877,538
7/1/2038	4,575,000	1,146,838	5,721,838	1,960,000	514,200	2,474,200	1,590,000	287,725	1,877,725
7/1/2039	4,840,000	883,775	5,723,775	2,075,000	396,600	2,471,600	1,655,000	220,150	1,875,150
7/1/2040	5,120,000	605,475	5,725,475	2,200,000	272,100	2,472,100	1,725,000	149,813	1,874,813
7/1/2041	5,410,000	311,075	5,721,075	2,335,000	140,100	2,475,100	1,800,000	76,500	1,876,500
	\$80,675,000	\$88,968,136	\$169,643,136	\$33,995,000	\$39,347,102	\$73,342,102	\$31,295,000	\$24,344,485	\$55,639,485
Fixed Rate Assumptions: Current Market Rates + 50 bps; \$110,511,041 Project Fund									
Variable Rate Assumption: Annual Interest rate of 4.25%.									
Source: Merrill Lynch.									
Compiled by Newton & Associates, Inc.									
October 11, 2011									
2011 GARBS Section II 8th draft dnz									

TABLE II-5
Estimated 2011 Bonds Debt Service – PFC & Non-PFC

	2011 Bonds Fixed Rate Debt Service						2011 Bonds Variable Rate Debt Service		
	PFC	Non-PFC	Total	PFC	Non-PFC	Total	PFC	Non-PFC	Total
	2011A Bonds	2011A Bonds	2011A Bonds	2011B Bonds	2011B Bonds	2011B Bonds	2011C Bonds	2011C Bonds	2011C Bonds
7/1/2012	\$141,145	\$3,545,166	\$3,686,311	\$1,314,985	\$280,292	\$1,595,277	\$1,242,997	\$0	\$1,242,997
7/1/2013	219,120	5,503,692	5,722,813	2,039,038	434,625	2,473,663	1,874,738	0	1,874,738
7/1/2014	219,156	5,504,594	5,723,750	2,041,047	435,053	2,476,100	1,875,938	0	1,875,938
7/1/2015	219,043	5,501,757	5,720,800	2,037,956	434,394	2,472,350	1,876,075	0	1,876,075
7/1/2016	219,213	5,506,024	5,725,238	2,038,038	434,412	2,472,450	1,875,150	0	1,875,150
7/1/2017	219,135	5,504,053	5,723,188	2,040,820	435,005	2,475,825	1,878,163	0	1,878,163
7/1/2018	219,083	5,502,742	5,721,825	2,037,822	434,366	2,472,188	1,874,900	0	1,874,900
7/1/2019	219,046	5,501,817	5,720,863	2,037,523	434,302	2,471,825	1,875,575	0	1,875,575
7/1/2020	219,205	5,505,808	5,725,013	2,039,687	434,763	2,474,450	1,874,975	0	1,874,975
7/1/2021	219,154	5,504,546	5,723,700	2,039,955	434,820	2,474,775	1,878,100	0	1,878,100
7/1/2022	219,086	5,502,839	5,721,925	2,038,327	434,473	2,472,800	1,874,738	0	1,874,738
7/1/2023	219,181	5,505,219	5,724,400	2,041,459	435,141	2,476,600	1,875,100	0	1,875,100
7/1/2024	219,034	5,501,516	5,720,550	2,037,997	434,403	2,472,400	1,873,975	0	1,873,975
7/1/2025	219,218	5,506,157	5,725,375	2,040,552	434,948	2,475,500	1,876,363	0	1,876,363
7/1/2026	219,128	5,503,885	5,723,013	2,040,387	434,913	2,475,300	1,877,050	0	1,877,050
7/1/2027	219,145	5,504,317	5,723,463	2,041,624	435,176	2,476,800	1,876,038	0	1,876,038
7/1/2028	219,057	5,502,093	5,721,150	2,039,893	434,807	2,474,700	1,878,325	0	1,878,325
7/1/2029	219,043	5,501,745	5,720,788	2,039,316	434,684	2,474,000	1,873,700	0	1,873,700
7/1/2030	219,082	5,502,718	5,721,800	2,039,646	434,754	2,474,400	1,877,375	0	1,877,375
7/1/2031	219,151	5,504,462	5,723,613	2,040,635	434,965	2,475,600	1,873,925	0	1,873,925
7/1/2032	219,038	5,501,612	5,720,650	2,037,915	434,385	2,472,300	1,873,563	0	1,873,563
7/1/2033	219,113	5,503,512	5,722,625	2,039,728	434,772	2,474,500	1,876,075	0	1,876,075
7/1/2034	219,153	5,504,522	5,723,675	2,037,338	434,262	2,471,600	1,876,250	0	1,876,250
7/1/2035	219,136	5,504,089	5,723,225	2,038,986	434,614	2,473,600	1,874,088	0	1,874,088
7/1/2036	219,039	5,501,661	5,720,700	2,040,058	434,842	2,474,900	1,874,588	0	1,874,588
7/1/2037	219,033	5,501,492	5,720,525	2,040,305	434,895	2,475,200	1,877,538	0	1,877,538
7/1/2038	219,083	5,502,755	5,721,838	2,039,481	434,719	2,474,200	1,877,725	0	1,877,725
7/1/2039	219,157	5,504,618	5,723,775	2,037,338	434,262	2,471,600	1,875,150	0	1,875,150
7/1/2040	219,222	5,506,253	5,725,475	2,037,750	434,350	2,472,100	1,874,813	0	1,874,813
7/1/2041	219,054	5,502,021	5,721,075	2,040,223	434,877	2,475,100	1,876,500	0	1,876,500
Totals	\$6,495,453	\$163,147,683	\$169,643,136	\$60,455,825	\$12,886,277	\$73,342,102	\$55,639,485	\$0	\$55,639,485
Fixed Rate Assumptions: Current Market Rates + 50 bps; \$110,511,041 Project Fund									
Variable Rate Assumption: Annual Interest rate of 4.25%.									
Source: Total Debt Service - Merrill Lynch.									
Compiled by Newton & Associates, Inc.									
September 23, 2011									
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F. SOURCE OF PAYMENT FOR THE 2011 BONDS

Pursuant to the Bond Order, the City irrevocably pledges for the payment of, interest on, credit support payment amounts for, sinking fund requirements for the payment of, and any premium required to be paid on the redemption of all Bonds outstanding under the Bond Order, including the 2011 Bonds: (i) Net Revenues, (ii) the City's right to receive Net Revenues, and (iii) any and all unencumbered funds in the Renewal and Improvement Fund. Under the Bond Order, "Net Revenues" for any period means the excess, if any, of Revenues over Current Expenses for such period. See Section V, hereof for the Forecast of Application of Revenues Under Provisions of the Bond Order.

G. AIRPORT IMPROVEMENT PROGRAM GRANTS

Congress began appropriating money for airport development in 1946 through the enactment of the Federal Airport Act and has subsequently enacted a series of laws in support of the national air transportation system. In 1970, the Airport and Airway Revenue Act of 1970 was enacted which established the Airport and Airways Trust Fund (“Trust Fund”) to pay for needed airport improvements. The Trust Fund is supported by a series of taxes on the users of the national air transportation system through charges on passenger tickets, cargo waybills, aviation jet fuel, etc.

The Airport and Airway Improvement Act of 1982 (“1982 Act”) authorized the capital grant-in-aid program known as the Airport Improvement Program (the “AIP”) which authorizes and appropriates funds for eligible airport improvements. The AIP is funded by the Trust Fund and administered by the FAA. AIP eligible projects include (i) airport planning; (ii) airport development; (iii) noise compatibility programs; and (iv) terminal development at all airports except large hubs. Congress amends the 1982 Act from time to time as required to authorize funding levels on an annual or multi-year basis.

The FAA uses two primary methods to distribute AIP grants to airports: entitlement grants and discretionary grants.

1. Airport Improvement Program – Entitlement Grants

The FAA uses AIP Entitlement Grants to distribute AIP grants to commercial service airports based on levels of aviation activity. One of the most common types of funding available for commercial service airports is Passenger Entitlement Grants, which are an allocation of certain AIP funds based upon an airport’s total number of enplaned passengers. Passenger Entitlement Grants may be carried over from one year to the next and used to pay debt service on bonds issued to finance eligible projects.

In addition to AIP Passenger Entitlements, the Airport is eligible to receive Cargo Service Entitlements, which are allocated to airports defined by the FAA as Cargo Service Airports. Cargo Service Entitlements are allocated to Cargo Service Airports based on each airport’s total landed weight of cargo aircraft as a percentage of total landed weight of cargo aircraft at all Cargo Service Airports.

Future AIP Entitlements may also be included in an FAA Letter of Intent (“LOI”), which is a multi-year funding commitment from the FAA.

2. Airport Improvement Program – Discretionary Grants

Discretionary Grants are awarded to airports on a discretionary basis to fund eligible projects as determined by the FAA based on a priority system. The priority system is designed to allocate the available funding using a point-value system which gives the highest priority to safety, security, reconstruction, standards and capacity in that order. As with future Passenger Entitlement Grants, future Discretionary Grants may also be included in an FAA LOI.

3. Status of the Airport Improvement Program

As of the date of this Report, the most recent, multi-year re-authorization of the Airport Improvement Program was the Vision 100-Century Aviation Reauthorization Act (“Vision 100”), which reauthorized the AIP at a funding level of more than \$14 billion from federal fiscal year 2004 through federal fiscal year 2007. By a series of 20 continuing resolutions, funds and spending authority were extended through July 22, 2011.

On July 23, 2011 the FAA began partial shutdown procedures as a result of failed Congressional effort to pass an extension of FAA operating authority.

According to Airports Council International – North America (“ACI-NA”), the following impacts on the Airport Improvement Program, the Passenger Facility Charge (PFC) program and airline taxes resulted from the shutdown:

Impacts on AIP:

- The FAA ceased all actions related to AIP grants, leaving \$1.7 billion unobligated.
- Existing AIP payments made through FAA’s automatic Electronic Clearing House Operation (“ECHO”) payment system continued to be dispersed for an uncertain period of time. Manual payments no longer were made. The FAA estimates that about 50 percent of airports receive AIP payments through the ECHO system.
- No new projects were approved for funding. FAA said that a *Federal Register* notice would be issued on July 26 or July 27 alerting airports that they must inform FAA whether they will use their entitlements (those authorized to date and any possible additional money) or carry the funds over to FY 2012. The deadline for these decisions was set for August 12, 2011.
- Beginning July 23, 2011 airlines ceased the collection of certain taxes levied on tickets sold.

Following a two-week partial shutdown of the Federal Aviation Administration, on August 5, 2011 President Barack Obama signed a six-week funding extension which was set to expire on September 16, 2011. The extension provided for the continuation of AIP spending authorization and the resumption of tax collection on the purchase of airline tickets which were interrupted as a result of the partial shutdown. The extension also provided for the return of FAA employees that were laid-off during the shutdown.

Prior to the expiration of the 21st extension set to expire on September 16, 2011, the President signed the 22nd extension of Vision 100 which continues FAA and AIP funding through January 31, 2012.

While the future of the AIP program is not certain, some form of the program has been in place since the end of World War II. For this reason, and because of the user fee funded Aviation Trust Fund, which provides funding for the AIP program, many industry experts believe that in the future the AIP program may be revised in scale, but not eliminated altogether. As the

continuation of the AIP program relates to the 2011 Project, all AIP grant funds included in the funding plan of the 2011 Project have been received by the City (see Table II-2).

H. PASSENGER FACILITY CHARGES

Pursuant to 14 CFR Part 158, airport sponsors (airport owners or operators) may apply to the FAA for authorization to impose a fee on every enplaning revenue passenger (“Passenger Facility Charge” or “PFC”) at the sponsored airport and to use the revenues derived from any such PFC to pay the allowable costs of PFC eligible airport improvements.¹² The level of PFC which may be charged can vary from \$1.00, \$2.00, \$3.00, or \$4.50 depending upon the authorization requested by the sponsor and approved by the FAA. PFCs are collected by each airline which issues a revenue travel itinerary to a passenger and are remitted monthly to the airport sponsor, less a handling charge which the collecting airline is entitled to retain for compensation for its collecting, handling and remitting the PFC revenue. The airline handling charge authorized by Part 158 is \$0.11 per PFC.

Under Part 158, PFCs may be used to fund and finance the allowable costs (project costs and bond-associated debt service and financing costs) of airport-related projects which would be eligible to receive federal grant funding under the Airport Improvement Program or which preserve or enhance safety, capacity or security of the national air transportation system, or which reduce aircraft noise, furnish opportunities for enhanced competition between and among airlines, and which have been approved for any such use by the FAA.

On August 23, 2004, the FAA approved the City’s first PFC application (“PFC Application No. 1”) to impose and use the revenues derived from a \$3.00 PFC to pay the PFC eligible costs of certain improvements funded with the proceeds of Bonds issued in 2004.

On June 25, 2007, the City filed with the FAA an application to amend PFC Application No. 1 to include the updated project cost for the Third Parallel Runway and certain other PFC Application No. 1 project cost adjustments, and a new application (“PFC Application No. 2”) for authorization to use PFC revenues to pay the annual debt service (“2007 Bonds PFC Debt Service”) on that amount of 2007 Bonds proceeds used to fund the PFC eligible costs (“PFC Project Costs”) of those elements of the 2007 Project which were not covered under PFC Application No. 1. The City received FAA approval of the amendment to PFC Application No. 1 and PFC Application No. 2 on July 25, 2007 and October 25, 2007, respectively.

With respect to the PFC eligible costs funded with the proceeds of the City’s 2010 Bonds, and not previously approved in PFC Application No.1 (as amended) or PFC Application No. 2, the City prepared and filed its third PFC application (“PFC Application No. 3” and together with PFC Application No. 1 and PFC Application No. 2, the “Prior PFC Applications”) to obtain FAA approval for said PFC eligible costs. On February 24, 2009, the City received FAA approval of its PFC Application No. 3.

¹² 14 CFR Part 158 limits the number of PFCs imposed on a passenger’s single travel itinerary to two PFCs (two boardings) per one-way trip or two PFCs (two boardings) for each direction of a round trip. Please consult 14 CFR Part 158.9 for other limitations which may apply to certain itineraries.

With respect to the PFC eligible costs to be funded with the proceeds of the City's 2011 Bonds, and not previously approved in the Prior PFC Applications, the City prepared and filed its fourth PFC application ("PFC Application No. 4") to obtain FAA approval for said PFC eligible costs. On September 15, 2011, the City received FAA approval of PFC Application No. 4. See Section V hereof, for more detailed information regarding the City's application of PFC revenue to the debt service on certain of the Prior Bonds and the 2011 Bonds.

I. ADDITIONAL FUTURE CAPITAL IMPROVEMENT PROJECTS

In addition to the improvements included in the 2011 Project, the Airport has identified certain additional future capital improvements which may be undertaken during the Forecast Period. **Table II-6** sets forth these potential, additional future capital improvement projects along with their currently identified cost estimates.

According to the City, the actual implementation of the future capital improvement projects would be conditioned upon the determination that it is financially feasible to do so and the issuance of any Additional Bonds to fund said projects would be conditioned upon meeting the requirements for Additional Bonds set forth in the Bond Order. Table II-6 also identifies the potential funding and repayment sources for the other potential future projects depicted.

TABLE II-6
Potential Additional Future Capital Improvements

PROJECT ELEMENTS:	Estimated	
<u>Airfield Projects:</u>	<u>Project Cost</u>	<u>Potential Funding/Repayment Sources</u>
Runway 18L Rehabilitation	\$6,000,000	Federal Grants & Additonal Bonds/PFCs
Taxiway "D" Extension - South	8,450,000	Federal Grants & Additonal Bonds/PFCs
Terminal Ramp Expansion West	28,260,700	Federal Grants & Additonal Bonds/PFCs
West Boulevard Relocation	18,418,800	Federal Grants & Additonal Bonds/PFCs
Fourth Parallel Runway Design & Construction	75,500,000	Federal Grants & Additonal Bonds/PFCs
Total - Airfield Projects	<u>\$136,629,500</u>	
Terminal Complex Improvements:		
Concourse "E" Expansion - Phase VIII	\$35,612,500	Additional Bonds/PFCs
New Upper Level Roadway Design & Construction	15,000,000	Additional Bonds/PFCs
Consolidated Fuel Farm Expansion	15,150,000	Additional Bonds
Passenger Vehicle Lanes	30,000,000	Additional Bonds/PFCs
Concourse B Expansion	50,000,000	Additional Bonds/Terminal Rent
International Terminal	175,000,000	Additional Bonds/PFCs/Terminal Rent
Total - Terminal Complex Improvements	<u>\$320,762,500</u>	
ASF Projects:		
Noise Compatibility Program	\$10,000,000	Additional Bonds/PFCs
Master Plan Update	2,000,000	Additional Bonds/PFCs
Storm Water Facilities	2,226,000	Additional Bonds/PFCs
Vehicle Wash Facilities	530,000	Additional Bonds/PFCs
Airport Office Relocation	2,500,000	Additional Bonds/ASF Charges
Total ASF Projects	<u>\$17,256,000</u>	
PROJECT ELEMENTS	<u>\$474,648,000</u>	

Source: Charlotte Douglas International Airport
Compiled by Newton & Associates, Inc.

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III. ECONOMIC BASE OF THE AIR SERVICE AREA

The geographical area served by an airport is known as the air service area. The locally generated demand for air service at an airport is dependent upon the strengths of the economic base of that airport's air service area. These strengths can be measured in terms of the demographic and economic characteristics of the area. An analysis of the historical trends of this economic base is useful in assessing the probability of continued demand for air service, growth in demand for air service or a decline in demand for air service.

In this section of the Report, a description of the Airport's Air Service Area (defined below) is provided along with the historical trends of the characteristics of certain elements of the economic base of the Airport's Air Service Area.

The demographic and economic trends of the Airport's Air Service Area examined in this Report include population, employment, income, retail sales, visitors and tourism. Certain of these trends will also discuss the impacts of the recession which began in December of 2007. This section concludes with a summary of NAI's findings with respect to the historical and projected future strength of the economic base of the Airport's Air Service Area. These findings are considered along with other factors in the development of the origin and destination passenger enplanement forecast set forth in Section IV hereof.

A. AIR SERVICE AREA DESCRIPTION

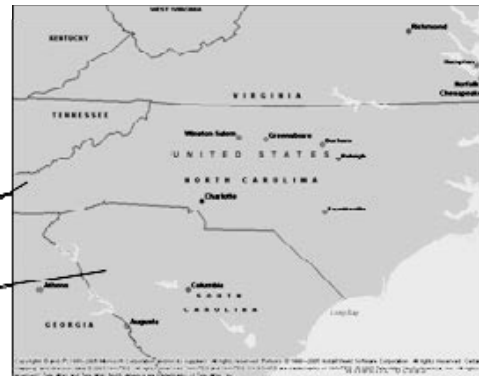
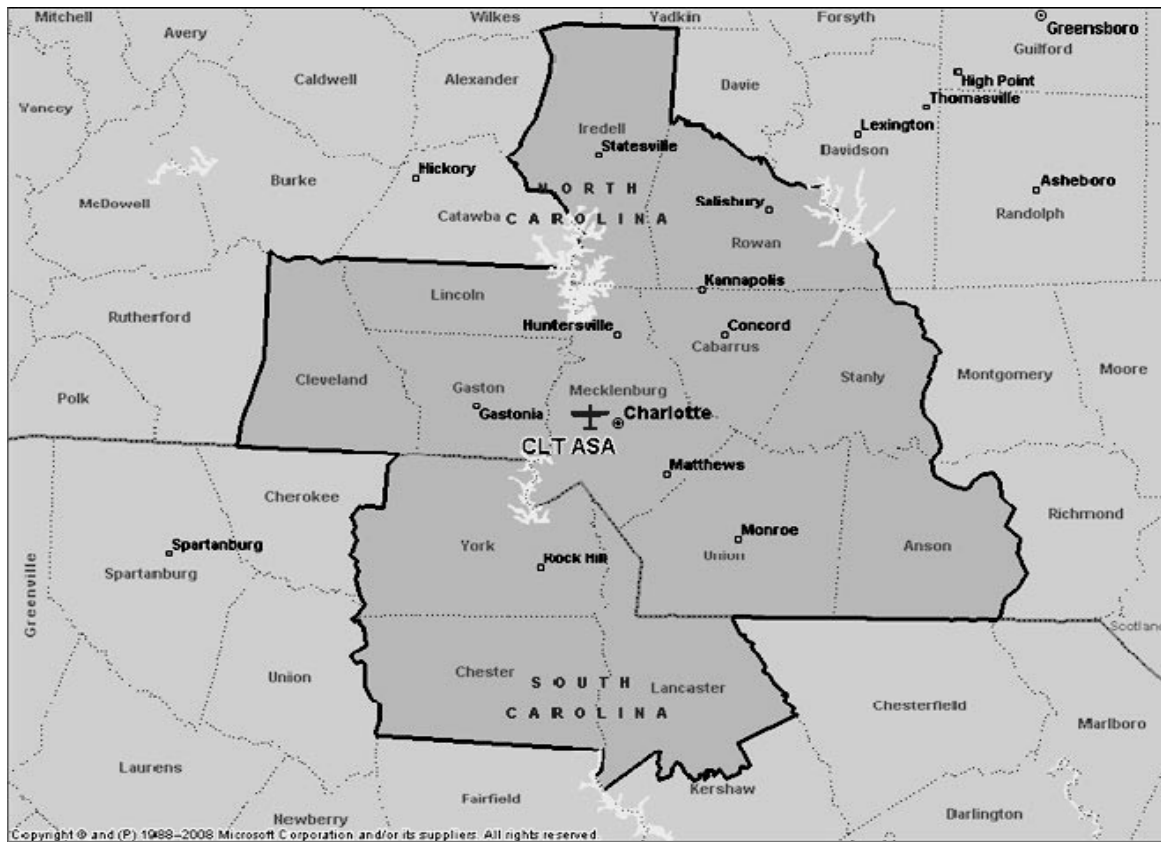
While there is considerable evidence that locally generated demand for air service at the Airport is created by air travelers from a larger geographic area than the thirteen counties which collectively comprise the Charlotte-Gastonia-Salisbury Combined Statistical Area¹³ ("Charlotte CSA"), for the purposes of comparing and reporting on statistical data consistently compiled for the greater Charlotte area, NAI has defined the Charlotte CSA as the Airport's primary air service area.

The OMB establishes and maintains the definitions of Metropolitan and Micropolitan Statistical Areas, Combined Statistical Areas, and New England City and Town Areas solely for statistical purposes. This classification is intended to provide nationally consistent definitions for collecting, tabulating, and publishing statistics for a set of geographic areas.

The counties included in the Charlotte CSA are: Anson County, NC; Cabarrus County, NC; Cleveland County, NC; Gaston County, NC; Iredell County, NC; Lincoln County, NC; Mecklenburg County, NC; Rowan County, NC; Stanly County, NC; Union County, NC; Chester County, SC; Lancaster County, SC; and, York County, SC (collectively referred to herein as the "Air Service Area" or "ASA"). **Figure III-1** depicts the counties which compose the Air Service Area and the location of each relative to the Airport, North Carolina and South Carolina, as well as the United States.

¹³ Defined by the United States Office of Management and Budget ("OMB").

FIGURE III-1
Charlotte Douglas International Airport
Air Service Area



B. POPULATION

Population is defined as residential population on July 1st of each year, and includes civilian population, military population except personnel stationed overseas, college residents, institutional populations (such as prison inmates and residents of mental institutional, nursing homes and hospitals) and estimates of undocumented aliens. Excluded are persons residing in Puerto Rico, U.S. territories and possessions, and U.S. citizens living abroad.

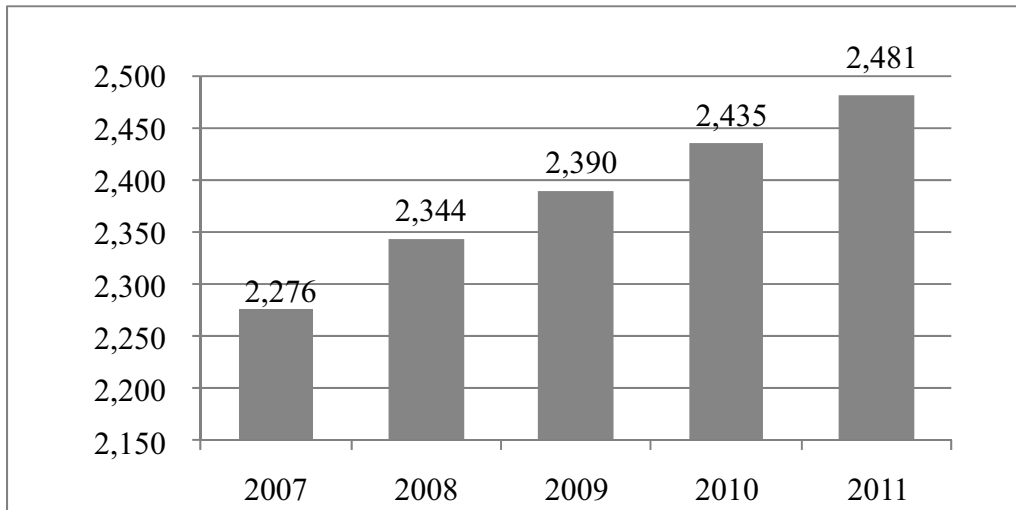
1. Historical Population

According to Woods & Poole Economics, estimated population in the Air Service Area, as depicted in **Table III-1** and **Figure III-2**, has increased from 2,276,224 in 2007 to 2,480,617 in 2011, representing an average annual growth rate in population of 2.17%. This growth in population is greater than the State of North Carolina (1.56%) and the United States (0.93%) over the same period of time.

TABLE III-1
ASA Population
(Thousands)

County	Historical					Average Annual Growth Rate 2007-2011	Projected	
	2007	2008	2009	2010	2011		2017	Average Annual Growth Rate 2011-2017
Mecklenburg	866	892	914	933	953	2.43%	1,052	1.66%
Air Service Area	2,276	2,344	2,390	2,435	2,481	2.17%	2,758	1.78%
North Carolina	9,064	9,247	9,381	9,512	9,643	1.56%	10,313	1.13%
United States	301,580	304,375	307,007	310,009	313,010	0.93%	328,488	0.81%
Source: Woods & Poole Economics Compiled by: Newton & Associates, Inc.								
September 20, 2011 c:\...\\clt\Section III Tables v9 091911 dnz								

**FIGURE III-2
ASA Population
(Thousands)**



2. Population Projection

According to the same source and also summarized on Table III-1, the population of the Air Service Area is projected to increase from the 2011 levels of 2,480,617 residents to 2,758,036 residents in 2017, representing an average annual increase of 1.78% over the period. The growth of population in the State of North Carolina is expected to slow slightly over the Forecast Period with an average annual growth rate of 1.13%. The United States population is forecast to grow by approximately 0.81% over the Forecast Period.

C. EMPLOYMENT

The Bureau of Labor Statistics (“BLS”) defines employed persons as those persons 16 years and older in the civilian non-institutional population who, during the reference week, (a) did any work at all (at least one hour) as paid employees; worked in their own business, profession or on their own farm or worked 15 hours or more as unpaid workers in an enterprise operated by a member of the family; and (b) all those who were not working but who had jobs or businesses from which they were temporarily absent due to vacation, illness, bad weather or other unforeseen temporary absences. Each employed person is counted only once, even though the person may hold more than one job. Excluded from employed persons are those whose only activity consisted of work around their own home or volunteer work for religious, charitable and other organizations. The reference week is the calendar week (Sunday through Saturday) containing the 12th day of the month, as the time period for documenting employment and labor force.

As reported by the Employment Security Commission of North Carolina and the South Carolina Department of Employment and Workforce, total employment in the Air Service Area decreased at an average annual rate of 1.65% from the 2007 level of 1,103,804 to an estimated 1,032,618

employed persons in 2011. Employment from 2010 to 2011 in the Air Service Area increased from 1,028,693 to 1,032,618 a growth rate of 0.38%. Total employment in the State of North Carolina over the Study Period decreased at an average annual rate of 1.56%, from approximately 4,321,339 in 2007 to an estimated 4,058,744 in 2011, and increased 0.55% over the 2010 to 2011 period. The United States experienced an average annual rate of decline in employment of 1.03% over the Study Period and grew 0.70% over the 2010 to 2011 period. **Table III-2** summarizes the historical employment trends for the Air Service Area, North Carolina and the United States.

**TABLE III-2
ASA Employment**

County	2007	2008	2009	2010	2011 ¹	Average Annual Growth Rate 2007-2011	Percent Change 2010-2011
Mecklenburg	437,864	439,759	414,165	411,376	410,213	-1.62%	-0.28%
Air Service Area	1,103,804	1,099,388	1,035,660	1,028,693	1,032,618	-1.65%	0.38%
North Carolina	4,321,339	4,291,565	4,064,521	4,036,343	4,058,744	-1.56%	0.55%
United States	146,047,000	145,362,000	137,953,000	139,159,000	140,129,000	-1.03%	0.70%
¹ Employment reported for June 2011.							
Source: Employment Security Commission of North Carolina South Carolina Department of Employment and Workforce Compiled by: Newton & Associates, Inc.						September 20, 2011 c:\...\cft\Section III Tables v9 091911 dnz	

1. Labor Force

The Labor Force is made up of all employed persons and all unemployed persons (defined in Section 2 below) willing and able to work.

According to the Employment Security Commission of North Carolina and the South Carolina Department of Employment and Workforce, the total labor force of the Air Service Area increased at an average annual rate of 0.04% from 2007 to 2011. This growth in the Air Service Area labor force is more than that of North Carolina (-0.05%) but less than the United States (0.23%) for the same period, as depicted on **Table III-3**. The labor force in the Air Service Area fell slightly over the 2010 to 2011 period by 0.46%. The State of North Carolina and the United States experienced increases in the labor force (0.34% and 0.90% respectively).

**TABLE III-3
ASA Labor Force**

County	2007	2008	2009	2010	2011 ¹	Average Annual Growth Rate 2007-2011	Percent Change 2010-2011
Mecklenburg	458,616	468,005	464,147	461,879	461,393	0.15%	-0.11%
Air Service Area	1,162,911	1,178,229	1,180,030	1,170,173	1,164,784	0.04%	-0.46%
North Carolina	4,536,465	4,577,178	4,554,532	4,512,770	4,528,216	-0.05%	0.34%
United States	153,124,000	154,287,000	152,693,000	153,156,000	154,538,000	0.23%	0.90%

¹ Labor Force reported for June 2011.

Source: Employment Security Commission of North Carolina South Carolina Department of Employment and Workforce Compiled by: Newton & Associates, Inc.	September 20, 2011 c:\...l\Section III Tables v9 091911 dnz
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2. Unemployment Rates

The unemployment rate represents the number of unemployed as a percent of the labor force. Unemployed persons are defined as those individuals aged 16 years and older who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed. **Table III-4** and **Figure III-3** depict the historical trend in the rate of unemployment in the Air Service Area, the State of North Carolina and the United States for the period 2007 to 2011. During this time, the rate of unemployment increased in the Air Service Area, the State of North Carolina and the United States as a whole. The unemployment rate for the Air Service Area increased from 5.08% in 2007 to 11.45% in 2011. North Carolina's unemployment rate increased to 10.37% over the same period and the United States unemployment rate increased to 9.32% in 2011.

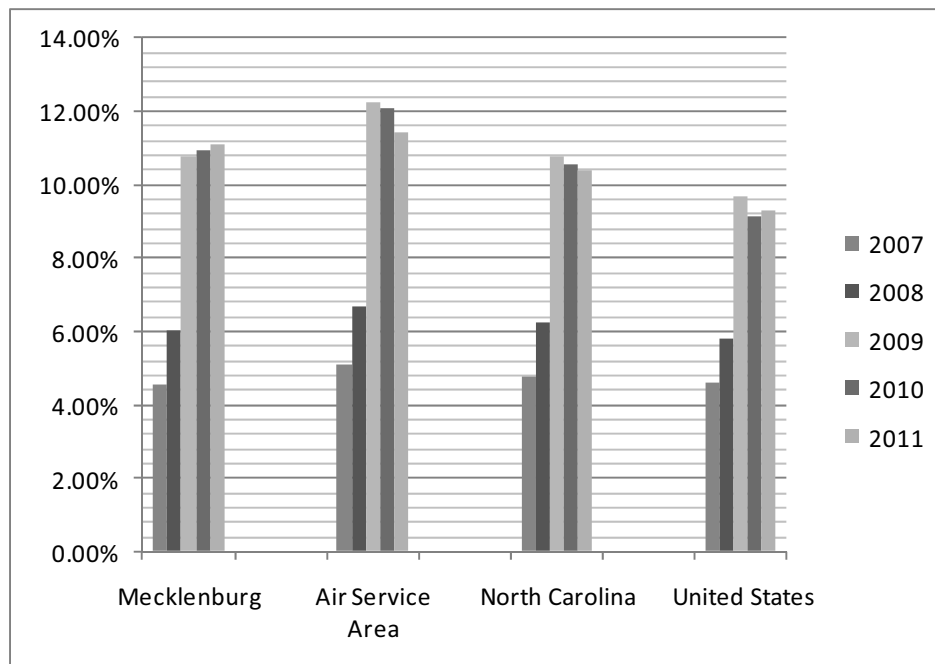
**TABLE III-4
ASA Unemployment Rates**

County	2007	2008	2009	2010	2011 ¹
Mecklenburg	4.52%	6.04%	10.77%	10.93%	11.09%
Air Service Area	5.08%	6.69%	12.23%	12.09%	11.45%
North Carolina	4.74%	6.24%	10.76%	10.56%	10.37%
United States	4.62%	5.78%	9.65%	9.14%	9.32%

¹ Unemployment Rate reported for June 2011.

Source: Employment Security Commission of North Carolina September 20, 2011
South Carolina Department of Employment & Workforce
Compiled by: Newton & Associates, Inc. c:\...\clt\Section III Tables v9 091911 dnz

**FIGURE III-3
Unemployment Rates**



3. Industry Group Employment

An examination of employment by industry group illustrates the diversity of employment in the Air Service Area. **Table III-5** and **Figure III-4** summarize the number of full and part-time non-agricultural employees by major industry sector (as defined by the U.S. Department of Labor) for the Air Service Area, the State of North Carolina and the United States. The percentage of employment by industry sector is also included in Table III-5.

TABLE III-5
Non-Agricultural Employment by Industry Sector

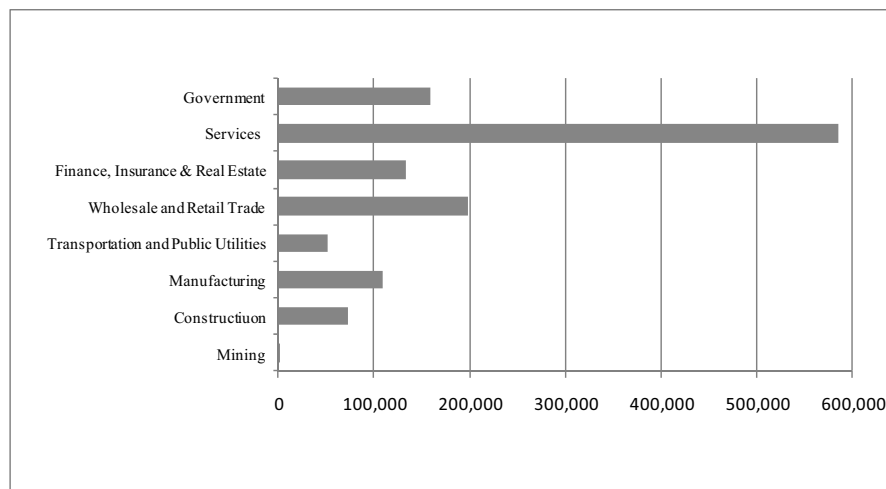
Industry Sector	Charlotte Air Service Area					North Carolina		United States	
	2007	Percent of Total 2007	2011	Percent of Total 2011	Average Annual Growth Rate	2011	Percent of Total 2011	2011	Percent of Total 2011
Mining	1,653	0.12%	1,823	0.14%	2.48%	7,696	0.15%	1,216,702	0.70%
Constructioun	105,073	7.72%	72,905	5.56%	-8.73%	293,593	5.75%	8,760,279	5.06%
Manufacturing	131,854	9.69%	108,579	8.28%	-4.74%	472,859	9.27%	12,417,400	7.18%
Transportation and Public Utilities	54,863	4.03%	52,114	3.97%	-1.28%	156,495	3.07%	6,271,507	3.63%
Wholesale and Retail Trade	211,108	15.51%	197,865	15.08%	-1.61%	726,878	14.24%	24,432,459	14.12%
Finance, Insurance & Real Estate	145,794	10.71%	133,142	10.15%	-2.24%	434,436	8.51%	16,518,719	9.55%
Services	564,714	41.50%	586,238	44.69%	0.94%	2,283,328	44.75%	79,811,878	46.13%
Government ¹	145,678	10.71%	159,050	12.13%	2.22%	727,679	14.26%	23,573,423	13.63%
Total	1,360,737	100%	1,311,716	100%	-0.91%	5,102,964 [#]	100%	173,002,367	100%

¹ Does Not Include Military.

Source: Woods & Poole Economics
Compiled by: Newton & Associates, Inc.

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FIGURE III-4
ASA Industry Employment



According to Woods & Poole Economics and as shown on Table III-5, in 2007 the Services industry sector was the largest non-agricultural employment sector in the Air Service Area (41.50%). The Services industry sector continued to be the largest sector of industry employment in 2011, accounting for 44.69% employed persons, an average annual growth rate of 0.94%. By comparison in 2011, the Services industry sector accounted for 44.75% of employment in the State of North Carolina and 46.132% for the United States. The Services industry sector in the Air Service Area in 2011 is followed by Wholesale and Retail Trade, Government, and Finance, Insurance and Real Estate sectors (15.08%, 12.13% and 10.15% respectively) in percentages of employed persons.

From 2007 to 2011, three industry sectors experienced positive growth in employment. The Mining industry sector of employment experienced the greatest employment growth of any industry sector (2.48%), from 1,653 in 2007 to 1,823 in 2011. The Mining sector growth was followed by the Government industry sector which grew at an average annual rate of 2.22%. The Services industry sector of employment in the Air Service Area experienced the third greatest growth in employment at 0.94%.

Following are discussions of the largest employment industry sectors as they relate to the Air Service Area and the City of Charlotte. The Charlotte Chamber of Commerce is the source of information provided below unless otherwise noted.

a. Finance, Insurance and Real Estate

Charlotte is the largest financial center in the southeastern United States and the second largest financial center in the United States in terms of assets held by banks (second to New York). Twenty-four banks are located in Charlotte and hold more than \$2.3 trillion in assets. In addition to the 24 banks, a branch of the Federal Reserve is also located in Charlotte. Bank of America Corporation, the nation's largest bank in terms of assets (\$2.261 trillion as of June 30, 2011 and as reported by Bank of America) is headquartered in Charlotte and employed approximately 15,000 persons in 2010 (as reported in the Charlotte Business Journal's 2010 Book of Lists) in the Charlotte area.

There are 348 mortgage banking companies that operate in Charlotte. Bank of America Corporation, the nation's largest mortgage lender, services over \$261 billion in mortgages. Furthermore, the banking industry in Charlotte currently holds approximately \$186 billion in commercial and industrial loans and \$31 billion in construction and land development loans. Finally, Charlotte ranks second in the nation in the total number of small business loans with over 206,000 outstanding business loans and 13,000 Small Business Administration Loans.

The financial services sector has experienced significant losses in loan portfolios primarily related to sub-prime residential mortgages resulting nationally in the collapse, sale or takeover of certain large investment banks and several other smaller institutions. Included with this restructuring was the purchase of Charlotte-headquartered Wachovia Corporation by San Francisco-based Wells Fargo & Company. Wells Fargo & Company named San Francisco as the combined bank's headquarters but has stated that it will maintain a significant presence on the east coast with Charlotte its center of east coast operations. On September 6, 2011, Bank of

America Chief Executive Officer Brian Moynihan announced a reorganization of the company's management to align the company's operating units with its three core customer groups: Individuals, companies, and institutional investors. Moynihan stated that the reorganization was effective immediately and that was a significant step in the continued transformation of the company.

On September 12, 2011, Bank of America announced the nearing of completion of Phase I of Project New BAC which began in April 2011. The company stated it intends to become more focused, leaner and efficient. The company expects that approximately 30,000 jobs will be eliminated as a result of the Phase I initiative. As of the date of the Report, the extent to which the anticipated job cuts will affect the Air Service Area and its demand for air service is uncertain.

Based on data from Woods & Poole Economics, the finance and insurance sub-sectors, which make up approximately 61% of the total Finance, Insurance and Real Estate industry sector, lost an estimated 3,935 jobs over the 2008 to 2009 period. According to the same source, this industry subsector has gained 1,627 jobs over the period 2009 to 2011.

b. Services

The Services sector, the broadest sector of employment, which includes health care institutions, research and development firms, personal services, business services and employment agencies among others, is the largest non-agricultural employment sector in the Air Service Area, the State of North Carolina and the United States. Within the Services industry sector, three sub-sectors experienced average annual growth rates in excess of 2.0%. These include Educational Services (4.07%), Management of Companies and Enterprises (3.43%), and Healthcare and Social Assistance (2.27%).

Although the Services industry sector is the largest industry sector, it had a slower positive growth rate than any other industry sector in the Air Service Area. Over the Study Period, the Services industry grew at an average annual rate of 0.94%. In 2011, the Services industry sector employed 586,238 persons in the Air Service Area, 2,283,328 persons in North Carolina and 79,811,878 persons in the United States.

The largest Services sector employers in the Air Service Area include Carolinas Healthcare System which employs more than 30,000 people, Presbyterian Regional Healthcare Corporation (Novant) employs approximately 13,300, Adecco (5,000), Compass Group (3,117), CaroMont Health, Inc. (3,700), and Corestaff Services (2,900).

c. Wholesale and Retail Trade

Charlotte's strategic location and strength as a major transportation center have contributed to the Air Service Area's growth as one of the major wholesale distribution centers in the United States. The Charlotte-Greensboro-Greenville-Raleigh Major Trading Area is currently ranked as the sixth largest trading area and wholesale distribution center in the United States. Wholesale and Retail trade firms employed approximately 197,865 people in the Air Service Area in 2011.

This industry sector gained 3,949 jobs from 2009 to 2011. The wholesale and retail trade service sector is the second largest employment sector in the Air Service Area and the United States, and the third largest for the State of North Carolina.

d. Manufacturing

Mecklenburg County is home to 1,150 manufacturers generating an annual payroll of over \$1.7 billion and the Charlotte Metropolitan Statistical Area (as defined by the Office of Management and Budget) has 1,926 manufacturers that employ 75,520 employees and generates \$33 billion in payroll. In addition to the traditional furniture and textile industries, the electronics, printing, plastics, industrial machinery and metal working, and bio-medical industries have significant presence in the area. As shown on Table III-5, the manufacturing industry sector employment within the Air Service Area has decreased by an average annual rate of 4.74% from 2007 to 2011 and by 0.65% over the 2009 to 2011 period.

Manufacturing firms employing at least 1,000 employees within the Air Service Area include IBM, Parkdale Mills, Inc., Hickory Springs Manufacturing Company, Pharr Yarns and Century Furniture Industries, according to the Charlotte Chamber of Commerce. **Table III-7** depicts employers that employ more than 2,400 persons including those in the manufacturing industry-sector (Daimler Trucks North America).

Manufacturing in the Charlotte area has diversified over the years. Once considered a textiles area, manufacturers today specialize in sophisticated intelligent manufacturing. The University of North Carolina at Charlotte created the Charlotte Research Institute which focuses on applied research in intelligent energy, manufacturing and precision metrology, e-Business technology, optoelectronics and optical communications, biosciences and biotechnology.

e. Transportation, Warehousing and Public Utilities

The number of persons employed in the Transportation, Warehousing and Public Utilities industry sector, expressed as a percentage of total nonagricultural employment, declined slightly during the period 2007-2011 for the Air Service Area (4.03% in 2007 to 3.07% in 2011). Charlotte is located within the center of one of the United States' major transportation hubs. Two major north/south Interstates, I-77 and I-85, intersect the City of Charlotte. In addition, I-40, an important east/west transportation corridor, is located within approximately 40 miles to the north of Charlotte via I-77 and also accessed by I-85. Major highway access is also provided by U.S. Highways 74, 29, 49 and 21.

Because of Charlotte's interstate and highway system, strong manufacturing base, wholesale trade, and intermodal networks, the Charlotte region is the center of the largest consolidated rail system in the United States. CSX Transportation and Norfolk Southern link approximately 43,200 miles of rail transportation to 23 eastern states. The rail system also provides passenger service to and from Charlotte via Amtrak.

According to Airports Council International, the Airport is the 7th largest airport in the world in terms of total operations (529,101) in calendar year 2010 representing a 3.9% increase over its

2009 operations (509,448) and 11th in terms of total passengers, having served more than 38 million passengers in calendar year 2010. A complete analysis and discussion regarding the Airport's passenger traffic and aircraft activity are provided in Section IV, herein.

These various transportation networks (trucking, rail and air transportation) situated within the Air Service Area provide the region with important intermodal transportation opportunities and contribute to the well being and growth of the economic base of the Air Service Area. The price of fuel, however, may affect demand for transportation services.

The price of crude oil has declined significantly from the July 2008 high of \$135 per barrel in the United States. On July 15, 2011 crude oil was \$105.28 per barrel and dropped further to \$97.25 per barrel on August 19, 2011 as reported by the Department of Energy's Energy Information Administration.

Utilities in the Charlotte area are economical when compared to most U.S. locations. Duke Energy Corporation generates power for the area from a combination of nuclear, coal fired and hydro-electrical facilities with user rates 22% (in 2007) below the national average. In 2008, Charlotte ranked 13th in the top 40 Metro Markets (as defined by the Office of Management and Budget) with a Utility Index of 96.2 in the first quarter of 2011 (taken from the 2011 ACCRA Cost of Living Index¹⁴), for the first quarter. With respect to energy production, Duke Energy is working to expand coal fired, wind, solar and nuclear generating capacity. Part of Duke Energy's alternative fuel initiatives is the North Carolina Solar Photovoltaic Distributed Generation program, under which Duke Energy will invest \$50 million to install solar panels on the roofs of select commercial and residential properties. Under this program, Duke Energy will produce 10 megawatts of solar energy capable of providing electricity to approximately 1,300 homes. Furthermore, Duke Energy has signed a contract with The University of North Carolina (Chapel Hill) undergoing a pilot project which will place up to three demonstration wind turbines in Pamlico Sound. This project is intended to build upon a nine-month study completed in June 2009 by The University of North Carolina, as recommended by the North Carolina General Assembly.

f. Construction – Residential/Commercial

In 2011, employment in the Construction industry sector represented 5.56% (72,905) of the total non-agricultural employment within the Air Service Area, 5.75% (293,593) in the State of North Carolina and 5.06% (8,760,279) in the United States. Construction employment has decreased at an average annual rate of 8.73% from 2007 through 2011 for the Air Service Area.

Table III-6 details the annual construction activity estimates for Mecklenburg County (the county in which the Airport and the City are located) in terms of residential and non-residential units authorized for construction for the five-year period 2006 to 2010. There were a total of 18,099 housing unit permits authorized for construction within Mecklenburg County in 2006

¹⁴ The *ACCRA Cost of Living Index* measures relative price levels for consumer goods and services in participating areas. The average for all participating places in each quarter equals 100, and each participant's index is read as a percentage of the average for all participating places.

totaling over \$2.7 billion in construction costs (these figures do not include additions, allocations, conversions or demolitions). Residential units authorized for construction in Mecklenburg County decreased to 4,523 in 2010, representing an average annual decrease of 29.29% between 2006 and 2010. Housing unit costs decreased from \$2.709 billion in 2006 to \$529.30 million in 2010 representing an average annual decline of 33.52%. The total construction cost of the non-residential units for Mecklenburg County decreased from nearly \$1.5 billion in 2006 to \$719.4 million in 2010, representing a decline of 17.61% over the period.

TABLE III-6
Mecklenburg County Annual Building Permit Activity

Value (Millions*)				
Year	Permits	Residential	Non-Residential	Total
2006	24,250	\$2,710	\$1,561	\$4,270
2007	21,462	\$2,224	\$1,823	\$4,047
2008	16,243	\$1,473	\$2,240	\$3,713
2009	11,549	\$670	\$716	\$1,386
2010	12,968	\$529	\$719	\$1,249
AAGR	-14.49%	-33.52%	-17.61%	-26.46%
Residential Construction Type				
	Single Family	Multi Family	Total	
2006	10,215	7,874	18,089	
2007	7,494	6,303	13,797	
2008	3,758	6,747	10,505	
2009	2,224	2,302	4,526	
2010	2,958	1,565	4,523	
AAGR	-26.64%	-33.23%	-29.29%	
* In 2005 Constant Dollars				
Source: Charlotte Chamber of Commerce Compiled by: Newton & Associates, Inc.			September 20, 2011 c:\...\clt\Section III Tables v9 091911 dnc	

According to the Charlotte Business Journal's 2010 Book of Lists, the top 25 commercial construction projects¹⁵ that were underway in 2010 accounted for more than 8.4 million square feet of new building space and were estimated to cost in excess of \$1.9 billion¹⁶. The largest project in terms of square footage is the Bank of America Center in uptown Charlotte having 750,000 square feet. The project having the highest construction cost was the Project

¹⁵ These projects were not necessarily permitted in 2010 but were in some phase of construction in 2010.

¹⁶ Estimated construction cost for ten of these projects were not available, the largest project being the Bank of America Center.

Dolphin/Apple Inc. data center with an estimated cost of \$1 billion. Total estimated commercial construction values for 2010 for Mecklenburg County were \$234,351,773 according to the Mecklenburg County Department of Code Enforcement.

g. Major Non-Governmental Employers

The major non-governmental employers located in the Air Service Area include several Fortune 500 companies. According to the 2011 Fortune 500 ranking, Charlotte ranks seventh nationally, in the number of Fortune 500 companies headquartered within its boundaries. These seven companies (Bank of America Corporation, Nucor Corporation, Duke Energy, Goodrich Corporation, Sonic Automotive, SPX Corporation and Ruddick) along with Family Dollar Stores and Lowe's, Inc., located outside the Charlotte City limits, exceed \$187 billion in revenues. As of February, 2011 the Charlotte area was home to more than 550 foreign-owned firms. Table III-7 sets forth the major non-governmental employers (employing at least 2,400) in the Air Service Area for 2010.

TABLE III-7
Top Twenty-Five Largest Non- Governmental Employers

Local FTE's	Employer	Type of Business
20,000	Wells Fargo & Company	Financial Services
16,100	Wal-Mart & Sams Clubs	Retail Trade
15,000	Bank of America Corporation*	Financial Services
13,323	Presbyterian Healthcare/Novant Health, Inc.	Healthcare/Services
8,658	Delhaize American Inc. (Food Lion LLC)*	Retail Trade
7,700	Duke Energy Corporation*	Utility
7,000	Ruddick Corporation*	Retail Trade
6,858	Lowe's*	Retail Trade
5,955	US Airways, Inc.	Transportation
5,000	Adecco	Staffing/Services
3,700	Caromont Health	Healthcare/Services
3,655	Target Corporation	Retail Trade
3,400	Damlier Trucks North America	Manufacturer
3,117	Compass Group North America	Food & Support Services
2,900	Corestaff Services	Staffing/Services
2,800	AT&T, Inc.	Telecommunications
2,700	Belk, Inc.	Retail Trade
2,650	TIAA-CREF	Financial Services
2,545	Labor Ready, Inc.	Staffing/Services
2,538	Bi-Lo LLC	Retail Trade
2,500	CVS Caremark Corporation	Retail Trade
2,500	United Parcel Services, Inc.	Transportation
2,475	Marriott International	Lodging/Services
2,436	Family Dollar Stores, Inc.	Retail Trade
* Headquartered in the Charlotte Area.		
Source: Charlotte Business Journal's 2010 <u>Book of Lists</u> Compiled by: Newton & Associates, Inc. September 20, 2011 c:\...\clt\Section III Tables v9 091911 dnz		

D. INCOME/SALES

1. Personal Income

Personal income includes wages and salaries, other labor income, proprietor's income, dividends, interest and rent, and transfer payments to persons. As depicted on **Table III-8**, Personal Income for the Air Service Area declined from \$80.4 billion in 2007 to an estimated \$80.025 billion for 2011, an average annual decrease of 0.12%. This decline was less than the decline for the State of North Carolina (0.50%) and slightly greater than that of the United States (0.09%) according to Woods & Poole Economics.

2. Personal Income Projection

According to the same source, personal income in the Air Service Area is projected to grow at an average annual growth rate of 3.00%, a rate of growth greater than that of the State of North Carolina (2.58%) and the United States (2.18%) from 2011 through 2017.

TABLE III-8
Personal Income
(Millions)

County	Historical					Average Annual Growth Rate 2007-2011	Projected	
	2007	2008	2009	2010	2011		2017	Average Annual Growth Rate 2011-2017
Mecklenburg	\$37,822	\$37,040	\$35,524	\$35,462	\$36,743	-0.72%	\$44,843	3.38%
Air Service Area	\$80,424	\$79,631	\$77,506	\$77,561	\$80,025	-0.12%	\$95,546	3.00%
North Carolina	\$299,367	\$298,873	\$295,802	\$297,426	\$305,420	0.50%	\$355,884	2.58%
United States	\$11,253,711	\$11,209,889	\$10,997,401	\$10,954,585	\$11,214,507	-0.09%	\$12,761,425	2.18%
Source: Woods & Poole Economics Compiled by: Newton & Associates, Inc.							September 20, 2011 c:\...\cft\Section III Tables v9 091911 dnz	

3. Income Per Capita

As depicted on **Table III-9**, income per capita for the Air Service Area declined from \$35,332 in 2007 to an estimated \$32,260 in 2011, representing an average annual decline of 2.25%. During the same period, income per capita for North Carolina and the United States declined from \$33,028 to \$31,672 (1.04%) and \$37,316 to \$35,828 (1.01%) respectively.

4. Income Per Capita Projection

The income per capita in the Air Service Area is projected to grow from \$32,260 in 2011 to \$34,643 in 2017, an average annual growth rate of 1.19%. This rate is comparable with that of the State of North Carolina (1.22%) and the United States (1.20%) for the period 2011 through 2017.

TABLE III-9
Income Per Capita

County	Historical					Average Annual Growth Rate 2007-2011	Projected	
	2007	2008	2009	2010	2011		2017	Average Annual Growth Rate 2011-2017
Mecklenburg	\$43,696	\$41,504	\$38,881	\$38,001	\$38,565	-3.07%	\$41,833	1.36%
Air Service Area	\$35,332	\$33,974	\$32,433	\$31,850	\$32,260	-2.25%	\$34,643	1.19%
North Carolina	\$33,028	\$32,321	\$31,532	\$31,268	\$31,672	-1.04%	\$34,058	1.22%
United States	\$37,316	\$36,829	\$35,821	\$35,336	\$35,828	-1.01%	\$38,478	1.20%
Source: Woods & Poole Economics Compiled by: Newton & Associates, Inc.						September 20, 2011 c:\...\clt\Section III Tables v9 091911 dnz		

5. Retail Sales

According to Woods & Poole Economics, and as depicted on **Table III-10** and **Figure III-5**, retail sales in the Air Service Area increased slightly from over \$32.2 billion in 2007 to an estimated \$33.3 billion in 2011, an average annual increase of 0.89%. This increase in retail sales was greater than the State of North Carolina (0.30%) and the United States (-0.31%) during the same period. Table III-10 summarizes the historical trend in retail sales in the Air Service Area, the State of North Carolina and the United States for the Study Period.

6. Retail Sales Projection

According to the same source, retail sales in the Air Service Area are projected to increase over the Forecast Period of 2011 to 2017 at a rate of 2.44%. This projected rate of growth in retail sales in the Air Service Area is greater than that projected for the State of North Carolina (1.98%) and the United States (1.61%).

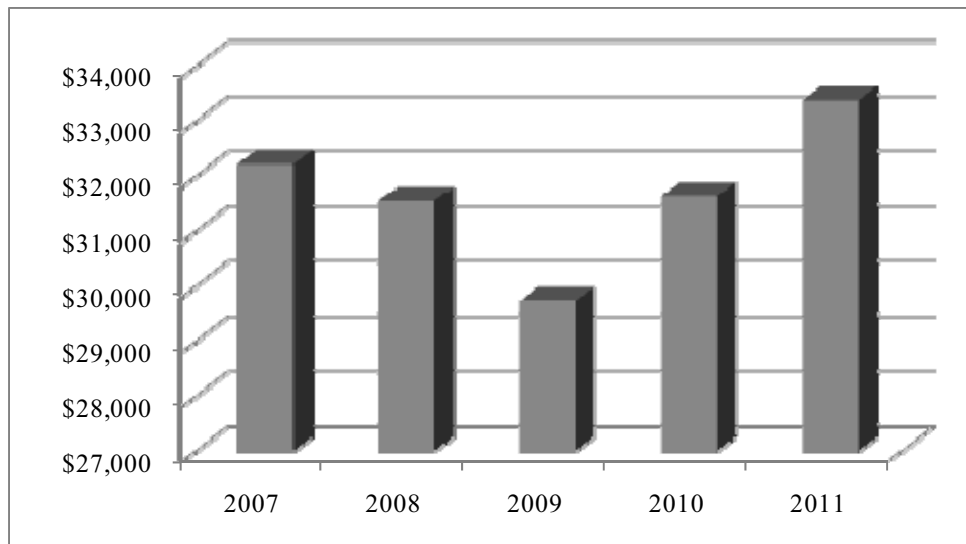
**TABLE III-10
Total Retail Sales
(Millions)**

County	Historical					Average Annual Growth Rate 2007-2011	Projected	
	2007	2008	2009	2010	2011		2017	Average Annual Growth Rate 2011-2017
Mecklenburg	\$15,972.36	\$15,649.78	\$14,794.56	\$15,758.33	\$16,644.28	1.04%	\$19,349.90	2.54%
Air Service Area	\$32,218.87	\$31,551.41	\$29,740.86	\$31,639.27	\$33,378.52	0.89%	\$38,563.13	2.44%
North Carolina	\$123,548.70	\$119,968.00	\$112,550.60	\$119,117.40	\$125,039.50	0.30%	\$140,657.60	1.98%
United States	\$4,109,239.00	\$3,947,379.00	\$3,682,032.00	\$3,880,980.00	\$4,057,731.00	-0.31%	\$4,465,222.00	1.61%

Source: Woods & Poole Economics
Compiled by: Newton & Associates, Inc.

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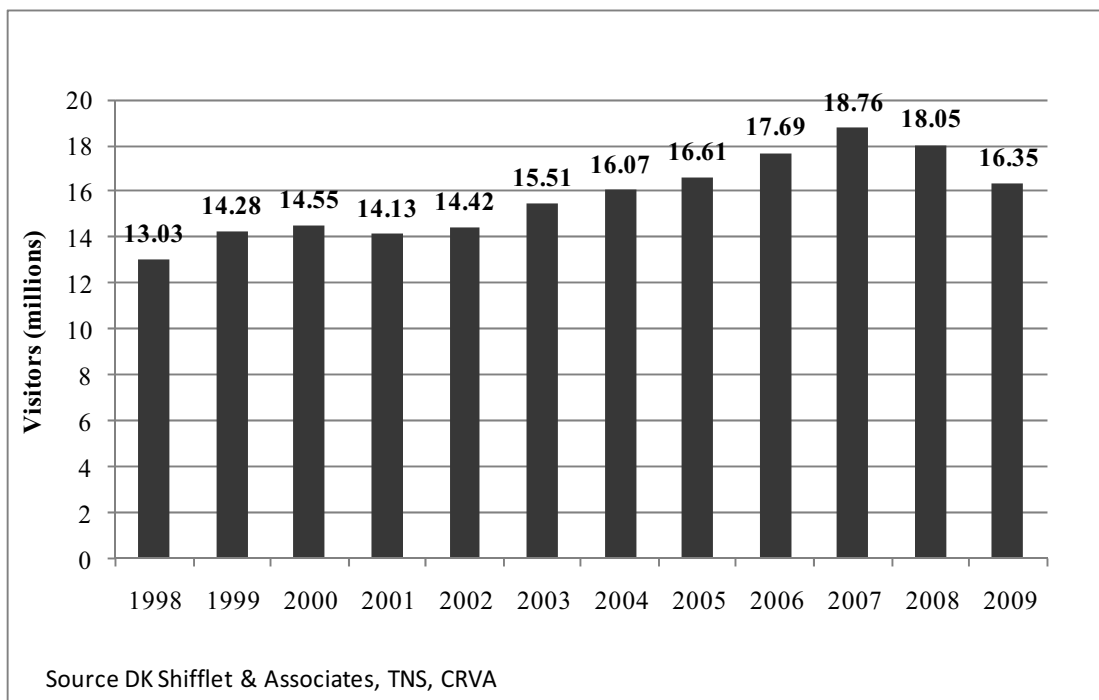
**FIGURE III-5
ASA Retail Sales
(Millions)**



E. AIR SERVICE AREA VISITORS AND TOURISM

Visitor demand is dependent on the size and strengths of the economic base of the Air service Area, tourism, and convention activity, among other things. The Charlotte Regional Visitors Authority (“CRVA”) publishes estimates¹⁷ of total visitors and spending for the Charlotte Metropolitan Statistical Area (“MSA”).¹⁸ According to the CRVA, the MSA attracted 16.35 million visitors in 2009 which was greater than 13.03 million visitors in 1998, but down from a high of 18.76 million visitors in 2007. The estimated visitors to the Charlotte MSA are depicted on **Figure III-6**.

FIGURE III-6
Charlotte MSA Visitors

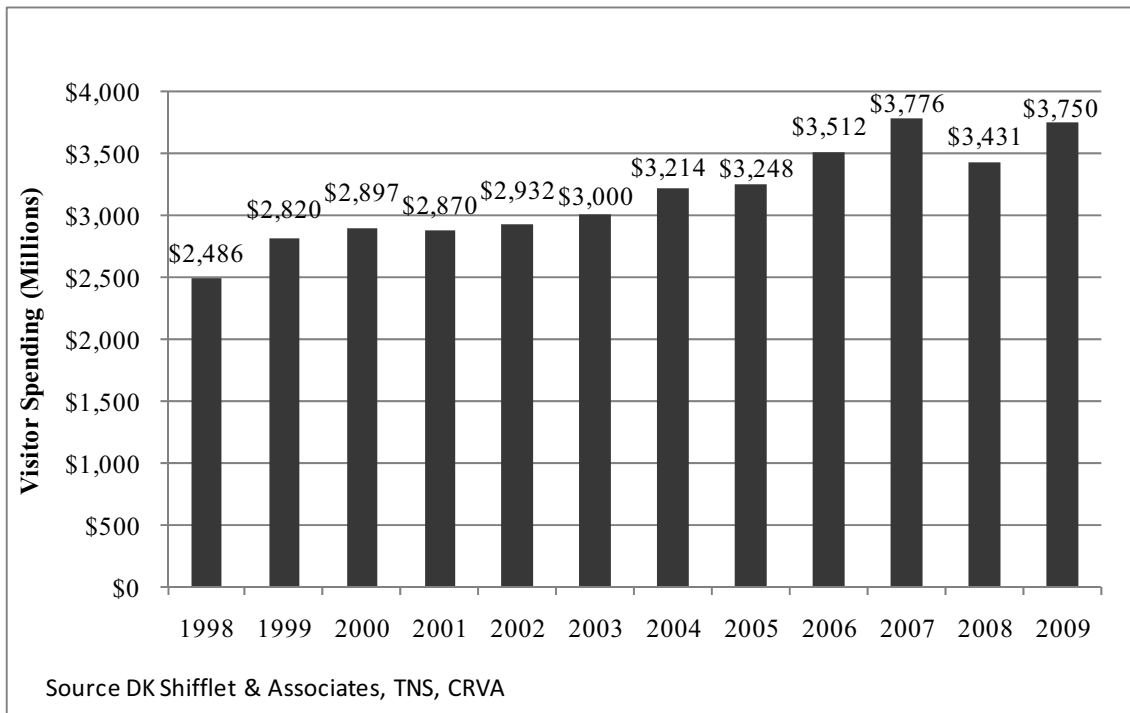


According to the CRVA, visitors to the Charlotte MSA spent approximately \$3.75 billion in 2009, an increase of 9.3% over spending in 2008. Total visitor spending from 1998 through 2009 is provided on **Figure III-7**.

¹⁷ Estimates compiled by DK Shifflet & Associates, TNS, CRVA

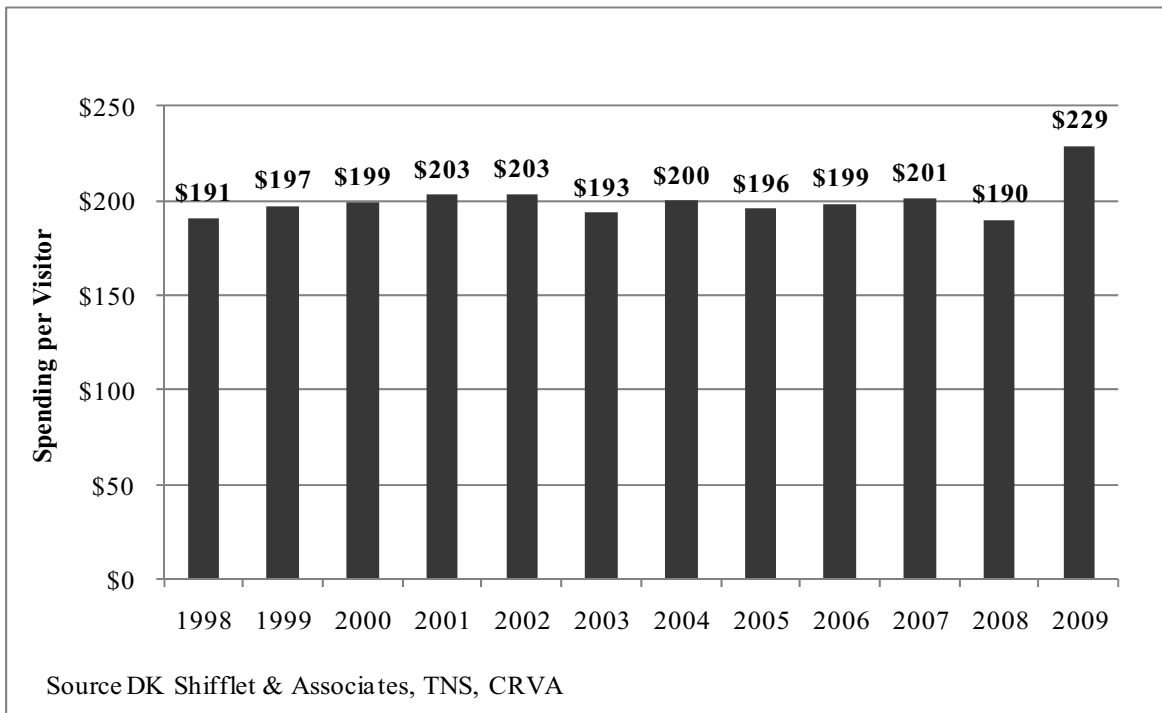
¹⁸ The Charlotte MSA used by the CRVA for this purpose includes Anson, Cabarrus, Gaston, Mecklenburg, Union and York, SC. These counties represent approximately 74.6% of the entire Air Service Area as defined in the Report.

FIGURE III-7
Charlotte MSA Total Visitor Spending



As depicted on **Figure III-8**, spending per visitor remained relatively flat from 1998 through 2008, varying from a low of \$191 to a high of \$203 over the period. Average spending per visitor increased to a high of \$229 in 2009, which was 20.7% higher than per visitor spending in the prior year.

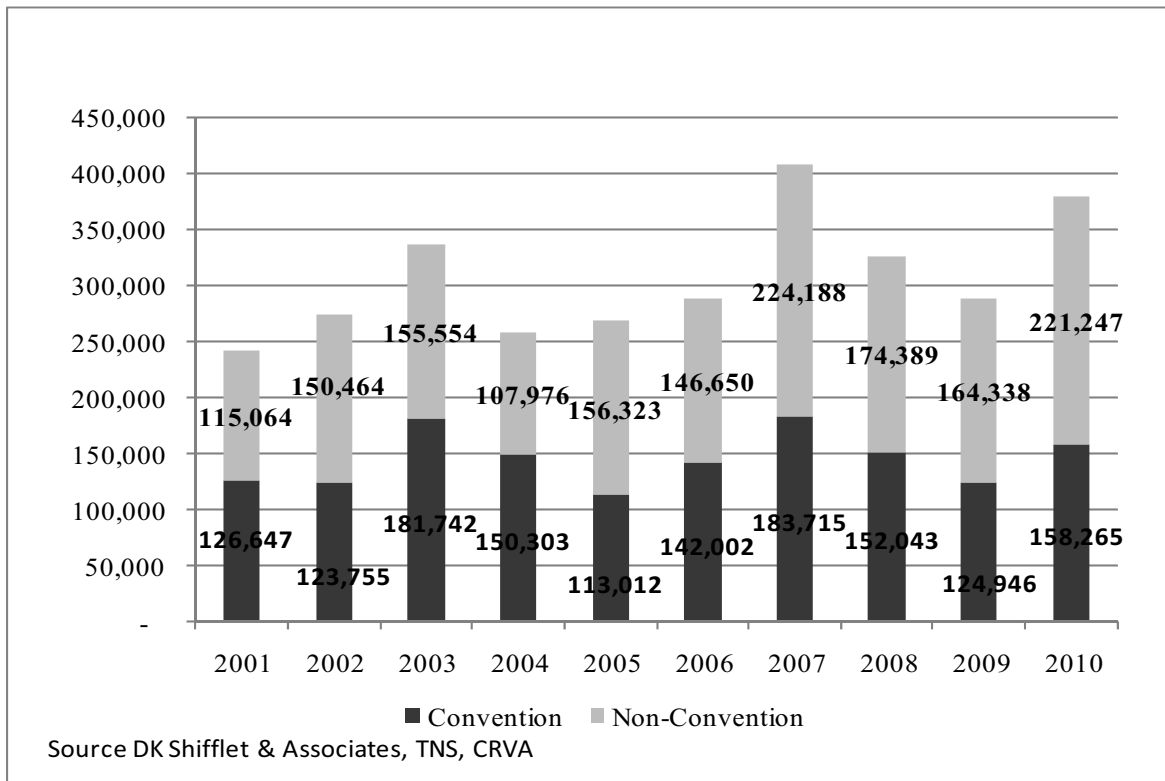
FIGURE III-8
Charlotte MSA Spending Per Visitor



Another indicator of visitor activity is local hotel room demand. As depicted on **Figure III-9**, total hotel rooms booked and consumed by the CRVA¹⁹ have fluctuated from 2001 through 2010. Total CRVA booked and consumed hotel rooms decreased from a high of 407,903 in 2007 to 326,432 in 2008 and 289,284 in 2009. Hotel rooms booked by the CRVA increased by 31.2% in 2010 to 379,512 in 2010, which is the second highest level over the ten-year period.

¹⁹ The Charlotte Regional Visitors Authority is responsible for the marketing and management of the City of Charlotte's public assembly facilities such as Bojangles' Coliseum, Charlotte Convention Center, NASCAR Hall of Fame, Ovens Auditorium and Time Warner Cable Arena.

**FIGURE III-9
CRVA Booked Room Nights**



According to the CRVA, Charlotte market occupancy rate was 66.8% in June 2011, up 9.8% from June 2010. Occupancy was up 5% in both North Carolina and the United States for the same period. The June 2011 occupancy rate increase marks 18 consecutive months of occupancy increases in the Charlotte market. Year-to-date hotel occupancy is 61.8%, up 7.3% from the same period last year. June's 66.8% is the highest monthly occupancy in the market since April of 2008 (70.2%).

Charlotte room demand totaled 649,945 for the month of June, up 11.5% from June 2010. Year to date, Charlotte room demand is up 9.2% from the same period of 2010. By comparison, year to date demand is up 5.8% in the US and up 6.2% in NC. June 2011 makes 20 straight months of improved demand in the Charlotte market. It also marks the 4th straight month of 600,000 plus rooms sold.

According to the CRVA the economic impact of tourism in Mecklenburg County grew by 12.21 percent in 2010, with visitors spending over \$3.7 billion. Of the 100 counties in North Carolina, only 3 counties experienced visitor spending in excess of \$1 billion: Mecklenburg (\$3.7 billion), Wake County (\$1.5 billion) and Guilford County (\$1.0 billion).

Over the calendar year period 2007 to 2011, the Charlotte Convention Center will have hosted approximately 125 tradeshow and conventions. As of August 3, 2011, the Charlotte Convention Center has bookings for 52 future tradeshow and conventions for the calendar year period 2012

to 2014. Along with these upcoming events, the Democratic National Convention will convene in Charlotte in September 2012 (at the Time Warner Arena) and is expected to draw more than 30,000 media, delegate and special guests. It is estimated that this convention alone will have an estimated economic impact of \$150 million to \$200 million.

F. SUMMARY

Population

Population in the Air Service Area has experienced stronger growth during the Study Period compared to the State of North Carolina and the United States (2.17%, 1.56% and 0.93% respectively). Growth in Population is expected to continue in the Forecast Period at rates greater than that of North Carolina and the United States.

Employment

Employment in the Air Service Area decreased during the Study Period by 1.65% and Labor Force in the Air Service Area has increased during the Study Period at a rate greater than that of the State of North Carolina but less than the United States. The unemployment rate in the Air Service Area increased to 11.45%. The Air Service Area benefits from a diverse employment (as depicted on Table III-5) which safeguards the overall economic strength of the Air Service Area against an industry specific downturn. Three industry sectors experienced positive growth during the Study Period and all industry sectors are expected to have positive growth through the Forecast Period. Those industry sectors that experienced a decline in employment are expected to rebound over the Forecast Period.

Income

Personal Income in the Air Service Area has declined along with the United States over the Study Period (0.12% and 0.09% respectively) while the State of North Carolina saw a slight increase of 0.50%. While Income Per Capita declined in the Air Service Area greater than that of the State of North Carolina and the United States, it is expected to grow at rates comparable to the State of North Carolina and the United States during the Forecast Period.

Retail Sales

Retail Sales in the Air Service Area outpaced that of the State of North Carolina and the United States during the Study Period. Mecklenburg County Retail Sales reduced at a modest rate of 0.11%, a full percentage point better than that of the State of North Carolina and approximately 2.0% over the United States. Retail Sales for Mecklenburg County and the Air Service Area are projected to grow during the Forecast Period at rates that compare favorably with the State of North Carolina and the United States.

Visitors/Tourism

Visitors and tourism had an economic impact of \$3.7 billion in local spending for 2011 representing a 12.21% increase over 2010. Room demand for June 2011 was up 11.5% over June 2010 and the June 2011 occupancy rate was up 9.8% over June 2010. Spending per visitor increased to a high of \$229 in 2009, which was 20.7% higher than the per visitor spending in the prior year.

Conclusion

Notwithstanding the current challenges in the local economy stemming from the recession that began in 2007, the data set forth in this Section indicates that the economic base of the Air Service Area is a stable component of the economy in North Carolina and the United States and NAI believes it is reasonable to expect that the Air Service Area's economy will remain stable and continue to generate demand for air service at the Airport during the Forecast Period.

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IV. AIR TRAFFIC ANALYSIS

The Airport is defined as a large-hub airport under the FAA enplanement criteria,²⁰ serves as the largest jet hub in terms of total jet operations within the US Airways airport system and in calendar year (“CY”) 2010 was ranked as the 11th largest airport in the United States in terms of enplaned passengers.²¹ As shown in **Table IV-1**, the growth of enplanements at the Airport (6.9%) surpassed all other large-hub airports in the United States from CY 2004 to CY 2010. The Airport was ranked as the 19th and 16th largest large-hub airport based on CY 2004 and CY 2007 enplanement levels, respectively.

TABLE IV-1
Large Hub Enplanement Rankings – CY 2010

2010 Rank	City (Airport)	CY 2004 Enplanements	CY 2007 Enplanements	CY 2010 Enplanements	Average Annual Growth Rate		
					2004-2007	2007-2010	2004-2010
1	Atlanta Hartsfield International	41,123,857	43,236,665	43,130,585	1.7%	-0.1%	0.8%
2	Chicago O'Hare International	36,100,147	36,521,585	32,171,831	0.4%	-4.1%	-1.9%
3	Los Angeles International	28,925,341	30,113,985	28,824,234	1.4%	-1.4%	-0.1%
4	Dallas/Fort Worth	28,063,035	28,482,417	27,100,656	0.5%	-1.6%	-0.6%
5	Denver International	20,407,002	24,117,623	25,241,944	5.7%	1.5%	3.6%
6	New York - JFK International	18,586,863	23,401,351	22,927,237	8.0%	-0.7%	3.6%
7	Houston - George Bush Internatioal	17,322,065	20,767,144	19,528,627	6.2%	-2.0%	2.0%
8	San Francisco International	15,605,822	17,280,328	19,359,003	3.5%	3.9%	3.7%
9	Las Vegas International	19,943,025	22,537,950	18,980,578	4.2%	-5.6%	-0.8%
10	Phoenix International	19,336,099	20,796,173	18,897,171	2.5%	-3.1%	-0.4%
11	Charlotte/Douglas International	12,499,476	16,584,780	18,629,181	9.9%	4.0%	6.9%
12	Miami International	14,515,591	16,194,162	17,017,754	3.7%	1.7%	2.7%
13	Orlando International	15,270,347	17,614,679	17,017,491	4.9%	-1.1%	1.8%
14	Newark Liberty International	15,827,675	18,163,652	16,571,654	4.7%	-3.0%	0.8%
15	Detroit - Metropolitan Wayne County	17,046,176	17,495,135	15,643,890	0.9%	-3.7%	-1.4%
16	Minneapolis-St. Paul Intl	17,482,627	16,962,563	15,512,487	-1.0%	-2.9%	-2.0%
17	Seattle - Tacoma International	14,092,285	15,419,116	15,406,243	3.0%	0.0%	1.5%
18	Philadelphia International	13,824,332	15,656,653	14,951,254	4.2%	-1.5%	1.3%
19	General Edward Lawrence Logan Intl	12,758,020	13,783,297	13,561,806	2.6%	-0.5%	1.0%
20	New York - La Guardia	12,312,561	12,529,890	12,001,501	0.6%	-1.4%	-0.4%
21	Washington DC - Dulles International	10,961,614	11,789,441	11,276,476	2.5%	-1.5%	0.5%
22	Baltimore-Washington International	10,103,563	10,487,789	10,848,625	1.3%	1.1%	1.2%
23	Fort Lauderdale International	10,040,598	11,079,250	10,829,810	3.3%	-0.8%	1.3%
24	Salt Lake City International	8,884,880	10,560,906	9,910,492	5.9%	-2.1%	1.8%
25	Honolulu International	9,579,076	10,393,929	8,740,077	2.8%	-5.6%	-1.5%
26	Washington DC - Ronald Regan	7,661,532	9,038,174	8,736,804	5.7%	-1.1%	2.2%
27	Chicago - Midway International	9,238,592	9,132,836	8,518,957	-0.4%	-2.3%	-1.3%
28	San Diego International	8,135,832	9,138,116	8,429,844	3.9%	-2.7%	0.6%
29	Tampa International	8,436,025	9,306,036	8,137,222	3.3%	-4.4%	-0.6%
30	Cincinnati/Northern Kentucky Intl ¹	10,864,547	7,728,069	N/A	-10.7%	N/A	N/A
Large Hubs		484,948,605	526,313,694	497,903,434	2.8%	-1.8%	0.4%

¹ Cincinnati/Northern Kentucky was no longer a large hub airport after CY 2007

Source: FAA ACAIS Database
Compiled by: Newton & Associates, Inc.

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²⁰ A large hub airport is defined by the FAA as enplaning at least 1% of the total number of U.S. passenger enplanements

²¹ FAA rankings, ACAIS Database calendar years ending December 31, 2004, 2007 and 2010

This Section of the Report describes the importance of air traffic at the Airport, level of existing scheduled passenger airline service, existing and projected air traffic at the Airport and other factors that may affect the future demand for air service at the Airport.

A. IMPORTANCE OF AIR TRAFFIC

The principal determinant of a commercial airport's ability to be financially self-sufficient is the passenger demand for air service at that airport. Demand for air service at an airport translates directly into airline activity and airport revenues. Airlines pay landing fees, terminal rentals and other user fees for the right to enplane and deplane passengers and process baggage. Passengers spend money to park and rent automobiles, and to purchase food, beverages and merchandise from the Airport concessionaires. It is a combination of these airline revenues and other non-airline revenues the concessionaires remit to the Airport based on expenditures made by the passengers, that comprise the majority of the Airport Revenues that are pledged to the payment of operating expenses and debt service under the Bond Order and are the sole revenues considered in the test of feasibility. Because of this relationship between passengers and Airport revenues, the future financial strength of the Airport will depend in large measure upon the future demand for passenger air service at the Airport. This, in turn, will depend upon the continued growth of economic activity in the Air Service Area and the ability of the Airport to provide adequate facilities to meet the air transportation demands of the traveling public, among other considerations.

In Section III of this Report, Economic Base of the Air Service Area, the Air Service Area was described geographically and in terms of certain historical and projected socioeconomic indicators such as population, employment, major industry sectors, income per capita and retail sales. NAI's analysis of this information suggests that the Air Service Area is a healthy and growing part of the State of North Carolina and the United States and will continue to support demand for air service at the Airport. The analysis contained in this section of the Report is important in assessing the future demand for air service at the Airport. This section concludes with NAI's findings in this regard and sets forth a forecast of passenger air traffic at the Airport over the Forecast Period.

B. LEVEL OF EXISTING SCHEDULED PASSENGER AIRLINE SERVICE

During FY 2011, the last year of the Study Period, the Airport had scheduled passenger service provided by 22 U.S. scheduled passenger air carriers, including seven mainline/airlines, 15 regional airlines and various charter airlines provided passenger service at the Airport.²² In addition, two foreign flag carriers provided scheduled passenger service to the Airport.

²² For the purposes of this Report, a mainline airline is one that operates its flights with its main operating unit rather than with its regional affiliated, subsidiary or code sharing airlines.

The airlines providing scheduled passenger air service at the Airport as of July 2011 are presented in **Table IV-2.**²³

TABLE IV-2
Airlines Serving the Airport

<u>MAINLINE (7)</u>	
Airtran Airways	
American Airlines	
Continental Airlines	
Delta Air Lines	
JetBlue Airways	
US Airways	
United Airlines	
<u>REGIONAL (15)</u>	<u>Doing/Business/As</u>
Air Wisconsin	US Airways Express
American Eagle	American Connection
Atlantic Southeast Airlines	The Delta Connection
Chautauqua Airlines	Continental Express, The Delta Connection, and US Airways Express
Comair	The Delta Connection
Compass Airlines	The Delta Connection
Express Jet	Continental Express and United Express
Mesa Airlines	US Airways Express and United Express
Mesaba Airlines	The Delta Connection
PSA Airlines	US Airways Express
Piedmont Airlines	US Airways Express
Pinnacle Airlines	The Delta Connection
Republic Airlines	US Airways Express
Shuttle America	The Delta Connection
Skywest Airways	United Express
<u>FOREIGN FLAG</u>	
Air Canada Jazz/Jazz Air Inc.	
Lufthansa German Airlines	
Source: Charlotte Douglass International Airport	
Compiled by: Newton & Associates, Inc.	
September 20, 2011	
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²³ Airline mergers and acquisitions are discussed later in this Section. For the purpose of the this report, historical information from airlines that have merged and are operating under one operating certificate issued by the FAA (US Airways/America West and Delta/Northwest) are combined and shown as the surviving entity's air traffic. Mergers that have occurred but have not consolidated their operations and continue to operate as separate entities as of the date of this Report (Southwest/AirTran and United/Continental mergers) are depicted as separate airlines.

1. Domestic Air Service

As previously presented in Table IV-2, 22 U.S. airlines provided scheduled air service to the Airport in FY 2011. Generally, the mainline air carriers provide service to their origin and destination passenger markets to and from their hub airports. This mainline service is supplemented by service from regional affiliate airlines to provide the Airport with service to markets that do not justify mainline jet service or to provide service to its hub airports during non-peak times at the Airport.

Each of the regional airlines serving the Airport has a code-sharing arrangement with a mainline carrier which may or may not be currently operating at the Airport.²⁴ As of July 2011, 15 regional airlines provided scheduled air service to the Airport. The following summarizes domestic service provided by mainline U.S. air carriers and the code sharing affiliates as of July 1, 2011.

- US Airways has been the dominant /mainline air carrier serving the Airport since its merger with Piedmont Airlines in 1989. US Airways provides approximately 256 daily non-stop jet departures from the Airport to 92 destinations across the continental United States. Six regional airlines are doing business as (“d/b/a”) US Airways Express. Piedmont Airlines, Inc. and PSA Airlines, Inc. are wholly owned subsidiaries of the US Airways Group, Inc. (parent company of US Airways). Mesa Airlines, Inc., Republic Airlines and its subsidiaries Chautauqua Airlines and Air Wisconsin are independently-owned airlines that have operating arrangements with US Airways and operate under the US Airways Express brand and livery. As of July 2011, the airlines d/b/a US Airways Express collectively provide approximately 370 daily non-stop departures using a combination of regional jet and turboprop aircraft to approximately 80 destinations.
- AirTran Airways provides three non-stop jet departures to its hub at Atlanta Hartsfield International Airport and two departures to Baltimore Washington International Airport.
- American Airlines provides seven daily non-stop jet departures to its hub in Dallas/Ft. Worth. American Eagle provides five daily non-stop flights to the American Airlines’ hub in Chicago (O’Hare International Airport), five non-stop daily departures to LaGuardia International Airport and four daily non-stop departures to Miami International Airport on regional jet aircraft.
- Continental Airlines provides one daily departure to its hub at New York Newark Liberty International Airport and two departures to its hub at Houston – George Bush International. ExpressJet, d/b/a Continental Express, provides the Airport with two daily non-stop departures to the Continental hub in Newark, four daily non-stop departures to Houston and two daily non-stop departures to its hub at Cleveland Hopkins International

²⁴ Regional code-sharing affiliated airlines include regional airlines wholly or partially owned by a major airline or independent regional airlines that have operating agreements with major airlines to feed passengers into major airline hub operations.

Airport, all on regional jet aircraft. SkyWest Airlines also provides two daily departures to Cleveland for Continental Express.

- Delta Air Lines provides 10 daily non-stop jet departures to its hub in Atlanta, one non-stop jet departure to its hub in Detroit and two non-stop jet departures to its hub in Minneapolis/St. Paul. Compass Airlines provides two non-stop departures to Delta's hub at Minneapolis/St. Paul International Airport and one to Greater Cincinnati/Northern Kentucky International Airport. Comair and Pinnacle each provide one non-stop departure to Delta's hub in Cincinnati. Pinnacle Airlines and Chautauqua Airlines provide three daily departures and one daily departure, respectively, to John F. Kennedy International Airport. Atlantic Southeast Airlines provides two daily non-stop flights to Memphis and two to Detroit. Mesaba Airlines operates one departure per day to Delta's hub in Detroit.
- JetBlue Airways provides two daily departures to John F. Kennedy International Airport in New York and two daily departures to Boston Logan International Airport.
- United Airlines provides the Airport with one daily non-stop jet departure to its hub in Chicago (O'Hare International Airport). Mesa Airlines d/b/a United Express provides three daily departures to O'Hare International Airport and one daily departure to Washington Dulles International Airport. ExpressJet Airlines d/b/a United Express provides one daily departure to O'Hare and three daily, non-stop departures to Washington Dulles. SkyWest Airlines d/b/a United Express provides one daily departure to George Bush Intercontinental Airport in Houston.

2. International Air Service

US Airways provides international air service at the Airport with non-stop jet service to London; Frankfurt; Dublin; Madrid; Ottawa; Paris; Rio de Janeiro; Rome; Toronto; Bermuda, Cancun, Cozumel; Mexico City; San Jose; Belize City; and other destinations in the Caribbean. US Airways will add Sao Paulo to its international destination cities in 2012. Lufthansa provides one daily non-stop departure to its hub in Munich. Air Canada provides two daily departures on regional jet aircraft to Toronto from the Airport.

C. HISTORICAL PASSENGER TRAFFIC

An analysis of the Airport's historical passenger activity is a useful guide in projecting future levels of passenger activity. NAI has studied historical passenger traffic at the Airport from CY 1992 through CY 2010. Airport enplanements are passengers who board aircraft at the Airport and deplanements are passengers who disembark aircraft at the Airport.

Table IV-3 depicts domestic and international passenger activity (enplanements and deplanements) at the Airport and enplanement activity for the United States from CY 1992 through CY 2010.

TABLE IV-3
Domestic and International Passenger Traffic

Calendar Year	DOMESTIC				INTERNATIONAL				Airport Total Passenger Traffic
	Airport Enplaned	Airport Deplaned	Airport Total	United States Revenue Enplaned ¹	Airport Enplaned	Airport Deplaned	Airport Total	United States Revenue Enplaned ¹	
1992	8,955,842	8,967,753	17,923,595	464,700,000	174,121	177,623	351,744	42,600,000	18,275,339
1993	8,534,806	8,516,470	17,051,276	470,400,000	156,313	154,688	311,001	45,200,000	17,362,277
1994	10,234,053	10,208,921	20,442,974	511,300,000	153,840	154,814	308,654	46,300,000	20,751,628
1995	10,236,361	10,258,498	20,494,859	531,100,000	221,976	224,713	446,689	48,600,000	20,941,548
1996	10,671,466	10,709,860	21,381,326	558,100,000	235,975	232,578	468,553	50,000,000	21,849,879
1997	11,098,625	11,144,767	22,243,392	578,300,000	274,682	280,416	555,098	52,300,000	22,798,490
1998	11,149,140	11,208,200	22,357,340	590,400,000	296,710	297,586	594,296	54,200,000	22,951,636
1999	10,343,286	10,402,549	20,745,835	610,900,000	340,975	354,982	695,957	54,900,000	21,441,792
2000	11,008,692	11,059,676	22,068,368	641,200,000	490,102	515,424	1,005,526	56,400,000	23,073,894
2001	11,053,718	11,094,793	22,148,511	625,800,000	503,340	525,704	1,029,044	56,700,000	23,177,555
2002	11,267,190	11,301,340	22,568,530	575,100,000	516,843	512,553	1,029,396	51,200,000	23,597,926
2003	10,837,932	10,879,865	21,717,797	587,800,000	673,533	671,240	1,344,773	53,300,000	23,062,570
2004	11,906,161	11,920,963	23,827,124	628,500,000	848,381	867,869	1,716,250	60,500,000	25,543,374
2005	13,141,596	13,172,032	26,313,628	669,500,000	942,425	949,999	1,892,424	67,400,000	28,206,052
2006	13,837,000	13,868,461	27,705,461	668,400,000	991,149	997,339	1,988,488	71,600,000	29,693,949
2007	15,548,937	15,579,845	31,128,782	690,100,000	1,019,652	1,017,254	2,036,906	75,300,000	33,165,688
2008	16,263,609	16,299,138	32,562,747	680,700,000	1,094,384	1,081,889	2,176,273	78,300,000	34,739,020
2009	16,156,630	16,201,951	32,358,581	630,800,000	1,089,964	1,088,121	2,178,085	73,600,000	34,536,666
2010	17,856,279	17,922,835	35,779,114	635,300,000 ²	1,240,684	1,234,409	2,475,093	77,400,000	38,254,207
Average Annual Growth Rates:									
1992-2010	3.9%	3.9%	3.9%	1.8%	11.5%	11.4%	11.4%	3.4%	4.2%
1999-2010	5.1%	5.1%	5.1%	0.4%	12.5%	12.0%	12.2%	3.2%	5.4%
2002-2010	5.9%	5.9%	5.9%	1.3%	11.6%	11.6%	11.6%	5.3%	6.2%
¹ Federal Aviation Administration - Aerospace Forecasts, Federal Fiscal Year ending September 30 each year.									
² Estimated based on FAA - Aerospace Forecasts, Fiscal Years 2011 - 2031, February 2, 2011.									
Source: Charlotte Douglas International Airport Compiled by Newton & Associates, Inc.									
September 20, 2011 c:\...\\2011 GARBS Section IV Tables ver 0.2									

As shown in Table IV-3, total domestic enplaned passengers at the Airport have grown from approximately 9.0 million in CY 1992 to 17.9 million in CY 2010, which represents an average annual growth rate of 3.9% and surpasses the growth in total U.S. domestic enplaned passengers of 1.8% during the same time period. From CY 1999 through CY 2010, the total number of domestic enplaned passengers at the Airport grew at an average annual growth rate of 5.1%, surpassing the growth of domestic enplanements in the United States of 0.4% during this same time period. Domestic enplanements at the Airport for the first six months of CY 2011 are 6.7% greater than the first six months of CY 2010.

Total international enplaned passengers at the Airport have grown from 174,121 in CY 1992 to 1.2 million in CY 2010, representing an average annual growth rate of 11.5%, which is greater

than the 3.4% average annual growth in the total number of international enplaned passengers in the United States over the same time period. From CY 1999 through CY 2010, the total number of international enplaned passengers at the Airport grew at an average annual growth rate of 12.5%. International enplanements were 7.5% higher for the first six months of CY 2011 compared to the same time period at the Airport CY 2010.

Total Airport passengers (enplaned and deplaned) grew at an average annual growth rate of 4.2% from CY 1992 through CY 2010 and 6.2% from CY 2002 through CY 2010.

There are three general types of Airport passengers: origin and destination (“O&D”), connecting, and through. O&D enplaned passengers include those passengers whose trips begin or end at the Airport. It is these passengers who reflect the local demand for air service at the Airport. Local demand for air service translates into airline activity and Airport Revenue. These passengers spend money to park and rent automobiles and purchase food, beverages and merchandise from Airport concessionaires, generating additional Airport Revenues.

The demand for O&D passengers is based on the strength of the Air Service Area. As depicted on **Table IV-4**, the estimated number of total O&D passenger enplanements at the Airport grew from 3.0 million in FY 1999 to 5.0 million in FY 2011, representing an average annual growth rate of 4.4%. From FY 2002 through FY 2011, total O&D passenger enplanements at the Airport have increased at an average annual rate of 7.8%. O&D passenger enplanements represented 25.4% of total enplanements at the Airport in FY 2011. Total O&D enplanements in FY 2011 rebounded from a decrease in FY 2009 caused primarily as a result of the recession in the US Economy and capacity cuts by airlines serving the Airport.²⁵ Total O&D enplanements during this time period have increased by 5.2%, representing in excess of 480,000 O&D enplanements.

²⁵ See Factors Affecting Future Air Traffic contained herein.

TABLE IV-4
Total Passenger Enplanement Traffic

Fiscal Year	Total Airport Enplanements					Total United States Enplanements ⁴	Total CLT Enplanements as Percentage of United States
	Originating ¹	Percent of Total	Connecting ²	Percent of Total	Total ³		
1999	2,986,180	26.8%	8,149,929	73.2%	11,136,109	665,800,000	1.67%
2000	3,086,320	28.5%	7,737,822	71.5%	10,824,142	697,600,000	1.55%
2001	3,073,490	25.7%	8,886,245	74.3%	11,959,735	682,500,000	1.75%
2002	2,550,040	22.2%	8,912,708	77.8%	11,462,748	626,300,000	1.83%
2003	2,830,760	25.1%	8,457,933	74.9%	11,288,693	641,100,000	1.76%
2004	3,043,580	25.0%	9,122,873	75.0%	12,166,453	689,000,000	1.77%
2005	3,595,120	26.5%	9,950,937	73.5%	13,546,057	736,900,000	1.84%
2006	4,106,020	28.8%	10,143,073	71.2%	14,249,093	740,000,000	1.93%
2007	4,788,700	30.5%	10,923,295	69.5%	15,711,995	765,400,000	2.05%
2008	4,932,010	29.0%	12,091,050	71.0%	17,023,060	759,000,000	2.24%
2009	4,517,040	26.1%	12,787,971	73.9%	17,305,011	704,400,000	2.46%
2010	4,697,900	26.5%	13,026,990	73.5%	17,724,890	712,700,000	2.49%
2011	4,999,894	25.4%	14,710,872	74.6%	19,710,766	737,400,000	2.67%
Average Annual Growth Rates:							
1999-2011	4.4%		5.0%		4.9%	0.9%	
2002-2011	7.8%		5.7%		6.2%	1.8%	
2007-2011	1.1%		7.7%		5.8%	-0.9%	
¹ US DOT Origin & Destination Survey of Airline Passenger Traffic							
² Estimated by NAI based on Airport Records							
³ Charlotte Douglas International Airport							
⁴ Estimated 2011 enplanements based on FAA - Aerospace Forecasts, Fiscal Years 2011 - 2031, February 2, 2011.							
<div> <div>Compiled by Newton & Associates, Inc.</div> <div>September 20, 2011</div> <div>c:\...\2011 GARBS Section IV Tables ver 0.2</div> </div>							

Through passengers are those passengers who neither begin nor end their trips at the Airport or connect on another aircraft at the Airport. Rather, through passengers remain on board an aircraft stopped at the Airport. Through passengers are not considered Airport enplanements or deplanements and are generally not relevant to the generation of Airport Revenues, and therefore, will not be included in this Air Traffic Analysis.

Connecting passengers are those passengers whose trips do not begin or end at the Airport, but use the Airport as a point to transfer from one aircraft to another. Connecting passenger enplanements at the Airport are indicative of US Airways hubbing activity. US Airways connecting passenger activity results in additional Airport Revenues, such as food, beverage and merchandise concession purchases. These passengers also pay Passenger Facility Charges at the Airport. They do not, however, contribute to parking or rental car activity at the Airport. US

Airways connecting passenger hub activity also results in additional aircraft operations, increasing the airlines' aircraft landed weight, thereby reducing airline landing fee rates.

As shown in Table IV-4, the estimated number of total connecting passenger enplanements at the Airport has increased from 8.1 million in FY 1999 to 14.7 million in FY 2011, an average annual growth rate of 5.0%. From FY 2002 through FY 2011, connecting passenger enplanements grew at an average annual growth rate of 5.7%. Connecting traffic increased by 7.0% from FY 2005 through FY 2011 and increased by nearly 2.0 million enplanements in FY 2011 over FY 2009, demonstrating the importance of the Airport to the US Airways system.

Also depicted on Table IV-4 is the total number of Airport enplaned passengers as a percentage of the United States total enplanements. As shown, the Airport's percentage of the United States enplanements has fluctuated between FY 1999 and FY 2011. The lowest percentage over the time period was 1.55% in FY 2000 and the highest is estimated as 2.67% in FY 2011.

1. Airline Market Share Enplanements

Table IV-5 depicts passenger enplanements and market share from FY 2007 to FY 2011 for mainline and regional airlines as well as airlines providing the Airport with scheduled international air service.

As shown in Table IV-5, enplanements for mainline airlines increased from 9.2 million in FY 2007 to 11.6 million in FY 2011, representing an average annual growth rate of 6.0%. Regional airline enplanements increased by 5.4% during this same time period, consistent with industry trends of mainline carriers increasing their use of regional airlines.

Enplanements of airlines providing international air service to the Airport increased from 1.0 million in FY 2007 to 1.3 million in FY 2011, representing an average annual growth rate of 6.8%. As shown in Table IV-5, total enplanements at the Airport increased at an average annual growth rate of 5.8% from FY 2007 to FY 2011.

TABLE IV-5
Historical Enplaned Passengers and Market Share

Airline	Actual FY 2007	Market Share	Actual FY 2008	Market Share	Actual FY 2009	Market Share	Actual FY 2010	Market Share	Actual FY 2011	Market Share	Average Annual Growth Rate
DOMESTIC											
MAINLINE											
American Airlines	197,786	1.3%	196,520	1.2%	181,429	1.1%	184,462	1.1%	217,114	1.2%	2.4%
AirTran Airways	273,483	1.9%	291,932	1.8%	222,476	1.4%	200,941	1.2%	166,910	0.9%	-11.6%
Continental Airlines	0	0.0%	5,548	0.0%	59,073	0.4%	112,619	0.7%	92,657	0.5%	NA
Delta Air Lines	528,562	3.6%	614,580	3.9%	522,986	3.2%	426,683	2.6%	530,778	2.9%	0.1%
JetBlue Airways	120,171	0.8%	143,472	0.9%	156,973	1.0%	171,349	1.0%	170,106	0.9%	9.1%
United Airlines	201,342	1.4%	201,039	1.3%	127,939	0.8%	92,137	0.6%	51,073	0.3%	-29.0%
US Airways	7,839,681	53.3%	8,716,023	54.7%	8,890,383	54.8%	9,124,486	55.0%	10,329,321	56.1%	7.1%
Subtotal Major	9,161,025	62.2%	10,169,114	63.8%	10,161,259	62.7%	10,312,677	62.1%	11,557,959	62.7%	6.0%
REGIONAL											
Air Midwest Airlines ³	9,505	0.1%	6,730	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Air Wisconsin ³	371,933	2.5%	223,750	1.4%	230,790	1.4%	409,295	2.5%	814,264	4.4%	21.6%
American Eagle ⁴	182,410	1.2%	182,420	1.1%	98,937	0.6%	116,397	0.7%	174,819	0.9%	-1.1%
Atlantic Southeast Airlines ²	19,468	0.1%	11,974	0.1%	11,502	0.1%	22,950	0.1%	47,631	0.3%	25.1%
Chautauqua Airlines ²	1,447	0.0%	1,116	0.0%	685	0.0%	2,100	0.0%	37,851	0.2%	126.2%
Chautauqua Airlines ³	82,369	0.6%	26,616	0.2%	17,814	0.1%	18,362	0.1%	91,349	0.5%	2.6%
Chautauqua Airlines ⁵	0	0.0%	724	0.0%	4,630	0.0%	1,648	0.0%	0	0.0%	NA
Chautauqua Airlines ⁶	0	0.0%	41,514	0.3%	20,769	0.1%	17,053	0.1%	13,746	0.1%	NA
Comair ²	91,732	0.6%	64,619	0.4%	34,402	0.2%	47,816	0.3%	26,352	0.1%	-26.8%
Compass Airlines ²	0	0.0%	13,306	0.1%	17,743	0.1%	112,938	0.7%	50,728	0.3%	NA
Continental Express ⁵	213,968	1.5%	36,069	0.2%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Express Jet ¹	0	0.0%	0	0.0%	0	0.0%	0	0.0%	13,925	0.1%	NA
Express Jet ²	0	0.0%	159,190	1.0%	213,171	1.3%	163,913	1.0%	140,709	0.8%	NA
Freedom Airlines ²	18,093	0.1%	28,252	0.2%	62,285	0.4%	50,114	0.3%	2,957	0.0%	-36.4%
Mesa Airlines ³	1,436,853	9.8%	1,384,894	8.7%	1,181,954	7.3%	1,174,340	7.1%	1,394,994	7.6%	-0.7%
Mesa Airlines ¹	121,576	0.8%	108,255	0.7%	98,900	0.6%	85,115	0.5%	97,237	0.5%	-5.4%
Mesaba Airlines ²	0	0.0%	0	0.0%	23,872	0.1%	46,249	0.3%	17,026	0.1%	NA
Piedmont Airlines ³	553,245	3.8%	610,114	3.8%	581,363	3.6%	488,733	2.9%	516,078	2.8%	-1.7%
Pinnacle Airlines ⁵	47,482	0.3%	47,905	0.3%	29,192	0.2%	0	0.0%	0	0.0%	-100.0%
Pinnacle Airlines ²	0	0.0%	747	0.0%	14,533	0.1%	26,448	0.2%	36,021	0.2%	NA
PSA Airlines ³	2,270,525	15.4%	2,054,582	12.9%	2,019,375	12.5%	2,107,316	12.7%	2,086,283	11.3%	-2.1%
Republic Airlines ³	84,023	0.6%	711,690	4.5%	1,330,563	8.2%	1,332,549	8.0%	1,267,438	6.9%	97.1%
Shuttle America ¹	10,251	0.1%	0	0.0%	14,721	0.1%	36,092	0.2%	18,103	0.1%	15.3%
Shuttle America ²	7,310	0.0%	487	0.0%	10,238	0.1%	26,340	0.2%	63	0.0%	-69.5%
Shuttle America ⁵	0	0.0%	0	0.0%	0	0.0%	0	0.0%	5,832	0.0%	NA
Skyway Airways/Midwest	0	0.0%	9,601	0.1%	0	0.0%	0	0.0%	0	0.0%	NA
SkyWest ¹	0	0.0%	0	0.0%	0	0.0%	0	0.0%	11,416	0.1%	NA
Trans State Airlines ⁴	30,345	0.2%	41,124	0.3%	35,623	0.2%	0	0.0%	0	0.0%	-100.0%
Subtotal Regional	5,552,535	37.7%	5,765,679	36.2%	6,053,062	37.3%	6,285,768	37.9%	6,864,822	37.3%	5.4%
Domestic Charters	8,351	0.1%	3,136	0.0%	1,666	0.0%	3,059	0.0%	0	0.0%	-100.0%
Subtotal Domestic	14,721,911	100.0%	15,937,929	100.0%	16,215,987	100.0%	16,601,504	100.0%	18,422,781	100.0%	5.8%
INTERNATIONAL											
Air Canada Jazz/Jazz Air, Inc.	18,934	1.9%	18,382	1.7%	16,146	1.5%	15,753	1.4%	16,253	1.3%	-3.7%
Delta Airlines	0	0.0%	0	0.0%	0	0.0%	77	0.0%	0	0.0%	NA
Lufthansa German Airlines	54,981	5.6%	64,934	6.0%	75,761	7.0%	73,125	6.5%	74,292	5.8%	7.8%
US Airways	915,221	92.4%	1,000,441	92.2%	996,967	91.5%	1,034,431	92.1%	1,197,440	93.0%	7.0%
ASIG/Charter	948	0.1%	1,374	0.1%	150	0.0%	0	0.0%	0	0.0%	-100.0%
Subtotal International	990,084	100.0%	1,085,131	100.0%	1,089,024	100.0%	1,123,386	100.0%	1,287,985	100.0%	6.8%
AIRPORT TOTAL	15,711,995	100.0%	17,023,060	100.0%	17,305,011	100.0%	17,724,890	100.0%	19,710,766	100.0%	5.8%
¹ d/b/a United Express ² d/b/a The Delta Connection ³ d/b/a US Airways Express ⁴ d/b/a American Connection ⁵ d/b/a Continental Express											
Source: Charlotte Douglas International Airport						September 20, 2011					
Compiled by Newton & Associates, Inc.						c:\na\2011 GARBS Section IV Tables ver 0.4					

Table IV-6 depicts the same passenger enplanements and market share data during the same time period, segregated by the mainline carriers and their respective code sharing affiliate airlines.

TABLE IV-6
Historical Enplaned Passengers and Airline Market Share by Brand

Airline	Actual FY 2007	Market Share	Actual FY 2008	Market Share	Actual FY 2009	Market Share	Actual FY 2010	Market Share	Actual FY 2011	Market Share	Average Annual Growth Rate
US Airways & Affiliates											
US Airways	7,839,681	49.9%	8,716,023	51.2%	8,890,383	51.4%	9,124,486	51.5%	10,329,321	52.4%	7.1%
US Airways-Int'l	915,221	5.8%	1,000,441	5.9%	996,967	5.8%	1,034,431	5.8%	1,197,440	6.1%	7.0%
Air Midwest Airlines	9,505	0.1%	6,730	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Air Wisconsin	371,933	2.4%	223,750	1.3%	230,790	1.3%	409,295	2.3%	814,264	4.1%	21.6%
Chautauqua Airlines	82,369	0.5%	26,616	0.2%	17,814	0.1%	18,362	0.1%	91,349	0.5%	2.6%
Mesa Airlines	1,436,853	9.1%	1,384,894	8.1%	1,181,954	6.8%	1,174,340	6.6%	1,394,994	7.1%	-0.7%
Piedmont Airlines	553,245	3.5%	610,114	3.6%	581,363	3.4%	488,733	2.8%	516,078	2.6%	-1.7%
PSA Airlines	2,270,525	14.5%	2,054,582	12.1%	2,019,375	11.7%	2,107,316	11.9%	2,086,283	10.6%	-2.1%
Republic Airlines	84,023	0.5%	711,690	4.2%	1,330,563	7.7%	1,332,549	7.5%	1,267,438	6.4%	97.1%
Subtotal US Airways	13,563,355	86.3%	14,734,840	86.6%	15,249,209	88.1%	15,689,512	88.5%	17,697,167	89.8%	6.9%
American Airlines											
American Airlines	197,786	1.3%	196,520	1.2%	181,429	1.0%	184,462	1.0%	217,114	1.1%	2.4%
American Eagle	182,410	1.2%	182,420	1.1%	98,937	0.6%	116,397	0.7%	174,819	0.9%	-1.1%
Chautauqua Airlines	0	0.0%	724	0.0%	4,630	0.0%	1,648	0.0%	0	0.0%	NA
Trans State Airlines	30,345	0.2%	41,124	0.2%	35,623	0.2%	0	0.0%	0	0.0%	-100.0%
Subtotal American	410,541	2.6%	420,788	2.5%	320,619	1.9%	302,507	1.7%	391,933	2.0%	-1.2%
Continental Airlines											
Continental Airlines	0	0.0%	5,548	0.0%	59,073	0.3%	112,619	0.6%	92,657	0.5%	NA
Chautauqua Airlines	0	0.0%	41,514	0.2%	20,769	0.1%	17,053	0.1%	13,746	0.1%	NA
Express Jet	213,968	1.4%	195,259	1.1%	213,171	1.2%	163,913	0.9%	140,709	0.7%	-9.9%
Shuttle America	0	0.0%	0	0.0%	0	0.0%	0	0.0%	5,832	0.0%	NA
Subtotal Continental	213,968	1.4%	242,321	1.4%	293,013	1.7%	293,585	1.7%	252,944	1.3%	4.3%
Delta Air Lines (Including former Northwest Airlines)											
Delta Air Lines	532,002	3.4%	614,580	3.6%	524,572	3.0%	426,683	2.4%	530,778	2.7%	-0.1%
Delta Air Lines Intl	0	0.0%	0	0.0%	0	0.0%	77	0.0%	0	0.0%	NA
Atlantic Southeast Airlines	19,468	0.1%	11,974	0.1%	11,502	0.1%	22,950	0.1%	47,631	0.2%	25.1%
Chautauqua Airlines	1,447	0.0%	1,116	0.0%	685	0.0%	2,100	0.0%	37,851	0.2%	126.2%
Comair	91,732	0.6%	64,619	0.4%	34,402	0.2%	47,816	0.3%	26,352	0.1%	-26.8%
Compass Airlines	0	0.0%	13,306	0.1%	17,743	0.1%	112,938	0.6%	50,728	0.3%	NA
Freedom Airlines	18,093	0.1%	28,252	0.2%	62,285	0.4%	50,114	0.3%	2,957	0.0%	-36.4%
Mesaba Airlines	47,482	0.3%	47,905	0.3%	53,064	0.3%	46,249	0.3%	17,026	0.1%	-22.6%
Pinnacle Airlines	0	0.0%	747	0.0%	14,533	0.1%	26,448	0.1%	36,021	0.2%	NA
Shuttle America	7,310	0.0%	487	0.0%	10,238	0.1%	26,340	0.1%	63	0.0%	-69.5%
Subtotal Delta	717,534	4.6%	782,986	4.6%	729,024	4.2%	761,715	4.3%	749,407	3.8%	1.1%
United Airlines											
United Airlines	201,342	1.3%	201,039	1.2%	127,939	0.7%	92,137	0.5%	51,073	0.3%	-29.0%
Express Jet	0	0.0%	0	0.0%	0	0.0%	0	0.0%	13,925	0.1%	NA
Mesa Airlines	121,576	0.8%	108,255	0.6%	98,900	0.6%	85,115	0.5%	97,237	0.5%	-5.4%
Shuttle America	10,251	0.1%	0	0.0%	14,721	0.1%	36,092	0.2%	18,103	0.1%	15.3%
SkyWest	0	0.0%	0	0.0%	0	0.0%	0	0.0%	11,416	0.1%	NA
Subtotal United	333,169	2.1%	309,294	1.8%	241,560	1.4%	213,344	1.2%	191,754	1.0%	-12.9%
Other Domestic											
Airtran Airways	273,483	1.7%	291,932	1.7%	222,476	1.3%	200,941	1.1%	166,910	0.8%	-11.6%
ATA Airlines	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	NA
JetBlue Airways	120,171	0.8%	143,472	0.8%	156,973	0.9%	171,349	1.0%	170,106	0.9%	9.1%
Skyway Airways	0	0.0%	9,601	0.1%	0	0.0%	0	0.0%	0	0.0%	NA
Domestic Charters	4,911	0.0%	3,136	0.0%	112	0.0%	3,059	0.0%	0	0.0%	-100.0%
Subtotal Other Domestic	398,565	2.5%	448,141	2.6%	379,561	2.2%	375,349	2.1%	337,016	1.7%	-4.1%
Other International											
Air Canada/AC Jazz	18,934	0.1%	18,382	0.1%	16,146	0.1%	15,753	0.1%	16,253	0.1%	-3.7%
Lufthansa German Airlines	54,981	0.3%	64,934	0.4%	75,729	0.4%	73,125	0.4%	74,292	0.4%	7.8%
ASIG/Charter	948	0.0%	1,374	0.0%	150	0.0%	0	0.0%	0	0.0%	-100.0%
Subtotal Other Int'l	74,863	0.5%	84,690	0.5%	92,025	0.5%	88,878	0.5%	90,545	0.5%	4.9%
AIRPORT TOTAL	15,711,995	100.0%	17,023,060	100.0%	17,305,011	100.0%	17,724,890	100.0%	19,710,766	100.0%	5.8%
Source: Charlotte Douglas International Airport Compiled by Newton & Associates, Inc.											
September 19, 2011 c:\...2011 CONRAC Section IV V Tables ver 0.5											

Of the scheduled airlines serving the Airport during this period, US Airways, combined with its code-share regional airlines doing business as US Airways Express, enplaned 89.8% of the Airport's total enplanements in FY 2011. US Airways and its regional affiliates' total market share of enplaned passengers has increased from 86.3% in FY 2007.

Combined with its code-share regional airlines, Delta Air Lines is the second largest airline operating at the Airport in terms of total enplaned passengers, boarding nearly 750,000 passengers in FY 2011, representing a market share of 3.8% in FY 2009.

2. Airline Market Share – Available Seats

Table IV-7 depicts domestic and international airline seats provided by mainline carriers and their code sharing affiliate airlines during the Study Period.

As shown in Table IV-7, total seats increased from 21.1 million in FY 2007 to 24.2 million in FY 2011, representing an average annual growth rate of 3.5%. The growth in annual seats is less than the growth of enplanements (5.8%) during this same time period, indicating an increase in load factors for the airlines operating at the Airport consistent with the national trend of airlines increasing the number of enplanements on their aircraft with reduced capacity.

US Airways and its affiliate airlines provided the greatest number of seats at the Airport, increasing from 18.4 million in FY 2007 to 21.5 million in FY 2011. Although US Airways system-wide capacity has decreased over the Study Period, the number of departing seats at the Airport during this time period increased by 4.0%, indicating the importance of the Airport in US Airways strategic plan. Delta Air Lines provided the next highest number of seats at the Airport, representing a market share of 4.2% in FY 2011.

TABLE IV-7
Airline Market Share – Available Departing Seats

Airline	Actual FY 2007	Market Share	Actual FY 2008	Market Share	Actual FY 2009	Market Share	Actual FY 2010	Market Share	Actual FY 2011	Market Share	Average Annual Growth Rate
US Airways & Affiliates											
US Airways	11,649,653	55.3%	12,131,601	55.1%	12,111,208	54.7%	12,152,236	55.0%	13,505,190	55.8%	3.8%
Air Midwest Airlines	19,114	0.1%	17,347	0.1%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Air Wisconsin	527,050	2.5%	303,850	1.4%	309,300	1.4%	528,650	2.4%	1,033,000	4.3%	18.3%
Chautauqua Airlines	118,274	0.6%	36,050	0.2%	23,450	0.1%	23,500	0.1%	116,950	0.5%	-0.3%
Mesa Airlines	1,749,154	8.3%	1,756,034	8.0%	1,483,070	6.7%	1,476,970	6.7%	1,731,094	7.2%	-0.3%
Piedmont Airlines	978,734	4.6%	1,043,809	4.7%	943,855	4.3%	749,988	3.4%	736,257	3.0%	-6.9%
PSA Airlines	3,207,020	15.2%	2,895,980	13.1%	2,872,020	13.0%	2,929,170	13.3%	2,754,110	11.4%	-3.7%
Republic Airlines	104,294	0.5%	929,604	4.2%	1,728,430	7.8%	1,662,940	7.5%	1,601,986	6.6%	98.0%
Subtotal US Airways	18,353,293	87.2%	19,114,275	86.8%	19,471,333	87.9%	19,523,454	88.4%	21,478,587	88.8%	4.0%
American Airlines											
American Airlines	240,100	1.1%	245,700	1.1%	247,510	1.1%	233,650	1.1%	283,770	1.2%	4.3%
American Eagle	239,820	1.1%	230,950	1.0%	134,690	0.6%	143,584	0.7%	241,094	1.0%	0.1%
Chautauqua Airlines	0	0.0%	2,243	0.0%	8,187	0.0%	2,420	0.0%	0	0.0%	NA
Trans State Airlines	43,425	0.2%	57,915	0.3%	48,735	0.2%	0	0.0%	0	0.0%	-100.0%
Subtotal American	523,345	2.5%	536,808	2.4%	439,122	2.0%	379,654	1.7%	524,864	2.2%	0.1%
Continental Airlines											
Continental Airlines	0	0.0%	8,161	0.0%	81,328	0.4%	168,699	0.8%	168,914	0.7%	NA
Chautauqua Airlines	0	0.0%	48,825	0.2%	25,763	0.1%	21,100	0.1%	19,150	0.1%	NA
ASA/Express Jet Airlines	257,150	1.2%	232,020	1.1%	258,175	1.2%	193,600	0.9%	173,350	0.7%	-9.4%
Shuttle America	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14,212	0.1%	NA
Subtotal Continental	257,150	1.2%	289,006	1.3%	365,266	1.6%	383,399	1.7%	375,626	1.6%	9.9%
Delta Air Lines (Including former Northwest Airlines)											
Delta Air Lines	610,376	2.9%	756,929	3.4%	705,967	3.2%	537,657	2.4%	741,135	3.1%	5.0%
Atlantic Southeast Airlines	27,310	0.1%	14,660	0.1%	14,070	0.1%	26,720	0.1%	60,168	0.2%	21.8%
Chautauqua Airlines	1,550	0.0%	1,650	0.0%	1,100	0.0%	3,150	0.0%	49,850	0.2%	138.1%
Comair	118,350	0.6%	94,770	0.4%	44,216	0.2%	57,700	0.3%	31,538	0.1%	-28.2%
Compass Airlines	0	0.0%	19,076	0.1%	20,368	0.1%	136,572	0.6%	60,192	0.2%	NA
Freedom Airlines	23,000	0.1%	36,600	0.2%	82,800	0.4%	57,150	0.3%	3,400	0.0%	-38.0%
Mesaba	0	0.0%	0	0.0%	29,032	0.1%	53,806	0.2%	21,076	0.1%	NA
Pinnacle Airlines	53,300	0.3%	55,690	0.3%	56,214	0.3%	31,896	0.1%	46,482	0.2%	-3.4%
Shuttle America	11,830	0.1%	630	0.0%	12,616	0.1%	31,388	0.1%	76	0.0%	-71.7%
Subtotal Delta	845,716	4.0%	980,005	4.4%	966,383	4.4%	936,039	4.2%	1,013,917	4.2%	4.6%
United Airlines											
United Airlines	245,744	1.2%	243,856	1.1%	155,957	0.7%	124,464	0.6%	72,065	0.3%	-26.4%
Express Jet	0	0.0%	0	0.0%	0	0.0%	0	0.0%	22,836	0.1%	NA
Mesa Airlines	145,306	0.7%	138,374	0.6%	121,156	0.5%	105,710	0.5%	124,064	0.5%	-3.9%
Shuttle America	13,072	0.1%	0	0.0%	22,648	0.1%	51,148	0.2%	22,268	0.1%	14.2%
Skywest Airlines	0	0.0%	0	0.0%	0	0.0%	0	0.0%	17,360	0.1%	NA
Subtotal United	404,122	1.9%	382,230	1.7%	299,761	1.4%	281,322	1.3%	258,593	1.1%	-10.6%
Other Domestic											
Airtran Airways	413,163	2.0%	391,796	1.8%	270,972	1.2%	267,696	1.2%	221,832	0.9%	-14.4%
JetBlue Airways	158,950	0.8%	194,400	0.9%	203,100	0.9%	196,550	0.9%	205,250	0.8%	6.6%
Skyway Airways/Midwest	0	0.0%	24,150	0.1%	0	0.0%	0	0.0%	0	0.0%	NA
Subtotal Other Domestic	572,113	2.7%	610,346	2.8%	474,072	2.1%	464,246	2.1%	427,082	1.8%	-7.0%
Other International											
Air Canada/AC Jazz	30,050	0.1%	31,900	0.1%	31,300	0.1%	31,500	0.1%	30,900	0.1%	0.7%
Lufthansa German Airlines	67,480	0.3%	83,048	0.4%	93,301	0.4%	89,500	0.4%	90,131	0.4%	7.5%
Subtotal Other Int'l	97,530	0.5%	114,948	0.5%	124,601	0.6%	121,000	0.5%	121,031	0.5%	5.5%
AIRPORT TOTAL	21,053,269	100.0%	22,027,618	100.0%	22,140,538	100.0%	22,089,114	100.0%	24,199,700	100.0%	3.5%
Source: Charlotte Douglas International Airport											
Compiled by Newton & Associates, Inc.											
September 20, 2011											
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3. Origin & Destination Markets

Table IV-8 depicts the Airport's top 25 domestic markets for CY 2010. Of these markets, seven are long-haul markets (1,000 or more miles); 14 are medium-haul markets (500-999 miles); and the remaining four are short-haul markets (less than 500 miles).²⁶ The top 25 markets represent approximately 68.3% of the total domestic O&D traffic at the Airport.

Also shown on Table IV-8 are the airlines that serve each market. All of the top 25 markets are served with non-stop service by at least one airline, and 10 of the top 25 markets are served by more than one airline.

²⁶ U.S. Department of Transportation OD1A Database – 10% Ticket Survey, via Database Products, Inc.

TABLE IV-8
Top 25 Origin and Destination Markets

Rank	Market	Airlines Serving Market	CY 2010 O&D Enplanements	Percent of Total	Distance from Airport (Miles)
1	New York Area ¹	US, AA, B6, CO, DL	520,880	12.2%	544
2	Washington, DC Area ²	US, FL, UA	249,730	5.9%	345
3	Boston	US, B6	206,330	4.8%	740
4	Chicago ³	US, AA, UA	183,360	4.3%	711
5	South Florida ⁴	US, AA	158,970	3.7%	659
6	Los Angeles ⁵	US	153,920	3.6%	2,264
7	Dallas/Ft. Worth	US, AA	129,280	3.0%	951
8	Orlando	US	126,990	3.0%	484
9	Bay Area ⁶	US	109,080	2.6%	2,416
10	Las Vegas	US	105,250	2.5%	1,978
11	Philadelphia	US	94,620	2.2%	530
12	Atlanta	US, DL, FL	82,000	1.9%	227
13	Minneapolis/St. Paul	US, DL	78,370	1.8%	955
14	Detroit	US, DL	74,810	1.8%	520
15	Phoenix	US	73,640	1.7%	1,884
16	Denver	US	70,440	1.7%	1,450
17	Houston ⁷	US, CO, UA	69,540	1.6%	946
18	Tampa	US	66,650	1.6%	538
19	Pittsburgh	US	60,240	1.4%	456
20	Seattle	US	56,830	1.3%	2,420
21	St. Louis	US	52,760	1.2%	633
22	Hartford, CT	US	47,320	1.1%	684
23	San Diego	US	46,240	1.1%	2,193
24	Indianapolis	US	45,120	1.1%	501
25	Buffalo	US	43,810	1.0%	660
Subtotal			2,906,180	68.3%	
Airport Total - CY 2010			4,256,040	100.0%	
AIRLINE LEGEND <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>US - US Airways</p> <p>AA - American Airlines</p> <p>B6 - Jet Blue</p> <p>CO - Continental Airlines</p> <p>DL - Delta Air Lines</p> <p>FL - AirTran Airlines</p> <p>UA - United Airlines</p> </div> <div style="width: 65%;"> <p>¹ LaGuardia (LGA), John F Kennedy (JFK), Newark (EWR) Airports</p> <p>² Ronald Reagan (DCA), Dulles (IAD) and Baltimore (BWI) Airports</p> <p>³ O'Hare (ORD) and Midway (MDW) Airports</p> <p>⁴ Fort Lauderdale (FLL) and Miami (MIA) Airports</p> <p>⁵ Los Angeles (LAX), John Wayne (SNA), Ontario (ONT), Long Beach (LGB), and Hollywood-Burbank (BUR) Airports</p> <p>⁶ San Francisco (SFO), San Jose (SJC), and Oakland (OAK) Airports</p> <p>⁷ George Bush Intercontinental (IAH) and Hobby (HOU) Airports</p> </div> </div>					
<div style="display: flex; justify-content: space-between;"> <p>Source: US DOT Origin & Destination Survey of Airline Passenger Traffic</p> <p>September 20, 2011</p> </div> <div style="display: flex; justify-content: space-between;"> <p>Compiled by Newton & Associates, Inc.</p> <p>c:\...\\2011 GARBS Section IV Tables ver 0.3</p> </div>					

D. ENPLANED AIR CARGO AND AIRLINE MARKET SHARE

In CY 2010, the Airport was ranked the 34th largest airport in the United States in terms of total air cargo.²⁷ Air cargo comprises scheduled freight including integrator/express and small package transport, charter freight and mail. Airlines transporting air cargo are categorized as either combination airlines or all cargo airlines. A combination airline is an airline that carries both passengers and air cargo, whereas an all cargo airline is an airline that carries only air cargo.

Table IV-9 depicts domestic enplaned air cargo in pounds at the Airport by airline and by market share over the Study Period. As shown, US Airways has maintained the largest market share of any of the combination airlines in terms of total enplaned air cargo at the Airport over the period measured.

Although air cargo activities are important to the overall impact of the Airport on the economy of the Air Service Area, other than landing fees, none of the payments made to the Airport in connection with air cargo activity are Revenues under the Bond Order and are not considered in the test of feasibility.

As shown on Table IV-9, FedEx was the largest all-cargo airline operating at the Airport in terms of domestic enplaned air cargo over the period measured, with a domestic enplaned air cargo market share ranging from a low of 46.7% (FY 2007) to a high of 50.6% (FY 2008). The all cargo airlines' total amount of domestic enplaned air cargo at the Airport has decreased at a rate of 4.6% over the Study Period.

²⁷ Charlotte Douglas International Airport, *CLT Fast Facts*, July 2011, Airports Council International – North America.

TABLE IV-9
Historical Domestic Enplaned Air Cargo and Market Share (Share in Pounds)

Airline	Actual FY 2007	Market Share	Actual FY 2008	Market Share	Actual FY 2009	Market Share	Actual FY 2010	Market Share	Actual FY 2011	Market Share	Average Annual Growth Rate
Combination Airlines:											
Air Wisconsin ¹	0	0.0%	0	0.0%	0	0.0%	167,032	0.2%	407,271	0.4%	NA
American Airlines	486,774	0.4%	79,823	0.1%	236,142	0.2%	494,065	0.5%	361,367	0.3%	-7.2%
American Eagle	7,494	0.0%	9,731	0.0%	4,038	0.0%	9,598	0.0%	13,918	0.0%	16.7%
AirTran Airways	19,656	0.0%	5,231	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Atlantic Southeast Airlines ²	8,464	0.0%	1,856	0.0%	986	0.0%	465	0.0%	0	0.0%	-100.0%
Atlantic Southeast/Express Jet	51,175	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Chautauqua ²	18,712	0.0%	246	0.0%	7,898	0.0%	5	0.0%	0	0.0%	-100.0%
Chautauqua ^{4, 6}	23	0.0%	0	0.0%	0	0.0%	0	0.0%	4	0.0%	-100.0%
Comair ²	13,778	0.0%	5,854	0.0%	728	0.0%	664	0.0%	0	0.0%	-100.0%
Compass Airlines ²	0	0.0%	0	0.0%	0	0.0%	6,126	0.0%	0	0.0%	NA
Continental Airlines	0	0.0%	18,674	0.0%	149,578	0.2%	435,828	0.4%	159,112	0.1%	NA
Continental Express ⁵	0	0.0%	7,755	0.0%	0	0.0%	0	0.0%	0	0.0%	NA
Delta Air Lines ⁶	567,729	0.5%	874,674	0.8%	635,780	0.7%	653,703	0.6%	472,664	0.4%	-4.5%
ExpressJet Airlines ⁵	0	0.0%	31,056	0.0%	43,019	0.0%	68,127	0.1%	34,918	0.0%	NA
Freedom Airlines ²	3,924	0.0%	676	0.0%	1,756	0.0%	1,951	0.0%	0	0.0%	-100.0%
JetBlue	45,816	0.0%	54,451	0.0%	86,910	0.1%	208,599	0.2%	46,028	0.0%	0.1%
Lufthansa	0	0.0%	755,772	0.7%	221,272	0.2%	0	0.0%	0	0.0%	NA
Mesaba ²	0	0.0%	0	0.0%	0	0.0%	687	0.0%	0	0.0%	NA
Piedmont Airlines ³	457,878	0.4%	403,077	0.4%	300,511	0.3%	175,776	0.2%	165,718	0.2%	-22.4%
Pinnacle ²	4,276	0.0%	4,133	0.0%	2,028	0.0%	206	0.0%	1	0.0%	-87.6%
Republic Airlines ³	39	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Shuttle America ²	1,637	0.0%	0	0.0%	686	0.0%	1,111	0.0%	0	0.0%	-100.0%
United Airlines	274,073	0.2%	170,999	0.2%	227,377	0.2%	87,202	0.1%	31,549	0.0%	-41.8%
US Airways	27,161,716	22.0%	19,653,227	17.6%	25,809,399	26.4%	29,060,263	28.1%	28,322,622	26.2%	1.1%
USA Jet	91,012	0.1%	147,732	0.1%	28,296	0.0%	150,477	0.1%	57,429	0.1%	-10.9%
Sub-total Combination	29,214,176	23.6%	22,224,967	19.9%	27,756,404	28.4%	31,521,885	30.5%	30,072,601	27.8%	0.7%
All Cargo Airlines											
Air Transport International	0	0.0%	0	0.0%	0	0.0%	0	0.0%	5,919,957	5.5%	NA
Airborne Express	95,246	0.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Air Net Systems	1,784,004	1.4%	1,707,176	1.5%	1,353,312	1.4%	1,020,753	1.0%	880,135	0.8%	-16.2%
Bankair Courier	154,800	0.1%	69,575	0.1%	11,805	0.0%	0	0.0%	0	0.0%	-100.0%
Bax Global	4,973,599	4.0%	4,364,903	3.9%	3,778,026	3.9%	4,158,686	4.0%	840,707	0.8%	-35.9%
DHL Worldwide Express	5,237,877	4.2%	5,770,892	5.2%	1,925,277	2.0%	0	0.0%	0	0.0%	-100.0%
FedEx Corp/Mitchell Whitaker	57,753,314	46.7%	56,361,984	50.6%	46,134,986	47.2%	49,215,431	47.6%	53,385,322	49.4%	-1.9%
Kalitta Air	0	0.0%	186,193	0.2%	0	0.0%	0	0.0%	389,160	0.4%	NA
Kalitta Charters	46,839	0.0%	45,240	0.0%	68,996	0.1%	46,412	0.0%	13,834	0.0%	-26.3%
Kitty Hawk Air Cargo	3,064,684	2.5%	679,314	0.6%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Mountain Air Cargo	0	0.0%	0	0.0%	0	0.0%	5,919	0.0%	0	0.0%	NA
Southeast Airmotive	57,493	0.0%	47,822	0.0%	14,045	0.0%	2,932	0.0%	0	0.0%	-100.0%
UPS	21,246,945	17.2%	19,987,732	17.9%	16,726,795	17.1%	17,480,322	16.9%	16,661,835	15.4%	-5.9%
Sub-total All Cargo	94,414,801	76.4%	89,220,831	80.1%	70,013,242	71.6%	71,930,455	69.5%	78,090,950	72.2%	-4.6%
DOMESTIC TOTAL	123,628,977	100.0%	111,445,798	100.0%	97,769,646	100.0%	103,452,340	100.0%	108,163,551	100.0%	-3.3%
¹ d/b/a Untied Express ² d/b/a The Delta Connection ³ d/b/a US Airways Express ⁴ d/b/a American Connection ⁵ d/b/a Continental Express ⁶ Includes activity reported by Compass Airlines and Mesa Airlines, each d/b/a Northwest Airlines in FY 2008 and FY 2009, respectively, and activity reported by Northwest Airlines in FY 2007 through FY 2009.											
Source: Charlotte Douglas International Airport Compiled by Newton & Associates, Inc.										September 20, 2011 c:\...2011 GARBS Section IV Tables ver 0.4	

Table IV-10 depicts international enplaned air cargo (in pounds) by airline and market share at the Airport over the Study Period. Overall, total international enplaned air cargo at the Airport increased from 19.5 million pounds in FY 2007 to 24.0 million pounds in FY 2011 representing an average annual increase of 5.3%.

TABLE IV-10
Historical International Enplaned Air Cargo and Market Share (in Pounds)

Airline	Actual FY 2007	Market Share	Actual FY 2008	Market Share	Actual FY 2009	Market Share	Actual FY 2010	Market Share	Actual FY 2011	Market Share	Average Annual Growth Rate
Combination Airlines:											
Delta Air Lines	0	0.0%	0	0.0%	0	0.0%	0	0.0%	8,282	0.0%	NA
Lufthansa German Airlines	4,590,762	23.5%	4,149,442	22.1%	3,879,339	25.5%	4,638,604	22.2%	3,520,904	14.7%	-6.4%
US Airways	14,714,710	75.3%	14,662,165	77.9%	11,363,618	74.5%	16,279,510	77.8%	20,433,784	85.3%	8.6%
Sub-total Combination	19,305,472	98.9%	18,811,607	100.0%	15,242,957	100.0%	20,918,114	100.0%	23,962,970	100.0%	5.6%
All Cargo Airlines:											
Swissport CFE, Inc	223,343	1.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Sub-total All Cargo	223,343	1.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-100.0%
INTERNATIONAL TOTAL	19,528,815	100.0%	18,811,607	100.0%	15,242,957	100.0%	20,918,114	100.0%	23,962,970	100.0%	5.2%
DOMESTIC TOTAL	123,628,977		111,445,798		97,769,646		103,452,340		108,163,551		-3.3%
AIRPORT TOTAL	143,157,792		130,257,405		113,012,603		124,370,454		132,126,521		-2.0%
Source: Charlotte Douglas International Airport Compiled by Newton & Associates, Inc.											
September 20, 2011 c:\a\2011 GARBS Section IV Tables ver 0.2											

E. AIRCRAFT OPERATIONS AND MARKET SHARE

An aircraft operation is defined as an aircraft take-off or landing. **Table IV-11** depicts scheduled passenger airline operations and market share at the Airport by airline, from FY 2007 through FY 2011. As shown in Table IV-11, US Airways has maintained the largest share of total aircraft operations over the time period measured, accounting for over 37.2% of the Airport's total operations in FY 2011, increasing its market share from 34.5% in FY 2007.

The Airport has experienced a growth in operations by each segment of airlines operating at the Airport. Mainline operations have experience the highest growth rate over the Study Period, increasing by 3.6%. Total scheduled passenger airline operations have grown at an average annual growth rate of 2.4%

TABLE IV-11
Historical Scheduled Passenger Airline Operations and Market Share

Airline	Actual FY 2007	Market Share	Actual FY 2008	Market Share	Actual FY 2009	Market Share	Actual FY 2010	Market Share	Actual FY 2011	Market Share	Average Annual Growth Rate
DOMESTIC AIR CARRIERS:											
MAINLINE											
American Airlines	3,430	0.8%	3,510	0.8%	3,536	0.8%	3,340	0.7%	4,054	0.8%	4.3%
AirTran Airways	7,062	1.6%	6,696	1.4%	4,632	1.0%	4,576	1.0%	3,792	0.8%	-14.4%
Continental Airlines	0	0.0%	128	0.0%	1,362	0.3%	2,768	0.6%	2,736	0.5%	NA
Delta Air Lines	9,244	2.0%	10,832	2.3%	10,146	2.2%	8,202	1.8%	10,924	2.2%	4.3%
Jet Blue Airlines	3,034	0.7%	3,732	0.8%	3,944	0.8%	3,860	0.8%	3,924	0.8%	6.6%
United Airlines	3,980	0.9%	3,944	0.8%	2,456	0.5%	1,904	0.4%	1,088	0.2%	-27.7%
US Airways	156,824	34.5%	166,840	35.8%	172,170	36.8%	171,042	37.1%	185,520	37.2%	4.3%
Other	246	0.1%	172	0.0%	6	0.0%	0	0.0%	0	0.0%	-100.0%
Subtotal Mainline	183,820	40.5%	195,854	42.0%	198,252	42.4%	195,692	42.5%	212,038	42.5%	3.6%
REGIONAL											
Air Midwest ³	2,012	0.4%	1,826	0.4%	0	0.0%	5,846	1.3%	0	0.0%	-100.0%
Air Wisconsin ¹	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	NA
Air Wisconsin ³	21,082	4.6%	12,154	2.6%	12,372	2.6%	21,146	4.6%	41,320	8.3%	18.3%
American Eagle ⁴	10,320	2.3%	9,952	2.1%	5,704	1.2%	0	0.0%	8,932	1.8%	-3.5%
Atlantic Southeast Airlines ²	1,082	0.2%	488	0.1%	462	0.1%	744	0.2%	1,728	0.3%	12.4%
Chautauqua ^{2, 4, 5}	62	0.0%	2,134	0.5%	1,436	0.3%	1,080	0.2%	2,760	0.6%	158.3%
Chautauqua ³	4,732	1.0%	1,442	0.3%	938	0.2%	940	0.2%	4,678	0.9%	-0.3%
Comair ²	4,726	1.0%	3,744	0.8%	1,742	0.4%	2,300	0.5%	1,212	0.2%	-28.8%
Compass Airlines ²	0	0.0%	0	0.0%	0	0.0%	3,594	0.8%	1,584	0.3%	NA
Compass Airlines ²	0	0.0%	502	0.1%	536	0.1%	0	0.0%	0	0.0%	NA
Continental Express ⁵	10,344	2.3%	1,680	0.4%	10,346	2.2%	0	0.0%	0	0.0%	-100.0%
ExpressJet Airlines ¹	0	0.0%	0	0.0%	0	0.0%	0	0.0%	692	0.1%	NA
ExpressJet Airlines ⁵	0	0.0%	7,622	1.6%	0	0.0%	7,744	1.7%	6,934	1.4%	NA
Freedom Airlines ²	920	0.2%	1,464	0.3%	3,312	0.7%	2,286	0.5%	136	0.0%	-38.0%
Mesa Airlines ¹	5,290	1.2%	4,470	1.0%	3,876	0.8%	3,246	0.7%	3,760	0.8%	-8.2%
Mesa Airlines ³	40,678	9.0%	40,838	8.8%	34,490	7.4%	34,322	7.4%	40,258	8.1%	-0.3%
Mesaba ²	0	0.0%	0	0.0%	764	0.2%	1,418	0.3%	556	0.1%	NA
Piedmont Airlines ³	47,146	10.4%	50,830	10.9%	44,860	9.6%	34,510	7.5%	33,590	6.7%	-8.1%
Pinnacle ^{2, 5}	2,132	0.5%	2,210	0.5%	1,926	0.4%	822	0.2%	1,670	0.3%	-5.9%
PSA Airlines ^{1/3}	112,564	24.8%	101,912	21.8%	101,592	21.7%	102,126	22.2%	96,622	19.4%	-3.7%
Republic Airlines ³	2,638	0.6%	22,088	4.7%	40,460	8.6%	39,000	8.5%	37,342	7.5%	94.0%
Shuttle America ¹	344	0.1%	0	0.0%	596	0.1%	1,346	0.3%	586	0.1%	14.2%
Shuttle America ²	338	0.1%	18	0.0%	332	0.1%	826	0.2%	2	0.0%	-72.3%
Shuttle America ⁵	0	0.0%	0	0.0%	0	0.0%	0	0.0%	374	0.1%	NA
Skyway Airlines	0	0.0%	690	0.1%	0	0.0%	0	0.0%	0	0.0%	NA
SkyWest ¹	0	0.0%	0	0.0%	0	0.0%	0	0.0%	512	0.1%	NA
Trans States Airlines ⁵	1,930	0.4%	2,574	0.6%	2,166	0.5%	0	0.0%	0	0.0%	-100.0%
Subtotal Regional	268,340	59.1%	268,638	57.6%	267,910	57.2%	263,296	57.1%	285,248	57.1%	1.5%
Subtotal Domestic	452,160	99.6%	464,492	99.6%	466,162	99.6%	458,988	99.6%	497,286	99.6%	2.4%
INTERNATIONAL AIR CARRIERS:											
Air Canada Jazz	1,202	0.3%	1,276	0.3%	1,252	0.3%	1,260	0.3%	1,236	0.2%	0.7%
Lufthansa	560	0.1%	678	0.1%	702	0.1%	630	0.1%	632	0.1%	3.1%
Sub-total International	1,762	0.4%	1,954	0.4%	1,954	0.4%	1,890	0.4%	1,868	0.4%	1.5%
AIRPORT TOTAL	453,922	100.0%	466,446	100.0%	468,116	100.0%	460,878	100.0%	499,154	100.0%	2.4%
^{1/1} d/b/a Untied Express											
² d/b/a The Delta Connection											
³ d/b/a US Airways Express											
⁴ d/b/a American Connection											
⁵ d/b/a Continental Express											
Source: Charlotte Douglas International Airport											
Compiled by Newton & Associates, Inc.											
September 20, 2011											
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F. HISTORICAL SCHEDULED PASSENGER AIRLINE LANDED WEIGHT

Airline aircraft landed weight expressed in 1,000 pound units is another measure of airline activity and the unit of measure used to determine the airline landing fee rate at the Airport. **Table IV-12** depicts historical airline landed weights at the Airport by passenger air carrier from FY 2007 through FY 2011. As with passengers and operations, US Airways is the dominant airline in terms of aircraft landed weight with a 58.8% share of the total landed weight in FY 2011.

As shown in Table IV-12, the Airport's total scheduled passenger airline landed weight has increased at an average annual rate of 3.7% from FY 2007 to FY 2011. Over that period, domestic mainline airline share of the landed weight at the Airport has increased at an average annual rate of 3.8%, whereas domestic regional airline aircraft landed weight has grown at an average annual growth rate of 3.6% over the same time period.

Although landed weight is a useful indicator of relative airline and passenger activity and is used to calculate the landing fee rate, under the Airline Agreement, all airlines, collectively, pay each year the total P.A.F. Requirement. For this reason, neither the total volume of landed weights in any one year, nor their trends across years, has any impact on Airport Revenues under the Bond Order.

TABLE IV-12
Historical Scheduled Passenger Airline Landed Weight (1,000 pounds) and Market Share

Airline	Actual FY 2007	Market Share	Actual FY 2008	Market Share	Actual FY 2009	Market Share	Actual FY 2010	Market Share	Actual FY 2011	Market Share	Average Annual Growth Rate
DOMESTIC AIR CARRIERS:											
Mainline											
American Airlines	215,943	1.1%	220,500	1.1%	221,099	1.1%	208,482	1.0%	252,241	1.1%	4.0%
AirTran Airways	367,320	1.8%	348,312	1.7%	224,765	1.1%	237,952	1.1%	197,184	0.8%	-14.4%
Continental Airlines	0	0.0%	7,855	0.0%	77,852	0.4%	164,314	0.8%	165,619	0.7%	NA
Delta Airlines	288,372	1.4%	422,150	2.0%	369,275	1.8%	363,048	1.7%	709,126	3.0%	25.2%
Independence Air	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	NA
JetBlue Airways	153,703	0.8%	175,831	0.8%	196,617	0.9%	188,699	0.9%	198,495	0.9%	6.6%
Northwest Airlines	313,484	1.6%	286,165	1.4%	302,023	1.4%	146,162	0.7%	0	0.0%	-100.0%
United Airlines	234,669	1.2%	232,874	1.1%	151,640	0.7%	131,056	0.6%	76,644	0.3%	-24.4%
US Airways	11,624,087	57.6%	12,039,871	57.5%	12,088,430	57.4%	12,264,892	57.8%	13,721,315	58.8%	4.2%
Other	15,652	0.1%	11,173	0.1%	383	0.0%	0	0.0%	0	0.0%	-100.0%
Sub-total Mainline	13,213,230	65.5%	13,744,731	65.6%	13,632,083	64.7%	13,704,605	64.6%	15,320,624	65.6%	3.8%
Regional											
American Eagle ¹	214,506	1.1%	206,760	1.0%	119,178	0.6%	124,221	0.6%	221,125	0.9%	0.8%
Air Midwest ²	16,700	0.1%	15,156	0.1%	0	0.0%	0	0.0%	0	0.0%	-100.0%
Air Wisconsin ¹	0	0.0%	0	0.0%	290,742	1.4%	0	0.0%	0	0.0%	NA
Air Wisconsin ³	495,427	2.5%	285,619	1.4%	0	0.0%	496,931	2.3%	971,020	4.2%	18.3%
Atlantic Southeast Airlines ⁴	28,647	0.1%	15,348	0.1%	13,419	0.1%	25,978	0.1%	58,454	0.3%	19.5%
Chautauqua ^{4,5,6}	1,364	0.0%	47,862	0.2%	31,513	0.1%	23,555	0.1%	58,699	0.3%	156.1%
Chautauqua ³	100,667	0.5%	30,678	0.1%	19,955	0.1%	19,998	0.1%	99,522	0.4%	-0.3%
Comair ⁴	111,501	0.6%	89,701	0.4%	41,604	0.2%	54,250	0.3%	29,810	0.1%	-28.1%
Compass Airlines ⁴	0	0.0%	18,800	0.1%	0	0.0%	0	0.0%	59,371	0.3%	NA
Compass Airlines ³	0	0.0%	0	0.0%	20,073	0.1%	134,755	0.6%	0	0.0%	NA
Continental Express ³	220,870	1.1%	198,006	0.9%	217,628	1.0%	160,368	0.8%	142,931	0.6%	-10.3%
ExpressJet	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14,264	0.1%	NA
Freedom ⁴	20,240	0.1%	31,110	0.1%	71,036	0.3%	51,823	0.2%	2,890	0.0%	-38.5%
Mesa Airlines ¹	136,678	0.7%	137,537	0.7%	121,406	0.6%	106,981	0.5%	125,940	0.5%	-2.0%
Mesa Airlines ³	1,494,917	7.4%	1,500,797	7.2%	1,267,508	6.0%	1,261,334	5.9%	1,479,482	6.3%	-0.3%
Mesaba ^{1,2}	0	0.0%	0	0.0%	28,190	0.1%	52,744	0.2%	20,822	0.1%	NA
Pinnacle ⁴	50,102	0.2%	52,227	0.2%	49,810	0.2%	29,411	0.1%	45,015	0.2%	-2.6%
Piedmont Airlines ³	863,186	4.3%	939,001	4.5%	823,362	3.9%	646,664	3.0%	632,955	2.7%	-7.5%
PSA Airlines ³	3,038,174	15.1%	2,743,112	13.1%	2,719,632	12.9%	2,775,981	13.1%	2,609,177	11.2%	-3.7%
Republic ³	96,451	0.5%	817,018	3.9%	1,509,716	7.2%	1,457,940	6.9%	1,398,537	6.0%	95.1%
Shuttle America ¹	12,438	0.1%	0	0.0%	21,549	0.1%	48,665	0.2%	21,187	0.1%	14.2%
Shuttle America ⁴	12,221	0.1%	651	0.0%	12,004	0.1%	30,574	0.1%	75	0.0%	-72.0%
Shuttle America ³	0	0.0%	0	0.0%	0	0.0%	0	0.0%	13,522	0.1%	NA
Skyway Airlines	0	0.0%	16,215	0.1%	0	0.0%	0	0.0%	0	0.0%	NA
SkyWest ¹	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14,832	0.1%	NA
Trans States Airlines ³	41,060	0.2%	54,761	0.3%	46,081	0.2%	0	0.0%	0	0.0%	-100.0%
Sub-total Regional	6,955,149	34.5%	7,200,359	34.4%	7,424,405	35.3%	7,502,172	35.4%	8,019,630	34.4%	3.6%
Sub-total Domestic	20,168,379	100.0%	20,945,090	100.0%	21,056,488	100.0%	21,206,777	100.0%	23,340,254	100.0%	3.7%
INTERNATIONAL AIR CARRIERS:											
Air Canada Jazz	28,187	19.6%	29,922	17.3%	29,359	15.4%	29,547	15.4%	28,984	15.0%	0.7%
Lufthansa	115,599	80.4%	142,673	82.7%	160,738	84.6%	162,465	84.6%	163,817	85.0%	9.1%
Sub-total International	143,786	100.0%	172,595	100.0%	190,097	100.0%	192,011	100.0%	192,801	100.0%	7.6%
AIRPORT TOTAL	20,312,165	100.0%	21,117,685	100.0%	21,246,585	100.0%	21,398,788	100.0%	23,533,055	100.0%	3.7%
¹ d/b/a Untied Express ² d/b/a The Delta Connection ³ d/b/a US Airways Express ⁴ d/b/a American Connection ⁵ d/b/a Continental Express											
Source: Charlotte Douglas International Airport						September 20, 2011					
Compiled by Newton & Associates, Inc.						c:\na\2011 GARBS Section IV Tables ver 0.2					

G. FACTORS AFFECTING FUTURE AIR TRAFFIC

The continued economic viability of the Airport depends principally upon the future demand for air service at the Airport. In addition to the demographic and socioeconomic conditions of the Air Service Area discussed in Section III of this Report, there are several factors that could influence future levels of passenger traffic at the Airport. These factors include:

- National economic conditions;
- State of the airline industry;
- Airline consolidations and alliances;
- Capacity of the national air transportation system;
- Airport capacity;
- Air fares and airline competition;
- Role of regional carriers;
- Aviation taxes and security costs; and
- US Airways and the Airport as a connecting hub airport.

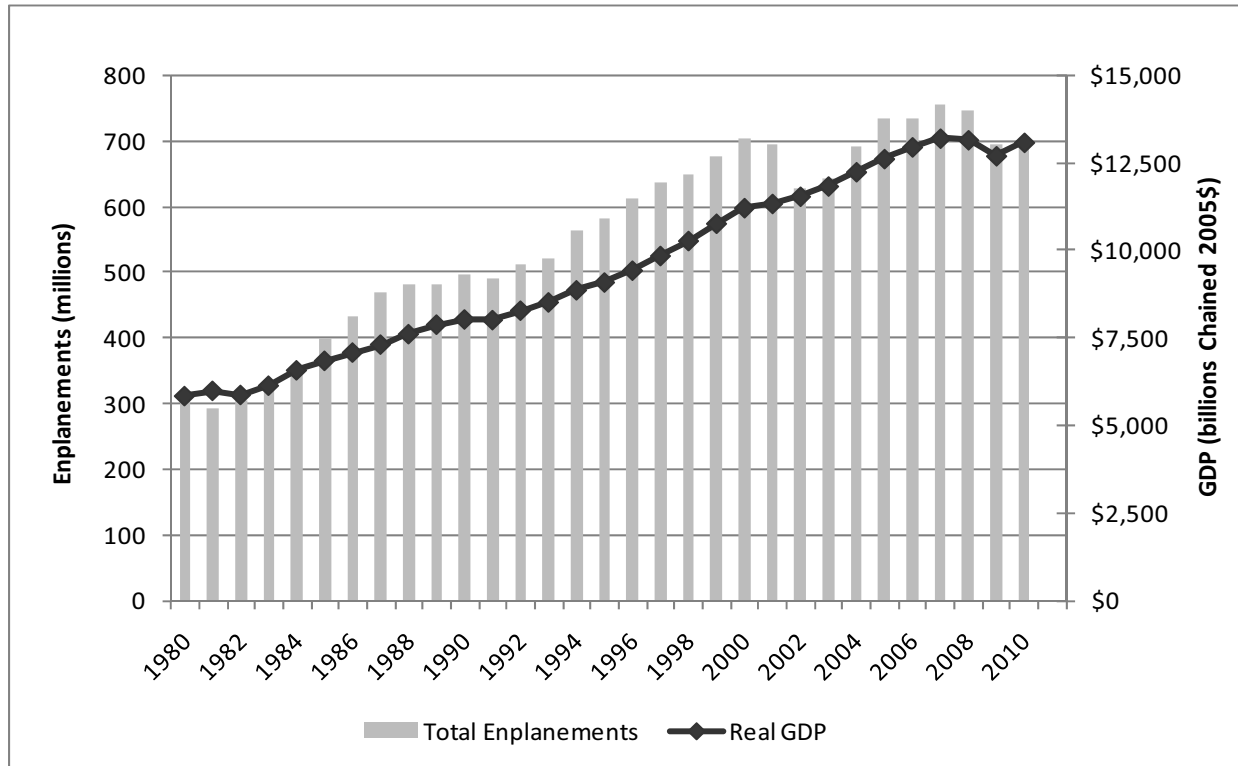
1. National Economic Conditions²⁸

The growth in passenger demand for air service is dependent in part upon the stability and growth of the national economy. The strength of the national economy is commonly measured in terms of Gross Domestic Product²⁹ (“GDP”) which is generally defined as the sum of final goods and services produced in one year by a country or other geographical area. An examination of historical and forecast GDP is germane because of its relationship with airline passenger traffic. As shown in **Figure IV-1**, domestic enplanements have generally followed the historical trend of GDP in the United States.

²⁸ Because offices and agencies of the U.S. Government are the source for economic data discussed in this Section of the Report, annual economic data is presented on a federal fiscal year basis (October-September) unless noted otherwise.

²⁹ All GDP data are chain-weighted estimates with a base year of 2000 unless described otherwise.

**FIGURE IV-1
National Enplanements and Constant GDP**



The United States has experienced a period of economic volatility over the last five years. According to the Bureau of Economic Analysis (“BEA”), an agency of the U.S. Department of Commerce, the rate of growth in the GDP in 2005 chained dollars was 2.7% in CY 2006 and the growth rate decreased to 1.9% in CY 2007. The U.S. economy entered a recession in December 2007 according to the National Bureau of Economic Research. The growth rate in constant GDP decreased in CY 2008 and CY 2009, at a rate of 0.3% and 3.5%, respectively.

Congress enacted the American Recovery and Reinvestment Act (“ARRA”) in February 2009 to help stimulate the US economy. The ARRA included a combination of individual tax cuts, investment incentives, aid to people affected by the recession, state fiscal relief, and direct government investment spending which was expected to have a total fiscal impact of \$817 billion between 2009 and 2019 (with half of the stimulus projected to occur during 2010).³⁰

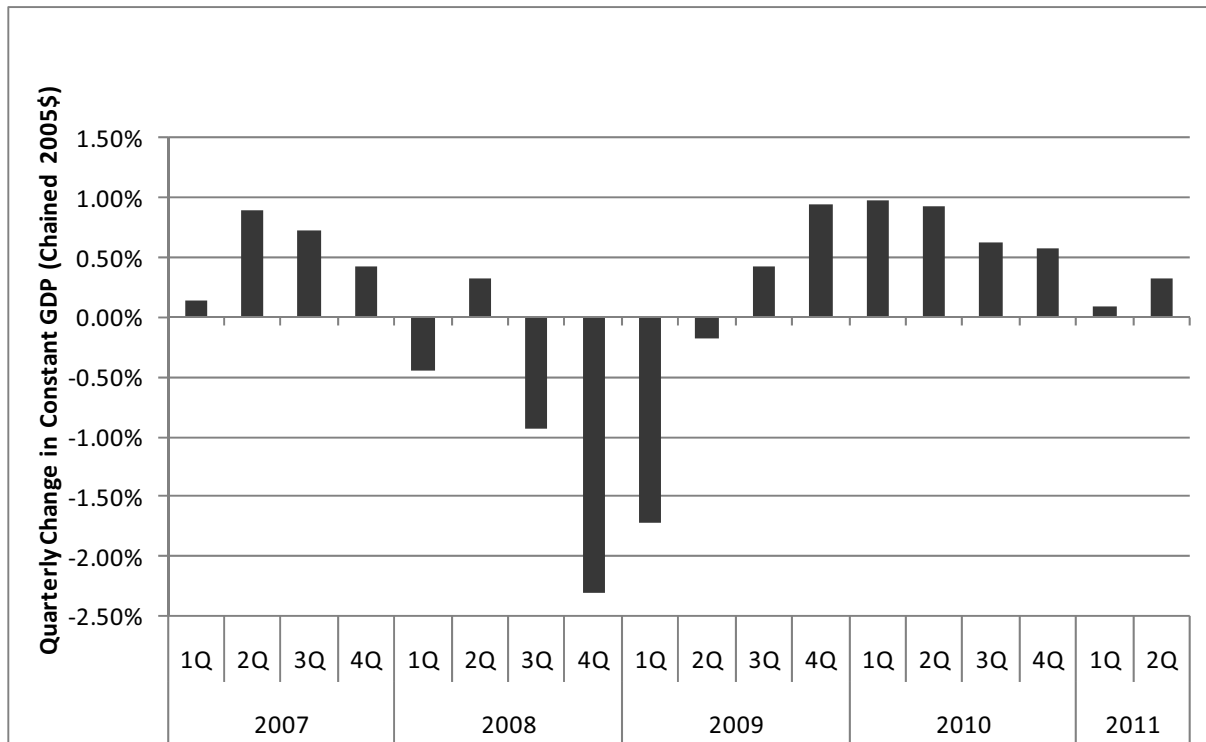
The US economy entered a period of expansion as measured by the GDP in the third quarter of 2009. Constant US GDP grew by 3.0% from 2009 to 2010.³¹ According to “advance” estimates from the BEA, real GDP in the United States increased at an annual rate of 0.4% in the first

³⁰ FAA Aerospace Forecast Fiscal Years 2011-2031.

³¹ Real GDP grew 4.2% from 2009 to 2010 according to data from the BEA.

quarter of 2011 and 1.3% in the second quarter of 2011.³² The BEA attributes this increase in real GDP in the second quarter 2011 primarily to reflect positive contributions from exports, nonresidential fixed investment, private inventory investment, and federal government spending that were partly offset by a negative contribution from state and local government spending and a deceleration in personal consumption expenditures. The quarterly change in the real GDP for CY 2007 to the estimated second quarter of CY 2011 is presented in **Figure IV-2**.

FIGURE IV-2
Quarter-to-Quarter Growth in Real GDP



The Congressional Budget Office³³ (“CBO”) regularly prepares economic and federal budget forecasts and projections. In its Long Term Budget Outlook, the CBO estimates that real GDP will increase at an average annual rate of 3.3% from CY 2011 to CY 2012 and 3.3% over the remainder of the Forecast Period.³⁴

2. State of the Airline Industry

A stable and growing commercial air transportation system to accommodate the demand for air service in the United States and at the Airport is dependent, in part, on a financially healthy

³² According to its release on July 29, 2011, the BEA emphasized that the second-quarter advance estimate is based on source data that are incomplete or subject to further revision by the source agency.

³³ The CBO was established by Congress in 1975 and is intended to provide Congress with objective, timely, non-partisan analyses needed for economic and budget decisions.

³⁴ CBO Economic Projections for Calendar Years 2009 – 2019.

airline industry. The financial state of the airline industry is influenced by many factors, including but not limited to local, national and global economic conditions, the cost of aviation fuel, competition between carriers, as well as governmental regulation and taxation among other factors.

The U.S. airline industry has been in a general state of expansion since deregulation of the industry in 1978. As depicted on **Figure IV-3**, the U.S. airline industry has increased operating revenues from \$27.2 billion in 1979 to \$174.5 billion in 2010, representing an overall average annual increase of 6.2% over that time. This expansion is further evidenced by the increase in system wide available seat miles (“ASMs”), which increased 138%, from 416 billion in 1979 to 992 billion in 2010, an average annual growth rate of 2.8%. Notwithstanding this expansion, the industry has lost an estimated \$40 billion from 1979 through 2010. **Figure IV-4** depicts the total net profit (loss) of the industry for certain time periods since deregulation of the industry.

FIGURE IV-3
Airline Industry Operating Revenues

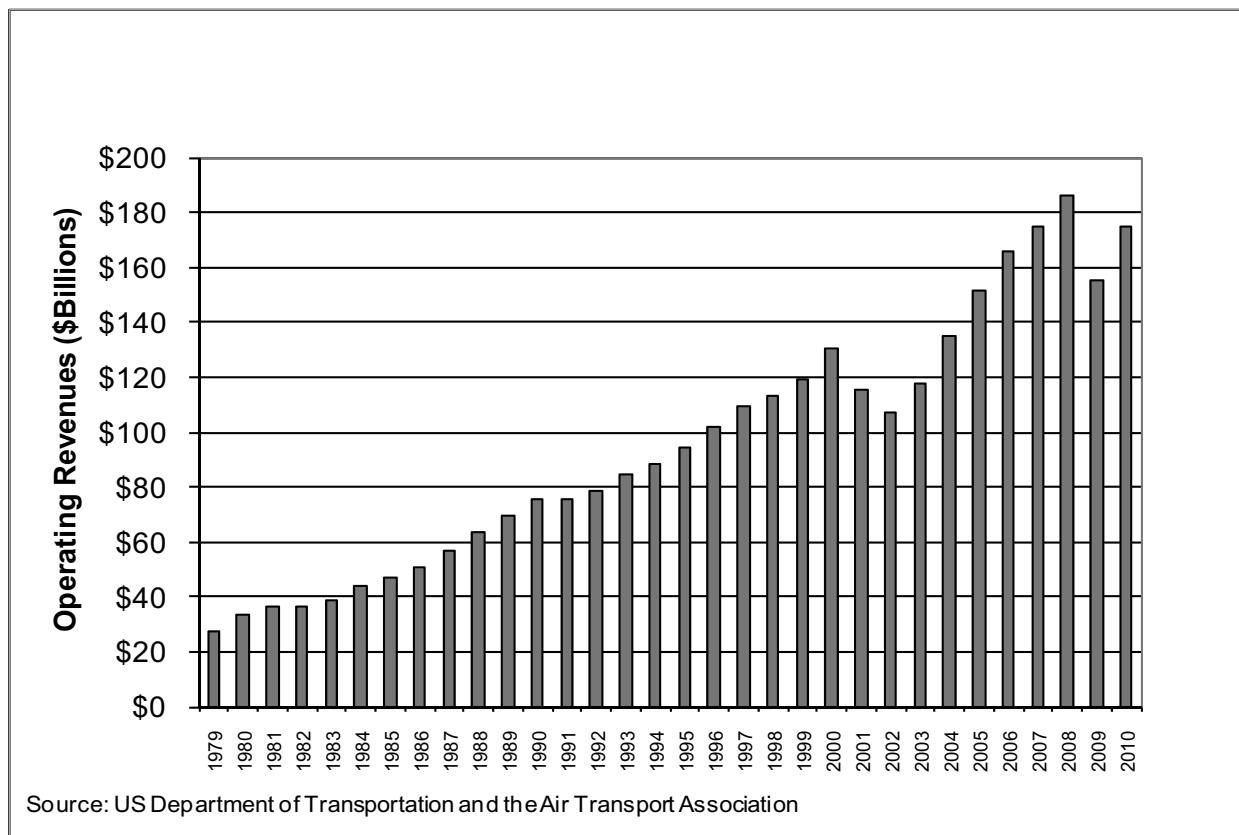
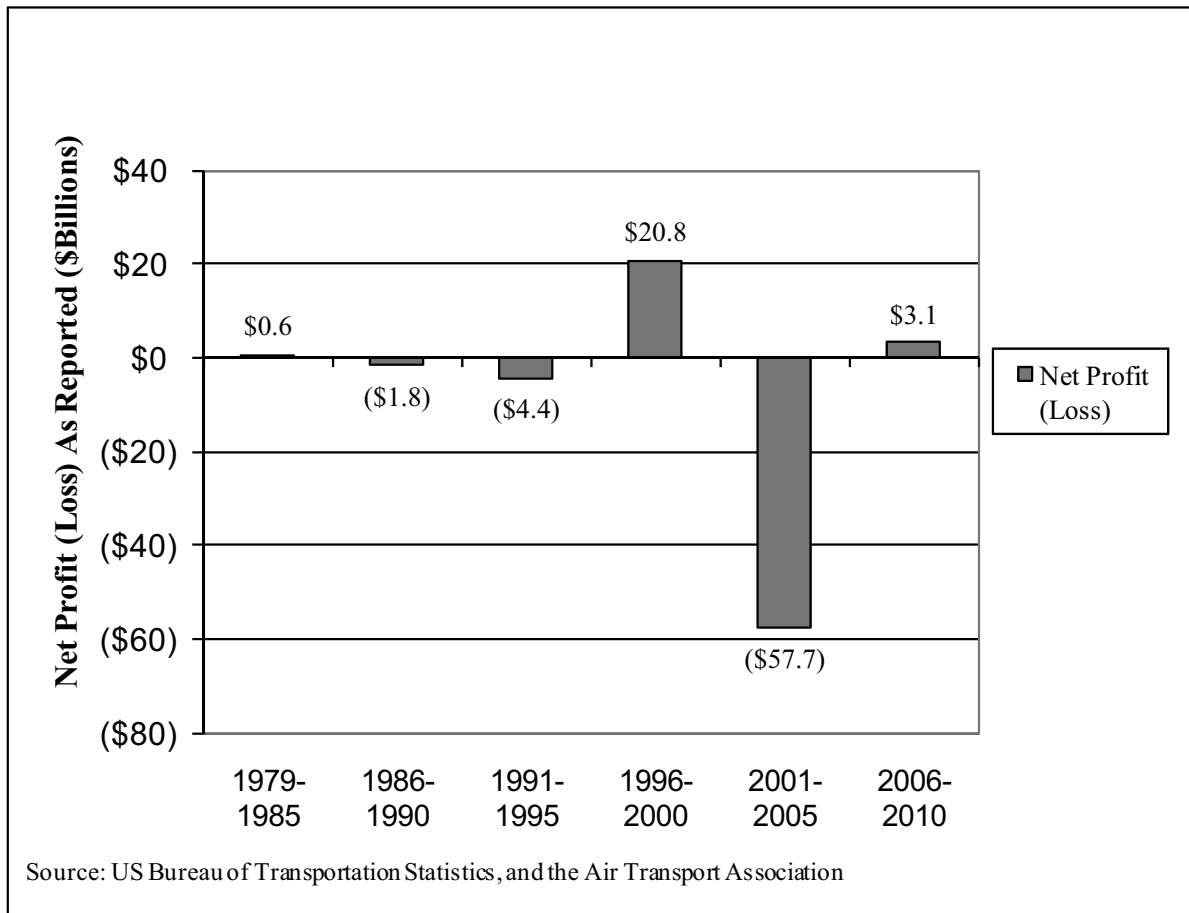


FIGURE IV-4
Airline Profitability – Post Deregulation



The industry enjoyed a sustained level of profitability during the 1996-2000 time period generating net profits of \$20.8 billion. The U.S. economy began a general slowdown in late 2000 and subsequently entered a period of recession in March 2001. The state of the airline industry worsened after the events of 9/11. The net loss to the airline industry resulting from the decrease in demand for air service exceeded \$8.3 billion in 2001 and \$11.4 billion in 2002.

From 2001 through 2005, the U.S. aviation industry reported net deficits of over \$57 billion, according to the Air Transport Association.³⁵ As a result of this downturn, several airlines filed Chapter 11 bankruptcy protection, with US Airways being the first to file for Chapter 11 bankruptcy protection on August 11, 2002 and again on September 12, 2004. Subsequent to that, eight other airlines filed Chapter 11 bankruptcy between 2003 and 2006 (Hawaiian, ATA, Aloha, Delta, Northwest, Mesaba, Independence Air, and United). The air carriers that emerged from bankruptcy have undergone significant restructuring including reduced operating costs from

³⁵ Data reflects activity of U.S. passenger and cargo airlines as defined by the U.S. Department of Transportation.

rejecting union labor agreements and renegotiating vendor contracts and pension, lease and debt obligations.

From 2005 to 2008, the economic fundamentals in the U.S. and worldwide caused an increase in aviation demand. Real GDP growth increased by 2.8% from 2005 to 2008, based on chained 2000 dollars. This economic expansion resulted in increased demand for air service and helped the airline industry return to profitability in 2006 and 2007 with profits of nearly \$26 billion. The return to profitability ended as a result of the 2007 recession and a spike in oil prices to unprecedented levels in 2008. The airline industry has showed a recovery from 2008, reporting a net income of \$3.6 billion in 2010, due in part to lower fuel prices.

Oil prices influence national and worldwide economic conditions, the demand for air travel and airline financial results. Aviation fuel prices are correlated to the price of oil and increased from \$1.16 per gallon in 2004 to a peak of \$3.84 per gallon through July 2008, representing an average annual growth rate of 34.9%.³⁶ The average price of jet fuel decreased to \$1.90 per gallon in 2009 but increased again in 2010 to \$2.15 per gallon. At the estimated level of jet fuel consumption in 2010, every penny paid for a gallon of jet fuel costs the U.S. airline industry approximately \$200 million annually. Fuel prices have since increased to \$2.92 per gallon in June 2011, 31.6% higher than in June 2010 and the US Energy Information Administration projects the average price of jet fuel will be \$3.06 per gallon for 2011, an increase of 40.0% over 2010.

The cost of aviation fuel surpassed labor as the largest category of operating cost for commercial airlines, representing approximately 30.8% of total airline operating cost in 2008. Comparatively, fuel represented approximately 9.7% of total operating expense in 1998 and 11.4% in 2002. However, recent reductions in oil prices have resulted in aviation fuel representing 25.4% of airline operating costs in the third quarter of 2010.³⁷

The airline industry has responded to the national and global economic slowdown and volatile changes in oil prices by attempting to enhance yields³⁸ by implementing a series of capacity cuts, reductions in labor, increasing revenues by charging for checked luggage, preferred coach seating assignment, etc., and fuel conservation through weight reduction and technological means.

Ancillary airline revenues consisting of checked baggage fees and reservation cancellation/change fees are presented in **Table IV-13**.³⁹ As shown, these revenues increased from \$1.4 billion in 2007 to \$5.4 billion in 2010, representing an average annual growth rate of 59.1% during this time period and a total increase in excess of 300%. These fees have been an important mechanism to allow the airline industry to return to profitability since their inception

³⁶ Average price paid excluding taxes, into-plane fees, pipeline tariffs and hedging costs. Air Transport Association, Energy Information Administration, Department of Transportation.

³⁷ *ATA Quarterly Cost Index: US Passenger Airlines*

³⁸ Revenue an airline receives for every passenger mile traveled calculated by dividing passenger airline revenues by revenue passenger miles.

³⁹ Excludes other miscellaneous revenues imposed by the airlines such as in-flight food and beverage charges, premium seat assignments, etc.

and are not anticipated to be removed by the airlines. The airline industry enjoyed a profitable year in 2010 which would not have occurred without these ancillary revenues.

TABLE IV-13
Historical Airline Ancillary Revenues (000's)

Rank	Airline	2007	2008	2009	2010	Average Annual Growth Rate
1	Delta ¹	\$484,694	\$746,610	\$1,571,481	\$1,650,861	50.5%
2	American	124,538	747,874	925,083	1,052,032	103.7%
3	United	384,195	487,465	578,843	634,746	18.2%
4	US Airways ²	29,483	255,386	681,120	766,700	196.3%
5	Continental	42,844	97,524	482,356	579,031	138.2%
6	JetBlue	90,888	158,776	174,540	171,016	23.5%
7	AirTran	29,988	53,740	188,749	202,564	89.0%
8	Alaska	70,851	89,105	119,259	159,354	31.0%
9	Spirit	0	21,514	70,409	104,623	NA
10	Hawaiian	21,801	25,159	23,546	18,192	-5.9%
11	Other Airlines	61,598	61,599	61,600	61,601	0.0%
	Total	\$1,340,880	\$2,744,752	\$4,876,986	\$5,400,720	59.1%

¹ Includes revenues generated by Northwest Airlines in 2008 and 2009

² US Airways and America West figures are combined in 2007.

Source: Bureau of Transportation Statistics, Schedule P-12
Compiled by Newton & Associates, Inc.

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U.S. airlines reduced domestic and international capacity by 6.3% in 2009 compared to 2008. Total U.S. airline industry seat capacity increased in 2010 by 1.7% and has increased by 4.1% in the first five months of 2011.

The commercial airline industry has struggled to find sustained profitability over its long history and current conditions are severe. The airlines must find a way to deal with current economic conditions and the high cost of fuel to avoid negative financial implications. Nevertheless, NAI believes the benefits of the national air transportation system are of such importance to the United States economy that capital will continue to flow into the airline industry, the public and private sectors will continue to make substantial use of commercial passenger transportation, and airlines and passengers will continue to use the nation's airports, including the Airport, in substantial numbers.

3. Airline Consolidations and Alliances

Airline mergers are difficult to accomplish because the obstacles of strong unions, operational cultures and anti-trust oversight can be difficult to overcome. Low cost carriers (“LCCs”) are not considered to be likely merger candidates.

Mainline carriers are more likely to merge. The following mergers have occurred during the Study Period:

- On October 29, 2008, the US Department of Justice approved Delta’s acquisition of Northwest, with Delta acquiring 100% ownership of Northwest. The full integration of Northwest and Delta was completed on December 31, 2009 when the FAA issued a Single Operating Certificate (“SOC”) to Delta which remains as the surviving entity.
- The merger of United Airlines and Continental Airlines was closed on October 1, 2010. United Continental Holdings, Inc., was announced as the successor corporation. United Airlines and Continental Airlines will continue to operate separately until receipt of the SOC which is anticipated by the end of 2011.⁴⁰
- Southwest Airlines announced the closing of the acquisition of AirTran Holdings, Inc., the former parent company of AirTran Airways, on May 2, 2011. The two airlines will operate as separate entities until the FAA grants a SOC which is anticipated in the first quarter of 2012.⁴¹

Many mainline U.S. airlines have formed alliances and code-sharing agreements to improve the number of total connections at their hub airport, expanding the number of available flights without significant investment requirements. For example, US Airways code-shares with United Airlines to more than 130 domestic and international destinations which increases the number of domestic flights arriving in time to connect to international departures at the respective hub airports.

Mainline airlines are increasing their alliance memberships in an effort to establish a network that covers all destinations worldwide. US Airways is a member of the Star Alliance, a 28 member global alliance that offers more than 21,000 daily flights to approximately 1,160 destinations in 181 countries. The alliance allows member airlines to sell seats on each other’s planes, frequent flyer benefits, airport lounge access, convenient single-ticket pricing, one-stop check-in and coordinated baggage handling.

4. Capacity of the National Air Transportation System

Demands on the U.S. air traffic control system have in the past caused delays and operational restrictions that affected airline schedules and passenger traffic. Despite the lack of funding for the improvements required to continue to upgrade the national air transportation system, the

⁴⁰ Unitedcontinentalholdings.com

⁴¹ *Southwest Airlines has Acquired AirTran*, southwest.com

FAA is gradually automating and enhancing computer, radar and communications equipment of the air traffic control transportation system. The FAA is gradually implementing its Next Generation Air Transport System (“NextGen”) guidance and communications equipment of the air traffic control system and enhancing the use of airspace and runways through improved air navigation aids and procedures. NextGen procedures have been in progress for the last 15 years and may not affect the capacity of the national air transportation system during the Forecast Period.

5. Airport Capacity

The Airport’s airfield capacity was enhanced with the opening of a third parallel runway (18R/36L) in February 2010. Runway 18R/36L allows the Airport to accommodate triple simultaneous aircraft approaches. According to an analysis commissioned by the City, the new runway will result in an estimated annual savings of more than \$14 million in variable aircraft operating costs in the first year of operation.

Certain 2011 Project elements will provide additional terminal capacity to help accommodate existing and anticipated demand for passenger terminal facilities at the Airport. These improvements include: (1) new baggage screening system; (2) Concourse E expansion; (3) East Terminal Expansion. Each of these projects is described in detail in Section II of this Report.

The Airport’s current airfield and Terminal are not anticipated to constrain the future demand for air service at the Airport during the Forecast Period.

6. Air Fares and Airline Competition

The demand for air service is considered to be price elastic or sensitive to changes in the level of air fares. The demand for commercial air transportation is particularly price elastic for leisure travelers who may decide to use auto, rail or other land based transportation for shorter trip distances resulting in reduced passenger levels.

Air fare levels are set by airlines based on a combination of revenue (yield) management, seat capacity, airline operating costs and airline competition between specific routes, among other factors. The airline industry has not set air fares at levels sufficient to cover its operating cost contributing to losses totaling \$39.2 billion since 1978.

Excess airline capacity, the ability of consumers to compare air fares and book flights on the internet and other competitive factors have combined to pressure the industry to reduce air fares. The airlines continue to remain under extreme pressure to lower their unit costs to generate demand for commercial air transportation. The industry generated a profit of \$3.6 billion in 2010 which was at least partially attributable to reduced capacity combined with returning passenger demand which ignited pricing power for the airlines during 2010, with yield increasing 3.2 percent.⁴²

⁴² FAA Aerospace Forecast: 2011-2031.

This increase in pricing power is evidenced by the general increase in average air fares at the Airport and in the United States since 2006. According to information from the US Bureau of Transportation Statistics ("BTS"), average US domestic roundtrip air fares increased from an average of \$323 in the first quarter of 2006 to \$356 in the first quarter of 2011. BTS average fares are based on the total ticket value which consists of the price charged by the airlines plus any additional taxes and fees levied by an outside entity at the time of purchase. These fares include only the price paid at the time of the ticket purchase and do not include other fees, such as baggage fees, or fees paid at the airport or onboard the aircraft. Averages do not include frequent-flyer or "zero fares" or a few abnormally high reported fares.

Figure IV-5 depicts a historical comparison of domestic air fares for travel to and from the Airport and the US. Consistent with average air fares in the US, average air fares at the Airport have fluctuated since 2006. Average air fares at the Airport increased slightly from \$390 in the first calendar quarter of 2006 to \$392 in the first calendar quarter of 2011.

The BTS compiles the average domestic round-trip air fares for the top 100 US airports based on originating domestic passengers. **Table IV-14** presents a ranking of the 15 airports which experienced the largest decrease in air fares from the first quarter 2001 to the first quarter 2011 and the 15 airports which experienced the highest increase in air fares over this same time period. As shown, the average domestic round-trip air fare at the Airport has decreased 28.1% from 1Q 2001 to 1Q 2011 as opposed to a 2.3% increase to the average air fare in the United States during this time period.

According to the 2011 FAA Aerospace Forecast, moderate capacity growth combined with moderate demand will lift fares higher in 2011, for an increase in yield of 3.1%. For the entire Forecast Period, yield is projected to increase at an average rate of 1.3% a year, while in real terms, the FAA projects yield to decline at an average rate of 0.6% a year. The decline in real yields over the forecast period (2011 – 2031) assumes technological improvements, competition between carriers, and convergence of cost structures between network carriers and LCCs.

FIGURE IV-5
Average Air Fares: CLT vs. US

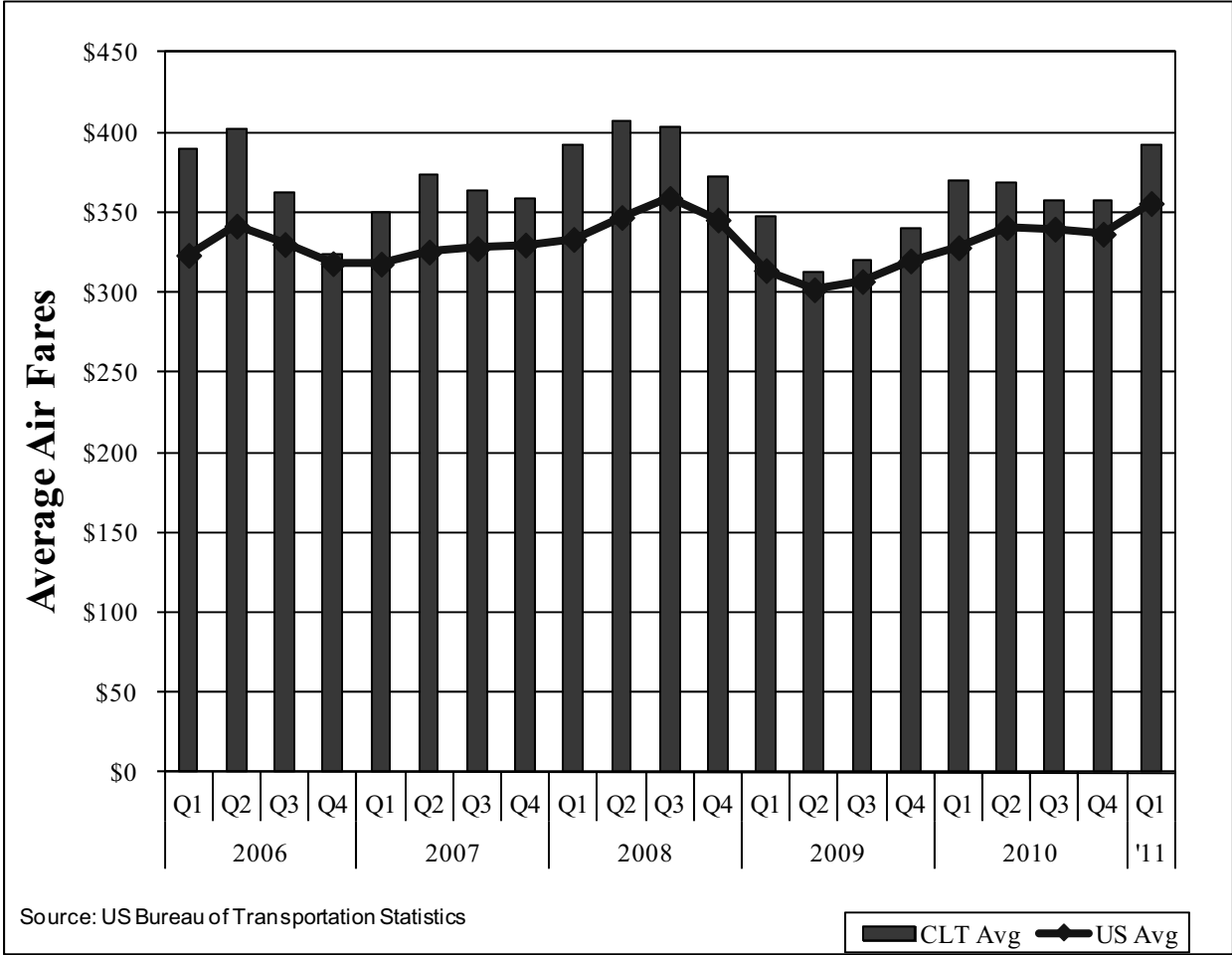


TABLE IV-14
Average Domestic Itinerary Air Fares

Ranking	Airport	Average Domestic Itinerary Fares - 1st Quarter					Percentage Change	
		2001	2008	2009	2010	2011	2001 - 2011	2010 - 2011
	U.S. Average Fare	\$347.69	\$333.29	\$313.82	\$328.12	\$355.72	2.3%	8.4%
	LOWEST PERCENTAGE INCREASE 2001 - 2011							
1	White Plains, NY	605.69	295.40	273.89	291.07	323.25	-46.6%	11.1%
2	Long Beach, CA	320.90	246.52	207.01	208.33	216.22	-32.6%	3.8%
3	Denver, CO	452.44	324.67	292.02	290.52	315.92	-30.2%	8.7%
4	Bellingham, WA	351.77	289.81	230.59	215.23	245.81	-30.1%	14.2%
5	Charlotte, NC	544.97	392.65	347.45	370.04	392.01	-28.1%	5.9%
6	Milwaukee, WI	382.51	339.53	301.37	250.47	280.78	-26.6%	12.1%
7	Greenville/Spartanburg, SC	541.05	465.89	430.63	437.38	406.79	-24.8%	-7.0%
8	Richmond, VA	494.17	362.39	303.79	326.35	377.97	-23.5%	15.8%
9	Portland, ME	456.95	354.40	324.93	331.33	361.92	-20.8%	9.2%
10	Ft. Myers, FL	348.77	277.39	252.14	262.78	276.85	-20.6%	5.4%
11	Atlantic City, NJ	214.75	225.63	162.96	187.78	171.84	-20.0%	-8.5%
12	Pittsburgh, PA	401.44	303.24	271.17	300.52	323.13	-19.5%	7.5%
13	San Francisco, CA	465.68	395.51	332.34	338.85	386.31	-17.0%	14.0%
14	Philadelphia, PA	435.94	338.68	301.63	337.15	366.03	-16.0%	8.6%
15	Boston, MA	409.27	388.79	341.91	331.71	347.38	-15.1%	4.7%
	HIGHEST PERCENTAGE INCREASE 2001 - 2011							
1	Dallas Love, TX	188.72	210.48	231.16	248.49	273.19	44.8%	9.9%
2	Burbank/Glendale/Pasadena, CA	184.53	237.43	230.66	241.01	266.38	44.4%	10.5%
3	El Paso, TX	256.17	300.85	300.00	314.31	355.97	39.0%	13.3%
4	Reno, NV	222.77	270.02	280.65	287.66	306.68	37.7%	6.6%
5	Houston Hobby, TX	219.35	246.80	263.77	274.64	299.12	36.4%	8.9%
6	Spokane, WA	246.19	295.53	299.56	305.90	327.24	32.9%	7.0%
7	Chicago Midway, IL	225.38	252.87	247.74	267.12	298.07	32.3%	11.6%
8	Little Rock, AR	299.24	327.94	327.44	341.94	390.94	30.6%	14.3%
9	Tulsa, OK	303.59	326.02	320.21	345.96	393.07	29.5%	13.6%
10	Louisville, KY	289.43	319.15	312.17	341.23	371.58	28.4%	8.9%
11	Albany, NY	314.68	348.41	315.35	361.35	401.09	27.5%	11.0%
12	Oklahoma City, OK	307.87	327.63	340.62	351.67	389.54	26.5%	10.8%
13	Ontario/San Bernardino, CA	243.99	268.81	270.25	277.81	308.67	26.5%	11.1%
14	Boise, ID	270.04	302.64	288.57	316.02	339.13	25.6%	7.3%
15	Albuquerque, NM	267.92	298.33	293.65	305.92	336.38	25.6%	10.0%
Source: Bureau of Transportation Statistics, Origin and Destination Survey.								
Compiled by Newton & Associates, Inc.								
September 20, 2011								
c:\...\\2011 GARBS Section IV Tables ver 0.2								

7. Role of Regional Airlines

Regional airlines typically operate smaller aircraft on routes that require less capacity than provided by the major airlines. According to the FAA, a regional airline flies a majority of its available seats using aircraft having 70 seats or less and provides regularly scheduled air service.

Regional airlines generally do not have independent route systems and commonly do not compete with the major airlines. Rather, regional airlines typically supplement major airline services by entering into contractual relationships with one or more major airlines to feed passengers into their respective connecting passenger hub airports and are paid a percentage of applicable ticket revenue or a fixed fee by the major airline in exchange for providing this service.

Four factors that have contributed to the expansion of the regional airline industry since deregulation of the airline industry in 1978 include:

1. Development of code-sharing agreements with major airlines;
2. The lower cost structure of the regional airlines;
3. The transfer of low to medium density, short haul jet routes from major airlines to regional code-sharing partners (aircraft rationalization); and
4. The introduction and expansion of aircraft commonly referred to as regional jets.

In an effort to increase efficiency and profitability, major airlines may be required to continue the rationalization of their respective aircraft fleets. Aircraft rationalization has resulted in an overall reduction of narrow-body jet service provided by major airlines to small and mid-size regions such as the Air Service Area and the corresponding expansion of the regional airline industry in the United States and at the Airport.

Consistent with the national economy and the aviation industry in general, the mid to late 1990s were marked by unprecedented levels of growth in the regional airline industry. This growth in the regional airline industry has continued through 2010. The demand for air service provided by regional airlines is demonstrated by the growth in regional airline system-wide revenue passengers, which grew at an average annual rate of 7.1% from 2000 through 2010 according to information collected by the U.S. Department of Transportation.

Regional airline system-wide RPMs increased at an average annual rate of 12.5% over the same time period, which indicates an increase in regional airline average trip length. During this period, supply struggled to accommodate demand which was demonstrated by an increase in system-wide load factors, which increased from 59.6% in 2000 to an estimated 76.1% in 2010 according to the U.S. Department of Transportation.

8. Aviation Taxes and Security Costs

The FAA and the Airport Improvement Program are supported by the imposition and collection of certain federal ticket taxes, the proceeds of which are deposited into the Aviation Trust Fund. Airlines also pay a federal tax on aviation fuel, and cargo shippers are required to pay federal cargo way bill taxes, both as periodically authorized by Congress. Increases in these taxes generally result in higher overall ticket prices. Because the demand for air service is considered to be price elastic or sensitive to changes in the price level, higher taxes and thus higher ticket prices may result in reduced passenger levels and reduced airline yields and profitability.

Following 9/11, President George W. Bush signed into law the Aviation and Transportation Security Act (“ATSA”) on November 19, 2001 which, among other things, established the TSA within the U.S. Department of Transportation. The ATSA established a series of milestones intended to achieve a secure air travel system. Following the passage of the ATSA, a passenger security tax of \$2.50 per flight segment was created to provide funding for federally mandated security improvements required by the ATSA. The tax became effective on February 1, 2002, is known as the Aviation Security Service Fee and is presently capped at \$10.00 per round trip flight. **Table IV-15** summarizes the taxes and fees paid by U.S. airlines and their passengers in 1972, 1992, 2004, 2006, 2008, 2009 and 2010 according to the ATA.

TABLE IV-15
Historical Trends in Aviation Taxes

Tax/Fee Type	1972	1992	2004	2006	2008	2009	2010	Unit of Tax
Pax Ticket Tax	7.50%	10.00%	7.50%	7.50%	7.50%	7.50%	7.50%	Domestic Airfare
Pax Flight Segment	\$0.00	\$0.00	\$3.00	\$3.40	\$3.50	\$3.50	\$3.70	Per Domestic Enplanement
Pax Security	\$0.00	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	Per Dom/Int'l Enplanement
Int'l Departure Tax	\$3.00	\$6.00	\$13.40	\$15.10	\$15.40	\$16.10	\$16.30	Per Int'l Pax Departure
Int'l Arrival Tax	\$0.00	\$0.00	\$13.40	\$15.10	\$15.40	\$16.10	\$16.10	Per Int'l Pax Arrival
INS User Fee	\$0.00	\$5.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	Per Int'l Pax Arrival
USCS User Fee	\$0.00	\$5.00	\$5.00	\$5.00	\$5.50	\$5.50	\$5.50	Per Int'l Pax Arrival
APHIS Pax Fee	\$0.00	\$2.00	\$3.10	\$5.00	\$5.00	\$5.00	\$5.00	Per Int'l Pax Arrival
Cargo Waybill Tax	5.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	Waybill for Domestic Freight
Frequent Flyer Tax	0.00%	0.00%	7.50%	7.50%	7.50%	7.50%	7.50%	Sales of Frequent Flyer Miles
APHIS Aircraft Fee	\$0.00	\$76.75	\$65.25	\$70.50	\$70.50	\$70.50	\$70.75	Int'l Aircraft Arrival
Jet Fuel Tax	\$0.000	\$0.000	\$0.043	\$0.043	\$0.043	\$0.043	\$0.043	Per Gallon
LUST Fuel Tax	\$0.000	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	\$0.001	Per Gallon
Air Carrier Security	\$0.00	\$0.00	Confidential	Confidential	Confidential	Confidential	Confidential	CY 2000 Screening Costs
<div style="display: flex; justify-content: space-between;"> <div>Source: Air Transport Association Compiled by Newton & Associates, Inc.</div> <div>September 20, 2011 c:\na\2011 GARBS Section IV Tables ver 0.2</div> </div>								

9. US Airways and the Airport as a Connecting Hub

With the Airline Deregulation Act of 1978, airlines began to develop “hub and spoke” systems in order to more efficiently use their aircraft. In a hub and spoke system, passengers from numerous cities throughout the airlines’ networks are directed each day into a small number of “hub” airports, where they connect on flights to “spoke” airports in other cities, thereby creating economies-of-scale and allowing airlines to increase frequency, profitability and serve cities that would otherwise go un-served in a “point-to-point” system.

The Airport is a connecting passenger “hub” for US Airways and provides local Airport patrons with a level of direct, non-stop service not usually present in markets with populations comparable to the Air Service Area. The Airport is served by several classes of airlines which include mainline airlines, code-sharing regional airlines which closely coordinate their operations with their mainline partners and non-scheduled charter airlines.

Currently, US Airways has primary hubs in Charlotte, Philadelphia and Phoenix and a secondary hub/focus city in Washington, DC. It brands its new operations as a LCC offering scheduled passenger service on approximately 3,200 daily flights to 200 communities in the U.S., Canada, the Middle East, the Caribbean, Latin America and Europe, making it the only U.S. based LCC with a significant international route presence. In addition, it is the only LCC with an established east coast route network, including the US Airways Shuttle service, with substantial presence at capacity constrained airports including New York’s LaGuardia Airport and Washington’s Ronald Reagan National Airport. On May 23, 2011, Delta and US Airways announced an agreement to transfer take-off and landing rights at New York’s LaGuardia and Washington Regan National airports which was tentatively approved by the US Department of Justice on July 21, 2011. This will enable US Airways to expand service and increase competition at Washington Regan’s slot restricted airport.

As shown on **Table IV-16**, the Airport is the largest airport in the US Airways system based on departing seats for CY 2010, representing 20.0% of US Airways total system wide departing seats. The other two primary hubs for US Airways, Philadelphia International Airport and Phoenix Sky Harbor, are ranked 2nd and 3rd in US Airways system wide traffic, representing 13.0% and 10.9%, respectively, in total US Airways system wide traffic in CY 2010. As shown in Table IV-16, the Airport is the only top-10 airport which has experienced growth in the number of departing seats for US Airways’ over the Study Period. US Airways total system wide departing seats decreased by 3.5% over the Study Period.

TABLE IV-16
Scheduled Departing Seats on US Airways Top-10 Airports CY 2010

Rank	Airport	Calendar Year Departing Seats										Average Annual Growth Rate
		2006	Percent of Total	2007	Percent of Total	2008	Percent of Total	2009	Percent of Total	2010	Percent of Total	
1	Charlotte Douglas International	18,038,862	14.7%	19,087,368	16.0%	19,722,770	17.5%	19,452,859	18.4%	21,233,842	20.0%	4.2%
2	Philadelphia International	14,341,394	11.7%	13,793,585	11.6%	13,531,567	12.0%	13,295,458	12.6%	13,784,804	13.0%	-1.0%
3	Phoenix Sky Harbor International	12,949,758	10.6%	12,737,325	10.7%	11,925,583	10.6%	11,395,836	10.8%	11,544,004	10.9%	-2.8%
4	Washington, DC Washington National	6,126,096	5.0%	5,973,475	5.0%	5,771,017	5.1%	5,360,925	5.1%	5,560,006	5.2%	-2.4%
5	New York La Guardia	4,189,421	3.4%	4,089,945	3.4%	4,039,278	3.6%	3,903,650	3.7%	3,584,335	3.4%	-3.8%
6	Boston Logan International	3,496,668	2.9%	3,399,653	2.8%	3,273,466	2.9%	3,108,512	2.9%	2,776,948	2.6%	-5.6%
7	Las Vegas Mc Carran International	6,504,442	5.3%	5,908,838	5.0%	4,631,774	4.1%	3,175,722	3.0%	1,703,800	1.6%	-28.5%
8	Orlando, Orlando International	1,766,094	1.4%	1,651,802	1.4%	1,576,421	1.4%	1,434,139	1.4%	1,445,960	1.4%	-4.9%
9	Los Angeles International	1,648,516	1.3%	1,541,563	1.3%	1,337,154	1.2%	1,235,536	1.2%	1,086,282	1.0%	-9.9%
10	Fort Lauderdale International	1,607,589	1.3%	1,335,508	1.1%	1,159,225	1.0%	1,042,321	1.0%	1,000,432	0.9%	-11.2%
	All Other	51,954,803	42.4%	49,849,547	41.8%	45,611,569	40.5%	42,313,566	40.0%	42,639,514	40.1%	-4.8%
	Total - US System	122,623,643	100.0%	119,368,609	100.0%	112,579,824	100.0%	105,718,524	100.0%	106,359,927	100.0%	-3.5%

NOTE: Represents domestic and international seats and includes regional code sharing affiliates.

Source: UBM Aviation, OAG Data
Compiled by Newton & Associates, Inc.

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As of December 31, 2010, US Airways operated 339 mainline jets and are supported by their regional airline subsidiaries and affiliates operating as US Airways Express, which operate approximately 231 regional jets and 50 turboprops.⁴³

US Airways realigned its operations to focus on core network strengths, which include their hubs in Charlotte, Philadelphia and Phoenix and its focus city at Washington National. These four cities, as well as the hourly Shuttle service between LaGuardia, Boston and Washington National airports serve as the cornerstone of their network and represent 98% of its ASMs at December 31, 2010. US Airways total airline capacity measured by ASMs increased by 0.9% in 2010 compared to 2009. Mainline capacity for the same time period was up 1.2% from the prior year while express carrier capacity owned by US Airways was down 1.0% from 2009.

Table IV-17 presents, among other items, total enplanements, total enplanements for US Airways, Airport total O&D enplanements, O&D enplanements for US Airways, as well as connecting enplanements for US Airways at each of its three hub airports. As previously mentioned, the Airport ranks as the largest hub based on number of seats and has enjoyed a higher average annual growth rate in total enplanements, O&D enplanements and connecting enplanements than other hubs from CY 2006 through CY 2010.

⁴³ US Airways, Inc. Form 10k, February 23, 2011

Based on information contained in its Form 10-K, US Airways Group, Inc. stated an Operating Income of \$781 million for the year ending December 31, 2010, as compared to an Operating Income of \$118 million for the prior year.

TABLE IV-17
Comparison of US Airways Domestic Passenger Enplanement Indices

CHARLOTTE/DOUGLAS INTERNATIONAL AIRPORT											
Calendar Year	Total Enplanements				O&D Enplanements				US Airways Connecting Enplanements		
	CLT Enplanements	% Change	US Airways Enplanements	% Share	CLT O&D	US Airways O&D	% Chg	% Share	CLT Connecting	% Change	% of Total
2006	13,720,310		11,802,919		4,069,640	2,244,980		55.2%	9,557,939		69.7%
2007	15,520,873	13.1%	13,327,227	85.9%	4,468,020	2,445,410	8.9%	54.7%	10,881,817	13.9%	70.1%
2008	16,119,675	3.9%	14,067,588	87.3%	4,242,270	2,307,090	-5.7%	54.4%	11,760,498	8.1%	73.0%
2009	15,996,428	-0.8%	14,132,107	88.3%	4,156,990	2,352,580	2.0%	56.6%	11,779,527	0.2%	73.6%
2010	17,291,596	8.1%	15,420,927	89.2%	4,350,590	2,565,180	9.0%	59.0%	12,855,747	9.1%	74.3%
AAGR	6.0%		6.9%		1.7%	3.4%		1.7%	7.7%		1.6%

PHILADELPHIA INTERNATIONAL AIRPORT											
Calendar Year	Total Enplanements				O&D Enplanements				US Airways Connecting Enplanements		
	PHL Enplanements	% Change	US Airways Enplanements	% Share	PHL O&D	US Airways O&D	% Chg	% Share	PHL Connecting	% Change	% of Total
2006	13,639,958		8,380,605	61.4%	8,718,760	3,571,050		41.0%	4,809,555		35.3%
2007	13,856,988	1.6%	8,311,183	60.0%	8,753,160	3,478,000	-2.6%	39.7%	4,833,183	0.5%	34.9%
2008	13,745,620	-0.8%	8,420,742	61.3%	8,309,670	3,276,660	-5.8%	39.4%	5,144,082	6.4%	37.4%
2009	13,144,453	-4.4%	8,290,486	63.1%	7,811,050	3,171,480	-3.2%	40.6%	5,119,006	-0.5%	38.9%
2010	13,051,944	-0.7%	8,674,899	66.5%	7,654,130	3,278,980	3.4%	42.8%	5,395,919	5.4%	41.3%
AAGR	-1.1%		0.9%	2.0%	-3.2%	-2.1%		1.1%	2.9%		4.1%

PHOENIX SKY HARBOR INTERNATIONAL AIRPORT											
Calendar Year	Total Enplanements				O&D Enplanements				US Airways Connecting Enplanements		
	PHX Enplanements	% Change	US Airways Enplanements	% Share	PHX O&D	US Airways O&D	% Chg	% Share	PHX Connecting	% Change	% of Total
2006	19,692,416		8,945,925	45.4%	11,952,300	3,527,100		29.5%	5,418,825		27.5%
2007	19,889,551	1.0%	8,936,080	44.9%	12,089,030	3,465,060	-1.8%	28.7%	5,471,020	1.0%	27.5%
2008	18,504,302	-7.0%	8,491,853	45.9%	10,973,820	3,008,950	-13.2%	27.4%	5,482,903	0.2%	29.6%
2009	17,617,557	-4.8%	8,206,546	46.6%	10,144,550	2,673,970	-11.1%	26.4%	5,532,576	0.9%	31.4%
2010	17,827,777	1.2%	8,263,045	46.3%	10,019,420	2,551,960	-4.6%	25.5%	5,711,085	3.2%	32.0%
AAGR	-2.5%		-2.0%	0.5%	-4.3%	-7.8%		-3.6%	1.3%		3.9%

Notes:

¹ Total Airport Enplanements per U.S. DOT Origin & Destination Survey of Airline Passenger Survey via Database Products, Inc.

² Total US Airways Enplanements by Airport per U.S. DOT T-100 Database.

³ US Airways O&D Origin and Destination Survey of Airline Passengers via Database Products, via Database Products, Inc.

⁴ Connecting Enplanements = Total Enplanements minus O&D Enplanements

⁵ Includes non-revenue (zero fare) passengers and will not equal enplanement totals as reported by individual Airports.

⁶ Data is for America West and US Airways (including their code sharing affiliates), combined.

Source: Database Products

Compiled by Newton & Associates, Inc.

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H. FORECAST OF PASSENGER ENPLANEMENT ACTIVITY

As previously discussed in this Section IV, demand for air service results in Airport passengers who spend money and generate Airport revenues. Because of this relationship between Airport passengers and Airport revenues, a forecast of passenger enplanement activity is necessary to reasonably forecast certain Airport revenues. The forecasting of aviation activity is an art rather than a science. Barring unforeseeable events, past aviation activity, anticipated future socioeconomic activity and various other factors likely to affect future air traffic are often useful guides in projecting future aviation activity. A historical analysis of certain socioeconomic trend

characteristics, including population and income per capita among other things, is set forth in Section III of this Report. As depicted in Section III, the population of the Air Service Area grew at an average annual rate of 2.2% over the Study Period and income per capita decreased at an average annual rate of 2.3% over the Study Period.

NAI has also examined the historical passenger enplanements at the Airport for the most recent five consecutive years, FY 2007 through FY 2011, as presented on **Table IV-18**, below. At the Airport, two mutually exclusive passenger markets exist: the O&D passenger market and the connecting passenger market.

TABLE IV-18
Forecast of Enplaned Passengers

Enplaned Passengers						
Fiscal Year	Originating	Connecting	Total			
2007	4,788,700	10,923,295	15,711,995			
2008	4,932,010	12,091,050	17,023,060			
2009	4,517,040	12,787,971	17,305,011			
2010	4,697,900	13,026,990	17,724,890			
2011 ¹	4,999,894	14,710,872	19,710,766			
Average Annual Growth Rate						
2007 - 2011	1.1%	7.7%	5.8%			
2010 - 2011	6.4%	12.9%	11.2%			
Forecast:	Annual Rate	Annual Rate	Annual Rate			
2012	5,049,893	1.00%	14,857,981	1.00%	19,907,874	1.00%
2013	5,100,392	1.00%	15,006,561	1.00%	20,106,952	1.00%
2014	5,151,396	1.00%	15,156,626	1.00%	20,308,022	1.00%
2015	5,202,910	1.00%	15,308,192	1.00%	20,511,102	1.00%
2016	5,254,939	1.00%	15,461,274	1.00%	20,716,213	1.00%
2017	5,307,488	1.00%	15,615,887	1.00%	20,923,375	1.00%
Average Annual Growth Rate						
2011 - 2017	1.0%		1.0%		1.0%	
¹ Total is actual; allocation between O&D and Connecting is estimated.						

Source: Historical Data Based on Airport Records

Forecast: Newton & Associates, Inc.

September 20, 2011

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According to Airport records, O&D enplanements increased from 4.8 million in FY 2007 to an estimated 5.0 million in FY 2011, increasing at an average annual growth rate of 1.1%. The

number of O&D passengers in FY 2011 is estimated to be 6.4% higher than the O&D passengers in FY 2010.

With respect to historical connecting passenger enplanement levels at the Airport, passenger enplanements grew from 10.9 million in FY 2011 to an estimated 14.7 million in FY 2011, an increase of 3.8 million and representing an average annual growth rate of 7.7%. Connecting enplanements increased by 12.9% in FY 2011 compared to FY 2010.

Another segment of passenger enplanement activity is international enplanements (see Table IV-5) which comprise both O&D and connecting passengers at the Airport. During the period FY 2007 to FY 2011, international enplaned passengers at the Airport exhibited strong growth, rising from 0.9 million in FY 2007 to 1.3 million in FY 2011, representing an average annual increase of 6.8% over the period.

Based upon the historical trend in passenger activity, coupled with the exhibited strength of the economic base of the Air Service Area and projected annual growth in Air Service Area population, NAI expects locally generated enplanements to increase by 1.0% from FY 2011 to FY 2017 which represents approximately one half of the growth in population of the ASA (2.2%) over the Forecast Period.

As previously mentioned, demand for connecting enplanements is dependent upon business decisions made by US Airways (or another airline in the future) to utilize the Airport as a connecting hub facility. US Airways has not publicly suggested any reductions in future air service at the Airport.⁴⁴ As a result, the forecasted growth of connecting enplanements was determined by examining industry trends in enplanement forecasts prepared by the FAA and the projected growth in the GDP.

Total system-wide enplanements are projected by the FAA to increase by 3.6% from 2011 to 2017.⁴⁵ As previously mentioned, the GDP is anticipated to increase by 3.3% over the Forecast Period. NAI expects connecting enplanements to increase by 1.0% from FY 2011 through FY 2017 representing approximately one third of both the growth of enplanements and GDP.

Enplanement Forecast Assumptions

1. The demographic and socioeconomic characteristics of the Air Service Area and the United States will continue to grow and support the demand for passenger air transport.
2. The level of commercial air service activity and profitability in the United States will continue to recover at levels substantially similar to those presented in the FAA Aerospace Forecast.

⁴⁴ See discussion in Factors Affecting Future Air Traffic.

⁴⁵ Aerospace Forecasts, Fiscal Years 2011-2031, Federal Aviation Administration, March 15, 2011.

3. No additional military conflicts or terrorist attacks which would directly or indirectly compromise the commercial air transportation system in the United States and at the Airport will occur.
4. Adequate Airport capacity will be available to accommodate projected traffic and there will be no additional governmental operational restrictions imposed at key airports which inhibit the airlines serving the Airport from continuing to serve or expanding existing service.
5. US Airways will continue to maintain a connecting passenger hub at the Airport at an operational level substantially equal to the level which exists at the date of this Report.
6. The airlines other than US Airways currently serving the Airport will continue to maintain available capacity at a level substantially equal to the level which exists as of the date of this Report.
7. There will be no material additional initiation of service by low cost, discount airlines at the Airport over the Forecast Period other than that which has been discussed in this Report.

With the preceding considerations and assumptions in mind, and for the purpose of this Report, NAI has adopted the aforementioned forecast rates of enplanements at the Airport to forecast levels of non-airline revenues during the Forecast Period. NAI believes, however, that traffic may grow at a slower rate in some years and at a faster rate in others, following changes in economic activity and airline operating decisions.

The base year used for the purpose of projecting passenger enplanements at the Airport is FY 2011. NAI's forecast of enplanements at the Airport is presented in Table IV-18. As depicted in Table IV-18, originating enplaned passengers at the Airport are projected to grow from 5.0 million in FY 2011 to 5.3 million in FY 2017, connecting enplanements are projected to increase by 1.0% over this same time period and total enplaned passengers are forecast to increase to 20.9 million in FY 2017, representing an average annual growth rate of 1.0%.

V. FINANCIAL ANALYSIS

A. GENERAL

The Airport is operated by the Aviation Department of the City as a self-supporting enterprise fund. The activities of the Airport are accounted for on a full accrual basis in accordance with generally accepted accounting principles for governmental entities.

The historical operating statements of the Airport are maintained in conformance with the requirements of the Bond Order and the 1985 Airline Use Agreements. The 1985 Airline Agreements established procedures for the review and adjustment of rentals, fees and charges at least annually so that the aggregate of Airport fees and charges payable by all Signatory Airlines, together with Non-Airline Terminal Revenues, are sufficient to pay for the cost of operating, maintaining and developing the Terminal complex and the P.A.F., and to satisfy the City's obligations to make deposits and payments under the Bond Order.

The Airport's Aircraft Maintenance Cost Center, Fixed Base Operator Area Cost Center, Cargo Center and Catering Cost Center ("Excluded Cost Centers") make up the functional areas of the Airport, the revenues of which are excluded from the pledge of Revenues set forth in the Bond Order for the payment of the City's Outstanding Bonds. Excluded Cost Center Revenues represented approximately 15.0% of total Airport Revenues in unaudited FY 2011.

B. APPLICATION OF REVENUES UNDER PROVISIONS OF THE BOND ORDER

The Bond Order creates a special fund designated the Revenue Fund into which the City is required to set aside and deposit all Revenues on receipt thereof by the City. The Bond Order requires that moneys on deposit in the Revenue Fund be applied solely at such times and in accordance with the priorities established by the Bond Order.

In addition to the Revenue Fund, the Bond Order creates the following funds and accounts:

- (1) Operating Fund
- (2) Revenue Bond Fund
 - (a) Interest Account
 - (b) Principal Account
 - (c) Redemption Account
 - (d) Reserve Account
 - (e) Sinking Fund Account
- (3) Renewal and Improvement Fund
- (4) Airport Discretionary Fund

Moneys in the Revenue Fund are required by the Bond Order to be transferred and credited to the following funds and accounts at the following times and in the following order of priority:

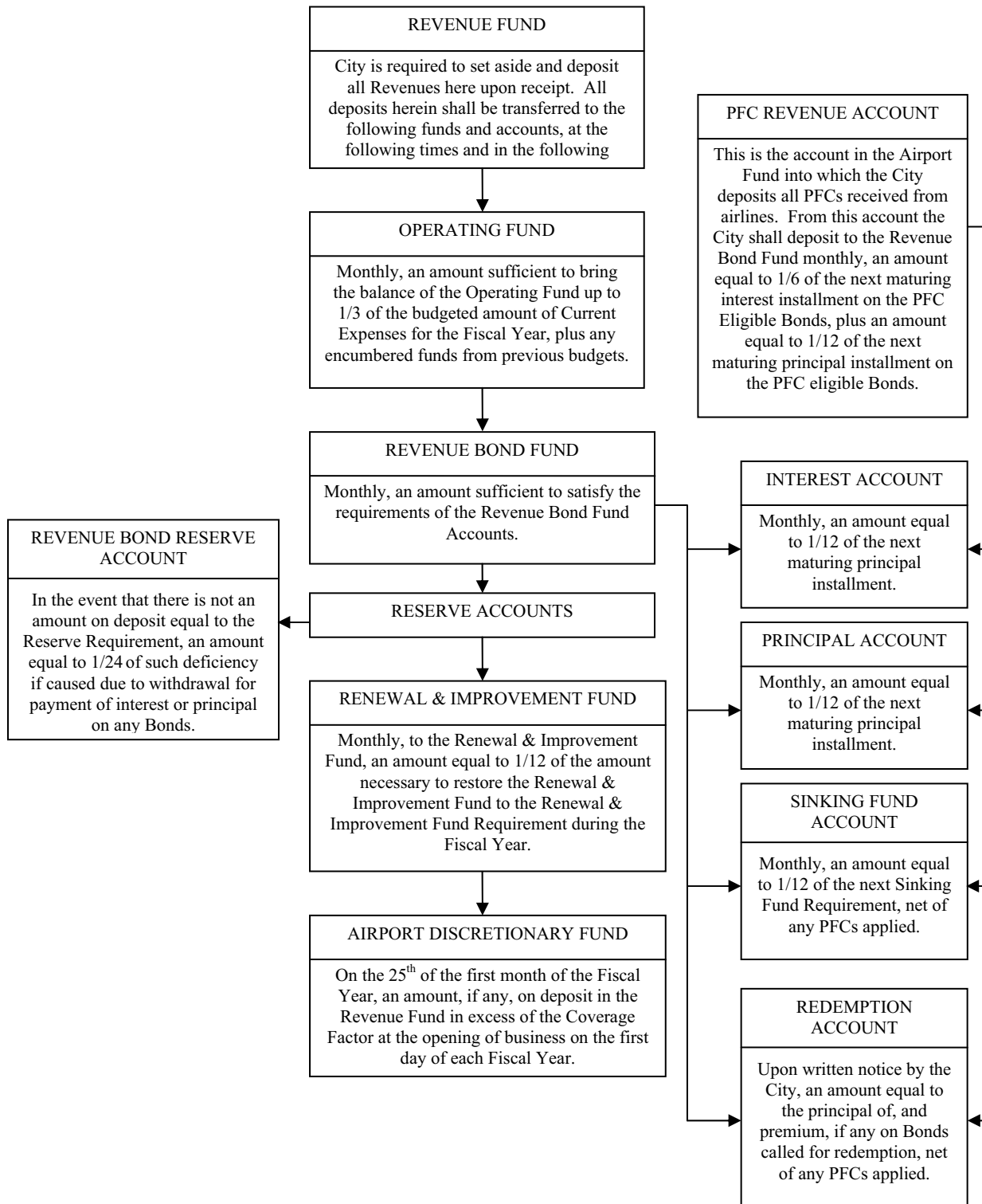
- (1) Monthly, to the Operating Fund, an amount sufficient to bring the balance in the Operating Fund to equal $1/3^{\text{rd}}$ of the amount shown by the Annual Budget as Current Expenses for the then current Fiscal Year plus the amount of encumbered funds from previous budgets;
- (2) Monthly, to the respective sub-account of the Interest Account for all Bonds Outstanding under the Bond Order, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, installments of interest on such bonds as specified in the respective Series Resolution for each series of bonds;
- (3) Monthly, to the respective sub-account of the Principal Account for all Bonds Outstanding under the Bond Order, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, installments of principal on such bonds as specified in the respective Series Resolution for each series of bonds;
- (4) Monthly, to the respective sub-account of the Sinking Fund Account for all Bonds Outstanding under the Bond Order, after taking into account money transferred from the PFC Revenue Account or otherwise deposited by the City, an amount which is equal to $1/12^{\text{th}}$ of the next Sinking Fund Requirement for such bonds as specified in the respective Series Resolution for each series of bonds;
- (5) On or prior to the date that the City provides the Trustee with written notice of redemption, to the sub-account of the Redemption Account for such Bonds to be redeemed, an amount equal to the principal of, and premium, if any, on such Bonds so called for redemption;
- (6) In the event that there is not on deposit in any sub-account of the Reserve Account an amount equal to the Reserve Requirement for such sub-account, to such sub-account the amount equal to $1/24^{\text{th}}$ of such deficiency if it has occurred by reason of a change in valuation of investments in such sub-account of the Reserve Account or $1/12^{\text{th}}$ of such deficiency if it has occurred by reason of the withdrawal of funds from such sub-account in order to make payment of interest or principal on any bonds; and
- (7) Monthly, to the Renewal and Improvement Funds, an amount which is equal to $1/12^{\text{th}}$ of the amount necessary to restore the Renewal and Improvement Fund to the Renewal and Improvement Fund Requirement during such Fiscal Year.

If, as of the opening of business on the first day of each Fiscal Year, there are any funds on deposit in the Revenue Fund in excess of the Coverage Factor (which is equal to 25% of the principal, sinking fund and interest requirements on the Bonds for the preceding Fiscal Year),

such excess is permitted to be transferred to the Airport Discretionary Fund on the 25th day of each Fiscal Year.

The Bond Order also creates a special account in the Revenue Fund designated the Rebate Account. The City is permitted to withdraw moneys from the Revenue Bond Fund and use such amounts to satisfy the requirements of Section 148(f) of the Internal Revenue Code, if any, with respect to bonds outstanding under the Bond Order. See Figure V-1 for a depiction of the application of Revenues.

FIGURE V-1
Application of Money in the Revenue Fund



C. RATE COVENANT

In the Bond Order, the City has covenanted to fix, charge and collect rates, fees, rentals and charges for the use of the Airport and to revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of deposits required to be made in each Fiscal Year to: (i) the Operating Fund; (ii) the Revenue Bond Fund; and (iii) the Renewal and Improvement Fund, plus an amount, if any, which provides an amount on deposit in the Revenue Fund as of the opening of business on the first day of the next Fiscal Year, equal to the Coverage Factor for such preceding Fiscal Year.

The Coverage Factor for each Fiscal Year is defined as an amount equal to 25% of the sum of the amounts required to be deposited from Net Revenues into the Revenue Bond Fund for such Fiscal Year. Revenues for a Fiscal Year are deemed to include amounts retained by the City in the Revenue Fund as of the end of the preceding Fiscal Year.

PFCs received by the City are not “Revenues” under the Bond Order and are referred to as “PFC Revenues.” For the purpose of calculating the Coverage Factor, PFCs are used to reduce the Revenue Bond Fund deposit required pursuant to the Bond Order. PFC Revenues deposited into the Revenue Bond Fund reduce the deposits required to be made to the Revenue Bond Fund each month from the Revenue Fund. A detailed discussion of the impact of PFCs is provided hereinafter provided in Section VI.

D. HISTORICAL AIRPORT REVENUES

1. Historical Included Cost Center Revenues

Included Cost Center Revenues include Signatory and Non-Signatory Airline Terminal Revenues, Public Use Premises Revenues, Public Aircraft Facilities Revenues, and Other Included Cost Center Revenues. The Airport’s historical Included Cost Center Revenues from FY 2007 to estimated FY 2011 are presented on **Table V-1**.

2. Historical Excluded Cost Center Revenues

Excluded Cost Center Revenues include cargo and FBO building and ground rentals, FBO fees, catering revenues and general aviation revenues and Interest Income. The Airport’s historical Excluded Cost Center Revenues from FY 2007 to estimated FY 2011 are presented on Table V-1.

TABLE V-1
Historical Airport Revenues

	Study Period					Average Annual
	Actual	Actual	Actual	Actual	Estimated	Growth Rate
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 ¹	
<u>Included Cost Center Revenues</u>						
Terminal Complex:						
Signatory Airline Terminal Rentals	\$11,476,768	\$11,932,646	\$11,403,661	\$12,362,473	\$10,703,530	-1.7%
Non-Leased Premises Airline Terminal Use Fees	7,351,458	7,905,378	7,313,706	7,263,540	8,920,890	5.0%
FIS /International Gate Fees	4,891,203	5,409,202	5,355,136	5,583,580	7,391,664	10.9%
Sub-Total	\$23,719,429	\$25,247,226	\$24,072,504	\$25,209,592	\$27,016,084	3.3%
Public Use Premises:						
Concessions:						
Automobile Parking	\$31,209,805	\$34,173,940	\$33,198,073	\$34,705,604	36,027,872	3.7%
Rental Cars	10,750,827	10,983,885	10,163,449	9,172,084	10,210,469	-1.3%
Food & Beverage	12,458,346	15,184,912	16,075,314	17,897,128	21,130,052	14.1%
Retail Merchandise	5,946,906	7,055,482	6,779,515	6,757,288	5,856,689	-0.4%
Public Pay Phones	74,488	54,354	23,079	6,266	2,594	-56.8%
Advertising	2,496,542	3,080,791	2,471,365	1,900,545	1,644,228	-9.9%
Ground Transportation	229,007	258,933	235,651	300,063	262,589	3.5%
Other	99,728	154,886	133,714	107,999	193,868	18.1%
Sub-Total	\$63,265,648	\$70,947,182	\$69,080,160	\$70,846,976	\$75,328,360	4.5%
Other Terminal Complex Revenues						
M & O Reimbursements	1,072,348	\$1,464,878	\$1,327,988	\$983,556	\$908,690	-4.1%
Other	2,959,268	3,420,170	3,623,184	2,773,341	2,768,337	-1.7%
Sub-Total	\$4,031,616	\$4,885,048	\$4,951,172	\$3,756,897	\$3,677,027	-2.3%
Sub-Total Terminal Complex	\$91,016,694	\$101,079,457	\$98,103,836	\$99,813,465	\$106,021,472	3.9%
Public Aircraft Facilities (PAF):						
Signatory Airline Landing Fees	\$6,076,429	\$5,748,277	\$6,024,638	5,894,990	\$7,203,602	4.3%
Non-Signatory Airline Landing Fees	3,978,681	3,805,450	3,573,029	3,600,241	4,227,625	1.5%
Fuel Flowage Fees	207,714	219,016	130,679	137,023	298,794	9.5%
Sub-Total PAF	\$10,262,825	\$9,772,743	\$9,728,346	\$9,632,254	\$11,730,021	3.4%
Other Included Cost Center Revenues:						
Fuel Farm Rentals	\$843,011	\$843,047	\$839,719	\$931,010	886,963	1.3%
Interest Income	5,792,544	5,014,905	4,194,663	2,379,410	2,379,410	-19.9%
ASF fees recovered from Cargo & FBO Areas	2,199,189	2,177,369	1,826,599	1,631,784	1,223,777	-13.6%
Sub-Total Other	\$8,834,744	\$8,035,321	\$6,860,982	\$4,942,204	\$4,490,151	-15.6%
Total Included Cost Centers Revenues	\$110,114,262	\$118,887,521	\$114,693,163	\$114,387,923	\$122,241,643	2.6%
<u>Excluded Cost Center Revenues</u>						
Cargo and FBO Areas:						
Building & Ground Rentals						
Cargo Facilities	\$4,543,491	\$4,056,488	\$4,805,790	\$4,204,878	\$7,291,249	12.6%
Catering Facilities	71,050	2,071,030	16,764	16,764	16,764	-30.3%
General Aviation	1,504,439	1,011,921	831,590	610,986	511,852	-23.6%
FBO Fees	15,512,693	18,662,443	13,689,926	12,658,118	13,562,940	-3.3%
Interest Income	0	172,338	106,942	72,013	107,349	100.0%
Total Excluded Cost Centers Revenues	\$21,631,673	\$25,974,221	\$19,451,012	\$17,562,758	\$21,490,154	-0.2%
Total Airport Revenues	\$131,745,935	\$144,861,742	\$134,144,176	\$131,950,681	\$143,731,797	2.2%

¹ Estimated based on actual revenues July 1, 2010 - February 28, 2011.

Source: Charlotte Douglas International Airport
Compiled by Newton & Associates, Inc.

September 20, 2011
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E. HISTORICAL AIRPORT CURRENT EXPENSES

1. Operations, Maintenance and Repair Expenses

Operations, Maintenance and Repair Expenses (“OM&R Expenses”) include personal services, City services, contractual services and commodities. The Airport’s OM&R Expenses for the Included Cost Centers from FY 2007 to estimated FY 2011 are presented on the upper portion of **Table V-2**.

2. Capital Items Expenses

Current Expenses in the Included Cost Centers include OM&R Expenses and Capital Items Expense. The Airport’s historical Capital Items Expenses from FY 2007 to unaudited FY 2011 are presented on Table V-2. Under the Bond Order, Capital Items Expenses of the Included Cost Centers for any given fiscal year shall not exceed 15.0% of the Current Expenses for such year. As depicted on Table V-2, Capital Items Expenses did not exceed 9.4% in any year of the Study Period.

TABLE V-2
Historical Airport Expenses

	Study Period					Average Annual Growth Rate
	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Estimated FY 2011 ¹	
Current Expenses - Included Cost Center Expenses:						
Operations, Maintenance & Repair	\$43,397,940	\$47,439,803	\$48,278,607	\$49,270,389	\$51,364,860	4.3%
Capital Items	\$3,187,368	\$4,906,922	\$4,858,445	\$1,690,096	\$3,930,747	5.4%
Total Current Expenses	\$46,585,308	\$52,346,725	\$53,137,053	\$50,960,485	\$55,295,608	4.4%
Capital Items 15% Test²	6.8%	9.4%	9.1%	3.3%	7.1%	
¹ Estimated based on actual expenses July 1, 2010 - February 28, 2011.						
² Capital Items Divided by Total Current Expenses.						
Source: Charlotte Douglas International Airport				September 20, 2011		
Compiled by Newton & Associates, Inc.				c:\2011 GARBs Financial v8.xlsx		

3. Existing Debt Service

As described in Section II of this Report, the City has multiple series of Bonds outstanding. Following summarizes the par amounts of the Bonds previously issued by the City: \$166,935,000 of 2004 Bonds; \$147,565,000 of 2007 Bonds; \$40,585,000 of 2008D Refunding Bonds; \$51,180,000 of 2009B Refunding Bonds; and \$229,015,000 of 2010 Bonds. Proceeds of the 2004 Bonds were issued as new money bonds to fund, in part, numerous Airport improvements. The proceeds of the 2007 Bonds were issued as new money bonds and to refund the then outstanding 1999A Bonds. Proceeds of the 2008D Refunding Bonds were used to refund the then outstanding 1999D Bonds and the 2004D Bonds. Proceeds of the 2009B Bonds were used to refund the then outstanding 1993A Bonds. The 2010 Bonds were issued as new money bonds and to refund the then outstanding 1999B Bonds. The 2004 Bonds, the 2007 Bonds, the 2008D Bonds, the 2009B Bonds, and the 2010 Bonds are referred to herein as the “Prior Bonds”. The debt service paid during the Study Period by the Airport for the Prior Bonds is set forth on **Table V-3**.

The Prior Bonds are secured by a pledge by the City of the Net Revenues of the Airport. As of the date of this Report, the amounts outstanding on the Prior Bonds are as follows: (i) \$132,580,000 of 2004 Bonds; (ii) \$124,145,000 of 2007 Bonds; (iii) \$39,565,000 of 2008D Bonds; (iv) \$37,865,000 of 2009B Bonds; and (v) \$213,160,000 of 2010 Bonds. The total principal amount on the Prior Bonds outstanding as of the date of this Report is \$547,315,000.

See Table V-3 for the schedule of debt service payable on the Prior Bonds.

TABLE V-3
Schedule of Debt Service – Required Pursuant to the Bond Order⁴⁶

Fiscal Year	1993 Revenue Refunding Bonds	1997 Revenue Refunding Bonds	1999 Revenue Bonds	2004 Revenue Bonds	2007 Revenue Bonds	2008D Revenue Bonds	2009B Revenue Bonds	2010 Revenue Bonds	2011 Revenue Bonds	Total Revenue Bonds
STUDY PERIOD										
2007	9,258,460	6,078,300	8,076,042	10,753,366	0	0	0	0	0	34,166,168
2008	7,620,674	5,149,867	7,504,866	10,723,588	7,397,211	0	0	0	0	38,396,206
2009	5,418,615	5,495,934	7,092,953	10,396,158	7,922,070	387,911	758,970	0	0	37,472,611
2010	0	3,662,193	3,660,844	9,843,393	7,403,223	493,461	8,614,025	5,429,957	0	39,107,096
2011	0	0	0	9,844,200	7,351,052 ⁿ	506,465	8,614,650	14,932,047	0	41,248,414
FORECAST PERIOD										
2012	0	0	0	9,842,750	8,387,848	2,091,513	8,617,450	15,718,450	6,524,585	51,182,595
2013	0	0	0	9,843,163	8,384,289	2,094,088	8,615,200	15,710,625	10,071,213	54,718,577
2014	0	0	0	9,844,913	8,376,458	2,090,813	8,616,500	15,705,350	10,075,788	54,709,821
2015	0	0	0	9,847,475	8,374,377	2,091,900	8,616,000	15,716,725	10,069,225	54,715,702
2016	0	0	0	9,845,325	8,377,610	2,087,138	3,032,225	15,701,888	10,072,838	49,117,022
PROJECTED										
2017	0	0	0	9,843,200	8,372,886	2,091,738	0	15,712,788	10,077,175	46,097,786
2018	0	0	0	9,845,575	8,371,167	2,085,275	0	15,709,400	10,068,913	46,080,330
2019	0	0	0	9,846,663	8,367,523	2,088,175	0	15,718,788	10,068,263	46,089,410
2020	0	0	0	9,845,938	8,361,617	2,085,013	0	15,708,750	10,074,438	46,075,754
2021	0	0	0	9,842,875	8,366,107	2,086,000	0	15,711,363	10,076,575	46,082,920
2022	0	0	0	9,846,950	8,358,115	2,080,925	0	15,710,450	10,069,463	46,065,903
2023	0	0	0	9,843,288	8,361,384	2,080,000	0	15,720,225	10,076,100	46,080,996
2024	0	0	0	9,847,238	8,355,232	5,768,013	0	15,719,538	10,066,925	49,756,944
2025	0	0	0	9,844,313	8,355,010	5,763,138	0	15,716,188	10,077,238	49,755,885
2026	0	0	0	9,844,200	8,350,279	5,745,613	0	15,715,213	10,075,363	49,730,666
2027	0	0	0	9,844,088	8,350,141	5,735,650	0	13,674,115	10,076,300	47,680,293
2028	0	0	0	9,843,225	8,347,945	5,727,613	0	10,421,775	10,074,175	44,414,732
2029	0	0	0	9,845,863	8,340,809	5,711,075	0	9,819,888	10,068,488	43,786,122
2030	0	0	0	9,846,000	8,336,795	1,021,038	0	9,823,375	10,073,575	39,100,782
2031	0	0	0	9,843,000	8,335,191	862,362	0	9,821,438	10,073,138	38,935,127
2032	0	0	0	9,846,000	8,330,297	0	0	9,817,675	10,066,513	38,060,484
2033	0	0	0	9,843,750	8,331,559	0	0	9,821,263	10,073,200	38,069,772
2034	0	0	0	9,845,500	8,328,061	0	0	9,820,888	10,071,525	38,065,974
2035	0	0	0	0	8,319,293	0	0	9,825,725	10,070,913	28,215,930
2036	0	0	0	0	8,314,772	0	0	9,822,388	10,070,188	28,207,347
2037	0	0	0	0	8,313,518	0	0	9,820,638	10,073,263	28,207,418
2038	0	0	0	0	0	0	0	9,018,067	10,073,763	19,091,829
2039	0	0	0	0	0	0	0	1,417,800	10,070,525	11,488,325
2040	0	0	0	0	0	0	0	0	10,064,463	10,064,463
2041	0	0	0	0	0	0	0	0	0	0
	<u>\$22,297,749</u>	<u>\$20,386,294</u>	<u>\$26,334,705</u>	<u>\$277,991,991</u>	<u>\$247,241,832</u>	<u>\$62,774,911</u>	<u>\$55,485,020</u>	<u>\$378,982,773</u>	<u>\$288,544,123</u>	<u>\$1,380,039,399</u>
Interest Rate Assumptions: 2007B, 2008D, and 2010C (variable - 4.25%); 2011A&B (All-In TIC - 5.78%); and 2011C (variable - 4.25%)										
Debt service in final year of maturity net of Debt Service Reserve Fund.										
Source: City of Charlotte Treasurer (Fixed Rate Prior Bonds Debt Service from FY 2007 to FY 2041) Projected 2007C and 2010C Variable Rate Debt Service by Merrill Lynch (FY 2012 - FY 2041) 2011 Bonds (A, B & C) by Merrill Lynch Compiled by Newton & Associates, Inc.										October 11, 2011 c:\...\2011 GARBS Financial v10.xlsx

⁴⁶ According to the City, \$16,800,000 of federal grant funds have been received for projects funded with proceeds of the 2007B Bonds and the 2011C Bonds. On October 3, 2011 \$9,405,000 will be applied to redeem the corresponding amount of 2007 B Bonds, and \$7,395,000 will be applied to redeem the corresponding amount of 2010 C Bonds, neither of which is reflected in Table V-3.

F. HISTORICAL APPLICATION OF REVENUES

Table V-4 depicts the application of Revenues under the provisions of the Bond Order for the years comprising the Study Period. Table V-4 also depicts the effective debt service coverage on the Prior Bonds for the same period. Effective debt service coverage is calculated by dividing Net Revenues by the Revenue Bond Fund requirement.

As previously described, PFCs received by the City are not “Revenues” under the Bond Order and are referred to as “PFC Revenues.” PFC Revenues deposited into the Revenue Bond Fund reduce the deposits required to be made to the Revenue Bond Fund each month from the Revenue Fund. PFCs deposited into the Revenue Bond Fund are depicted on Table V-4.

TABLE V-4
Historical Application of Revenues Under Provisions of the Bond Order

		Study Period				
		Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Estimated FY 2011 ¹
Included Cost Center Revenues:						
Beginning Balance - Amount Retained in Revenue Fund from Prior Year		\$8,544,000	\$10,306,000	\$10,306,000	\$10,306,000	\$10,306,000
Terminal Complex Cost Center		91,016,694	101,079,457	98,103,836	99,813,465	106,021,472
Public Airfield Facilities		10,262,825	9,772,743	9,728,346	9,632,254	11,730,021
Other Included Cost Center Revenues		8,834,744	8,035,321	6,860,982	4,942,204	4,490,151
Total Included Cost Center Revenues		\$118,658,262	\$129,193,521	\$124,999,163	\$124,693,923	\$132,547,643
Application of Revenue:						
Operating Fund						
Current Expenses		\$46,585,308	\$52,346,725	\$53,137,053	\$50,960,485	\$55,295,608
Operating Fund Reserve		683,000	1,532,000	736,000	0	1,445,041
Sub-total		\$47,268,308	\$53,878,725	\$53,873,053	\$50,960,485	\$56,740,648
Net Revenues Available For Revenue Bond Debt Service	[A]	\$71,389,954	\$75,314,796	\$71,126,111	\$73,733,438	\$75,806,995
Existing Revenue Bond Funds						
1993 Revenue Refunding Bonds		\$9,258,460	\$7,620,674	\$5,418,615	\$0	\$0
1997 Revenue Refunding Bonds		6,078,300	5,149,867	5,495,934	3,662,193	0
1999 Revenue Bonds		8,076,042	7,504,866	7,092,953	3,660,844	0
2004 Revenue Bonds		10,753,366	10,723,588	10,396,158	9,843,393	9,844,200
2007 Revenue Bonds		0	7,397,211	7,922,070	7,403,223	7,351,052
2008D Revenue Bonds		0	0	387,911	493,461	506,465
2009B Revenue Bonds		0	0	758,970	8,614,025	8,614,650
2010 Revenue Bonds		0	0	0	5,429,957	14,932,047
Less: PFCs Applied		(15,849,033)	(19,644,316)	(19,575,171)	(18,994,216)	(19,941,118)
Sub-total		\$18,317,135	\$18,751,890	\$17,897,440	\$20,112,880	\$21,307,295
Total Revenue Bond Fund Deposits	[B]	\$18,317,135	\$18,751,890	\$17,897,440	\$20,112,880	\$21,307,295
Net Non-Airline Terminal Revenues		\$53,072,819	\$56,562,906	\$53,228,671	\$53,620,558	\$54,499,699
Ending Balance - Amount Retained in Revenue Fund		\$10,306,000	\$10,306,000	\$10,306,000	\$10,306,000	\$10,312,103
Amount Available For Revenue Sharing		\$42,766,819	\$46,256,906	\$42,922,671	\$43,314,558	\$44,187,596
Credit to Signatory Airlines - Per 1985 Airline Agreement¹		\$16,631,024	\$15,827,284	\$12,621,862	\$15,604,696	\$17,675,038
Net Deposit to Discretionary Fund		\$26,135,795	\$30,429,622	\$30,300,809	\$27,709,862	\$26,512,557
Debt Service Coverage	[A/B]	3.90	4.02	3.97	3.67	3.56
¹ Credit to Signatory Airlines estimated by City Aviation Department for FY 2011.						
Source: Charlotte Douglas International Airport. Existing Revenue Bond Funds: City of Charlotte Treasurer.						September 20, 2011
Amount Retained in the Revenue Fund from Prior Year - Audited Financial Statements						
Compiled by Newton & Associates, Inc.						c:\2011 GARBs Financial v8.xlsx

G. RECONCILIATION OF AIRPORT OPERATING STATEMENTS

A reconciliation of Airport operating statements to the City's audited financial statements during the Study Period is provided for informational purposes on **Table V-5**.

TABLE V-5
Reconciliation of Airport Operating Statements

Airport Operating Results	Actual	Actual	Actual	Actual
Included Cost Center (Operating Fund)¹	FY 2007	FY 2008	FY 2009	FY 2010
Operating Revenues	\$110,114,262	\$118,887,521	\$114,693,163	\$114,387,923
Operating Expenses	(46,585,308)	(52,346,725)	(53,137,053)	(50,960,485)
Net Operating Revenues	\$63,528,954	\$66,540,796	\$61,556,111	\$63,427,438
Beginning Balance - Amount Retained in Revenue Fund from Prior Year (Coverage Factor)	\$8,544,000	\$10,306,000	\$10,306,000	\$10,306,000
Operating Fund Reserve	(683,000)	(1,532,000)	(736,000)	0
Net Revenues Available for Debt Service	\$71,389,954	\$75,314,796	\$71,126,111	\$73,733,438
 Reconciliation to reported Operating Results				
Included Cost Center²				
Operating Revenues ²	\$104,458,000	\$113,877,000	\$110,493,000	\$109,315,000
Non Operating Revenue ²	4,178,000	4,851,000	3,121,000	2,403,000
Net Adjustment by Airport - Actual PAF Revenue ¹	288,575	218,080	124,123	(336,726)
Fuel Flowage Revenue Allocated to Included Revenue	0	0	0	0
Operating Expenses ²	(44,360,000)	(49,144,000)	(51,906,000)	(52,264,000)
Other Adjustments - Net	(1,035,620)	(3,261,284)	(276,012)	4,310,164
Net Operating Revenues	\$63,528,954	\$66,540,796	\$61,556,111	\$63,427,438
Bond Cushion Fund, Retained in Revenue Fund from Prior Year (Coverage Factor)	\$8,544,000	\$10,306,000	\$10,306,000	\$10,306,000
Operating Fund Reserve	(683,000)	(1,532,000)	(736,000)	0
Net Revenues Available for Debt Service	\$71,389,954	\$75,314,796	\$71,126,111	\$73,733,438
Difference	\$0.00	\$0.00	\$0.00	\$0.00
 ¹ Based upon data as set forth in internal financial records of the Airport.				
² Based upon data as set forth in the Report of Certified Public Accountants, City of Charlotte, NC for the years noted.				
 Source: Charlotte Douglas International Airport Compiled by Newton & Associates, Inc.				
September 20, 2011 c:\..2011 GARBs Financial v9.xlsx				

H. FORECAST OF AIRPORT REVENUES AND EXPENSES

1. Included Cost Centers Revenues

As discussed previously in this Section, Revenues assigned to the Included Cost Centers include Terminal Complex revenues, P.A.F. revenues and certain other revenues. The following discusses the nature of the Included Cost Centers Revenues and the basis on which each is forecast over the Forecast Period (see **Table V-6**).

a. Terminal Complex Revenues

Signatory Airline Terminal Rentals

Signatory Airline terminal rentals are those revenues generated from the rentals and charges established by the City, charged to the Signatory Airlines and received by the City for the Signatory Airlines' use of the airline areas of the Terminal Complex. The basis for these rentals is the amount of OM&R Expenses, Capital Items and bond debt service expense allocable to the Leased Premises of the Signatory Airlines in the Terminal Complex.

Over the Study Period, these revenues have declined at an average annual rate of 1.7%. The City has estimated this revenue to be \$10,703,530 in FY 2011. During the Forecast Period, the OM&R Expense component of such rentals (estimated to be approximately 49.7% in FY 2010) are forecast to increase at the projected average annual rate of OM&R Expenses (4.6%) for each year over the Forecast Period. Signatory Airline terminal rentals are projected to be \$11,204,915 in FY 2012. These revenues are projected to increase annually to \$12,624,701 in FY 2017, representing an average annual rate of 2.8% per year.

Non-Leased Premises Airline Terminal Use Fees

Non-leased premises airline terminal use fees are fees paid by Signatory Airlines and non-signatory airlines for the use of passenger boarding gates A-5 and A-7, D-3 through D-13 and gates E-1 through E-38. All of these gates are controlled by the City.

Over the Study Period, these revenues increased at an average annual rate of 5.0%. This growth is primarily attributable to the increase in the number of City gates on Concourse E and the growth in operations by US Airways Express carriers that use Concourse E; expansion of US Airways international operations that use Concourse D; and more frequent use of gates A-5 and A-7 by the Signatory Airlines operating on Concourse A. Non-leased premises airline terminal use fees are projected to be \$9,338,771 in FY 2012. The OM&R Expense component of these revenues has been forecast to increase at the average annual rate projected for OM&R Expenses in the Included Cost Center, resulting in an increase in non-leased premises airline terminal use fees from an estimated \$8,920,890 in FY 2011 to \$10,522,097 in FY 2017.

TABLE V-6
Forecast – Airport Revenue

	Forecast Period							Average Annual Growth Rate
	Estimated ¹ FY 2011	Projected FY 2012	Projected FY 2013	Projected FY 2014	Projected ² FY 2015	Projected FY 2016	Projected FY 2017	
Included Cost Center Revenues:								
Terminal Complex:								
Airline Revenues								
Signatory Airline Terminal Rentals	\$10,703,530	\$11,204,915	\$11,463,680	\$11,734,470	\$12,017,842	\$12,314,382	\$12,624,701	2.8%
Non-Leased Premises Airline Terminal Use Fees	8,920,890	9,338,771	9,554,440	9,780,131	10,016,308	10,263,461	10,522,097	2.8%
Add'l Terminal Rentals - 2011 Debt Svc Recovery	0	280,292	434,625	435,053	434,394	434,412	435,005	9.2%
Sub-Total	\$19,624,420	\$20,823,977	\$21,452,745	\$21,949,654	\$22,468,545	\$23,012,255	\$23,581,803	3.1%
Non-Airline Revenues								
FIS /International Gate Fees	\$7,391,664	\$7,465,581	\$7,540,236	\$7,615,639	\$7,691,795	\$7,768,713	\$7,846,400	1.0%
Fuel Farm Rentals	886,963	886,963	886,963	886,963	886,963	886,963	886,963	0.0%
Interest Income	2,379,410	2,530,604	2,681,255	2,836,568	2,990,299	3,126,274	3,278,914	5.5%
Concessions:								
Automobile Parking	36,027,872	36,388,150	36,752,032	37,119,552	37,490,748	37,865,655	38,244,312	1.0%
Incremental Auto Parking - 2011 Dbt Svc Recovery	0	3,545,166	5,503,692	5,504,594	5,501,757	5,506,024	5,504,053	9.2%
Rental Cars	10,210,469	10,312,573	10,415,699	10,519,856	10,625,055	10,731,305	10,838,618	1.0%
Food & Beverage	21,130,052	21,341,353	21,554,766	21,770,314	21,988,017	22,207,897	22,429,976	1.0%
Retail Merchandise	5,856,689	5,915,256	5,974,409	6,034,153	6,094,495	6,155,439	6,216,994	1.0%
Public Pay Phones	2,594	2,594	0	0	0	0	0	-100%
Advertising	1,644,228	1,644,228	1,644,228	1,644,228	1,644,228	1,644,228	1,644,228	0.0%
Ground Transportation	262,589	265,215	267,867	270,546	273,251	275,984	278,743	1.0%
Other	193,868	195,806	197,764	199,742	201,739	203,757	205,794	1.0%
Sub-Total	\$85,986,398	\$90,493,490	\$93,418,913	\$94,402,155	\$95,388,346	\$96,372,240	\$97,374,997	2.1%
Other Terminal Complex Revenues								
M & O Reimbursements	\$908,690	\$950,914	\$995,099	\$1,041,338	\$1,089,726	\$1,140,362	\$1,193,351	4.6%
ASF fees recovered from Cargo & FBO Areas:	1,223,777	1,223,777	1,223,777	1,223,777	1,223,777	1,223,777	1,223,777	0.0%
Other	2,768,337	2,768,337	2,768,337	2,768,337	2,768,337	2,768,337	2,768,337	0.0%
Sub-Total	\$4,900,804	\$4,943,028	\$4,987,214	\$5,033,453	\$5,081,840	\$5,132,476	\$5,185,465	0.9%
Public Aircraft Facilities (PAF):								
Signatory Airline Landing Fees ¹	\$7,203,602	\$8,362,187	\$8,464,379	\$8,571,320	\$8,683,229	\$8,800,339	\$8,922,891	3.6%
Non-Signatory Airline Landing Fees	4,227,625	4,907,571	4,967,545	5,030,306	5,095,983	5,164,712	5,236,635	3.6%
Fuel Flowage Fees	298,794	298,794	298,794	298,794	298,794	298,794	298,794	0.0%
Sub-Total	\$11,730,021	\$13,568,551	\$13,730,718	\$13,900,419	\$14,078,006	\$14,263,845	\$14,458,320	3.5%
Total Included Cost Center Revenues	\$122,241,643	\$129,829,047	\$133,589,589	\$135,285,681	\$137,016,738	\$138,780,816	\$140,600,585	2.4%

¹ Estimated based on actual revenues July 1, 2010 - February 28, 2011.

² DBO of Parking Garage is estimated to be September 1, 2014 (FY 2015). This is the final 2011 Project element to be constructed which was funded with the 2011 Bonds for the purpose of the Additional Bonds Test.

Forecast prepared by Newton & Associates, Inc.

September 20, 2011

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¹ Estimated based on actual revenues July 1, 2010 - February 28, 2011.

² DBO of Parking Garage is estimated to be September 1, 2014 (FY 2015). This is the final 2011 Project element to be constructed which was funded with the 2011 Bonds for the purpose of the Additional Bonds Test.

Forecast prepared by Newton & Associates, Inc.

September 20, 2011

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Additional Terminal Rentals

As discussed in Section II, the 2011 Project includes the renovation of airline ticket counters and conveyors. The estimated debt service on the 2011 Bonds allocable to this project element is assumed to be included in the Terminal Complex cost center and recoverable through airline rates and charges. Therefore, additional terminal rental revenues are estimated based on the recovery of the debt service on the 2011 Bonds associated with the airline ticket counters and conveyors project. These additional airline terminal rental revenues are projected to generate \$280,292 in FY 2012 and \$435,005 in FY 2017.

Automobile Parking Revenues

Automobile Parking Revenues are generated by persons parking automobiles at the Airport when originating travel from the Airport. The City has estimated automobile parking revenues to be \$36,027,872 in FY 2011 and projected those revenues to be \$36,388,150 in FY 2012. As set forth in Section IV of this Report, O&D passenger enplanements are forecast to increase at an average annual rate of 1.0% through the Forecast Period and as such parking revenues at the Airport have been forecast to increase at the same rate resulting in an increase in parking revenues to \$38,244,312 in FY 2017.

Additional Parking Revenues

As described in Section II, the 2011 Project includes the construction of a new parking garage, which will include public parking, as well as rental car ready/return and quick-turn-around operations. The public parking portion of the parking garage will be funded with the 2011 Bonds. According to Airport management, the City will increase certain parking rates at the Airport which will result in additional parking revenues in amounts which, at a minimum, would recover the debt service on the 2011 Bonds allocable to the construction of the public parking portion of the new short term public parking garage. Therefore, additional parking revenues are estimated based on the recovery of the debt service on the 2011 Bonds associated with the public parking portion of the new short term parking garage. These additional parking revenues are projected to generate \$3,545,166 in FY 2012 and \$5,504,053 in FY 2017.

Rental Car Revenues

Rental car revenues are derived from the rental car companies (National/Alamo, Avis, Budget, Enterprise, Hertz, Dollar and Thrifty) operating at the Airport. The rental car companies pay the City 10% of their gross receipts for this privilege. The City estimates that rental car revenues were \$10,210,469 in FY 2011. Rental car revenues are projected to be \$10,312,573 in FY 2012.

The level of gross receipts generated by the rental car companies is directly related to the level of O&D passenger activity at the Airport. Therefore, the amount of rental car revenue projected to be received by the City during the Forecast Period has been estimated to increase at an average annual rate of 1.0% through the Forecast Period, to \$10,838,618 in FY 2017.

The City also collects a Contract Facility Charge (“CFC”) from each rental car company operating at the Airport pursuant to a CFC Ordinance adopted by the City. However, CFC revenues are not Revenues under the Bond Order. CFCs are treated as “closed-in” revenues to be used in connection with a proposed consolidated rental car facility project, which project is not included in the 2011 Project.

Food, Beverage and Retail Merchandise Revenues

Host International, Inc. (“Host”) operates the Airport’s food and beverage concessions in the Terminal Complex under a concession agreement and lease with the City, the term of which expires on June 15, 2015. The Paradies Shops, LLC (“Paradies”) operates the Airport’s retail

merchandise concessions in the Terminal Complex under a non-exclusive concession agreement with the City, the term of which will expire on the fifth anniversary of the date of beneficial occupancy of the last store placed in operation pursuant to the retail concession agreement effective September 2010. Host and Paradies pay the City a combination of (i) a fixed space rental to reimburse the City for the cost of constructing, financing, maintain and operating its leased premises; and (ii) 50% of the profit earned by each concessionaire from its food and beverage and retail concession. The City estimates food, beverage and retail merchandise revenues to be \$26,986,742 in FY 2011. The level of gross receipts generated by Host and Paradies is directly related to the level of total passenger activity at the Airport, the breadth of offerings, and the merchandising strategies that each employs. Food, beverage and retail merchandise revenues are projected to be \$27,256,609 in FY 2012. Food, beverage and retail merchandise revenues are projected to increase at the growth rate of total enplaned passengers (1.0%), to \$28,646,970 in FY 2017.

Advertising Revenues

The City estimates that it generated \$1,644,228 in advertising revenues in FY 2011. Given the historical decline in these revenues during the Study Period and based on discussions with Airport management, advertising revenues are projected to remain flat during the Forecast Period at the estimated FY 2011 level.

Ground Transportation Revenues

The Airport's ground transportation revenues are generated by permit fees set by ordinance charged to companies providing ground transportation services at the Airport. These services include taxi, limousine and hotel ground transportation services. Ground transportation revenues are projected to be \$265,215 in FY 2012. Because the demand for ground transportation services is related to O&D passenger activity levels at the Airport, these revenues have been forecast to increase at the forecast rate of growth in O&D enplanements (1.0%) to \$278,743 in FY 2017.

Other Concession Revenues

Other Concession Revenues generated by the Airport are derived from various concessions (non-food, beverage and retail) operated in the Terminal Complex. These concessions include a dry cleaning/valet shop, facsimile services and a shoe shine concession. Like food, beverage and retail revenues, the level of other concession revenues generated by the Airport are related to the level of total passenger activity at the Airport, and, therefore are estimated to increase at a rate of 1.0% each year during the Forecast Period, from \$195,806 in FY 2012 to \$205,794 in FY 2017.

Operations, Maintenance and Repair Reimbursements

These revenues are primarily reimbursements paid to the City by Host for its operations, maintenance and repairs expense allocable to their areas and for utility consumption in the Terminal Complex. These revenues are projected to be \$950,914 in FY 2012 and are forecast to increase at the projected rate of increase in OM&R Expenses (4.6%) to \$1,193,351 in FY 2017.

Other/Miscellaneous Terminal Complex Revenues

These revenues are generated from miscellaneous activities at the Airport such as automobile towing charges and parking fines. The level of other/miscellaneous revenue is projected to be \$2,768,337 in FY 2012 and has been forecast to remain flat during the Forecast Period.

b. Public Aircraft Facilities Revenues

Signatory Airline Landing Fee Revenues

Signatory Airline Landing Fee Revenues are generated by a per landing charge paid by the Signatory Airlines for each 1,000 pound units of maximum aircraft gross landed weight at the Airport in a given fiscal year. Said charge is referred to as the landing fee rate and is calculated by dividing the amount of OM&R Expense, Capital Items expense and debt service expense allocable to the P.A.F. Cost Center by the number of 1,000 pound units of maximum aircraft gross landing weight at the Airport in a given fiscal year.

The amount of P.A.F. Cost Center expense paid by the Signatory Airlines increased during the Study Period at an average annual rate of 4.3%. According to Airport management, this increase was largely attributed to additional OM&R expense related to the new third parallel runway (18R/36L), which was opened in February 2010. OM&R Expenses allocable to the P.A.F. and paid by the Signatory Airlines through their landing fees (approximately 26.3% in FY 2010) has been forecast to increase at an average annual rate of growth in OM&R Expenses (4.6%) over the Forecast Period. The City estimates signatory landing fee revenues were \$7,203,602 in FY 2011 and is projected to be \$8,362,187 in FY 2012. Signatory Airline landing fee revenues are forecast to increase to \$8,922,891 in FY 2017, representing an average annual rate of 3.6% from estimated FY 2011.

Non-Signatory Airline Landing Fees

Non-Signatory Airline Landing Fee revenues are derived from landing fees paid by non-signatory airlines landing aircraft at the Airport. The landing fee rate per 1,000 pounds of aircraft landed weight is the same as that paid by the Signatory Airlines. During the Study Period these landing fees paid increased at an average annual rate of 1.5%. The OM&R Expense allocable to the P.A.F. and paid by the non-signatory airlines through their landings fees have been forecast to increase at an annual rate of 3.6% during the Forecast Period, which results in a projected increase in Non-Signatory Airline Landing Fee revenue from an estimated \$4,227,625 in FY 2011 to \$5,236,635 in FY 2017.

Fuel Flowage Fees

The Airport receives \$0.065 per gallon (fuel flowage fee) of each gallon of aircraft fuel sold at the Airport. Of this fuel flowage fee amount \$0.03 per gallon is accounted for in the P.A.F. Cost Center. Fuel flowage fees are projected to be \$298,794 in FY 2012. These revenues are forecast to remain flat throughout the Forecast Period.

c. Other Included Cost Center Revenues

FIS International Gate Fees Revenues

The City charges \$5.00 per international passenger for the recovery of its cost for providing international federal inspection services and facilities at the Airport. FIS revenues are projected to be \$7,465,581 in FY 2012. Over the Forecast Period, these revenues are estimated to increase by the projected O&D enplanement growth rate (1.0%) to \$7,846,400 in FY 2017.

Fuel Farm Rental Revenues

Fuel Farm Rental Revenues are generated from charges comprising ground rentals, ASF expense recovery fees and debt service. Fuel farm revenues are projected to be \$886,963 in FY 2012. This revenue is forecast to remain flat during the Forecast Period.

Interest Income

Interest Income is generated from the Included Cost Centers operating account and certain Included Cost Centers investment activities. Interest income is projected to be \$2,530,604 in FY 2012 and is projected to grow to \$3,278,914 in FY 2017.

ASF Fees Recovered from the Cargo & FBO Areas (Excluded Cost Centers)

These revenues represent the recovery of ASF Cost Center expense allocable to the cargo and FBO areas of the Excluded Cost Centers. During the Study Period these recoveries have decreased at an average annual rate of 13.6% and have been estimated by the City to be \$1,223,777 in FY 2011. These revenues are forecast to remain flat at the estimated FY 2011 level over the Forecast Period.

2. Included Cost Centers Expense

Operations, Maintenance and Repair Expense

OM&R Expenses include personal services, City services, contractual services, commodities (materials and supplies), and miscellaneous operating expenses. Collectively, OM&R Expenses in the Included Cost Centers increased at an average annual rate of 4.3% during the Study Period. According to Airport management, the increases in OM&R Expenses during the Study Period were largely attributable to increases in aircraft, rescue and fire fighting services in connection with the opening of the new third parallel runway; as well as services, materials and supplies resulting from record levels of passengers using the Airport which grew at an average annual rate of 5.8% during the Study Period.

OM&R Expenses are projected to be \$56,529,635 in FY 2012. As described in Section IV of this Report, passenger enplanement levels are projected to and increase by 1.0% per year during the Forecast Period and Airport management does not anticipate OM&R Expenses to increase during the Forecast Period at the historical rates experienced during the Study Period.

Accordingly, NAI has projected OM&R Expenses during the Forecast Period based on a combination of historical growth rates, as well as projections of inflation⁴⁷ and enplaned passengers, or 4.2% annually. As a result, OM&R Expenses (excluding additional OM&R in connection with the 2011 Project) in the Included Cost Centers are forecast to increase to \$65,810,776 in FY 2017, as depicted on **Table V-7**.

TABLE V-7
Forecast – Airport Expenses

	Forecast Period							Average Annual Growth Rate
	Estimated ¹	Budget	Projected	Projected	Projected	Projected	Projected	
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Included Cost Center Expenses (Current Expenses):								
Operations, Maintenance & Repair ²	51,364,860	56,529,635	58,267,020	60,082,042	61,951,844	63,851,387	65,810,776	4.2%
Est. O&M Impact From 2011 Project								
Terminal Complex Improvements	\$0	\$1,415,000	\$1,458,257	\$1,502,835	\$1,548,777	\$1,596,123	\$1,644,916	3.1%
Subtotal	\$0	\$1,415,000	\$1,458,257	\$1,502,835	\$1,548,777	\$1,596,123	\$1,644,916	3.1%
Total OM&R	\$51,364,860	\$57,944,635	\$59,725,276	\$61,584,877	\$63,500,621	\$65,447,510	\$67,455,692	4.6%
Capital Items	\$3,930,747	\$3,466,000	\$4,603,941	\$4,747,289	\$4,894,964	\$5,045,041	\$5,199,842	4.8%
Subtotal Current Expenses	\$55,295,608	\$61,410,635	\$64,329,217	\$66,332,166	\$68,395,586	\$70,492,550	\$72,655,534	4.7%
Capital Items 15% Test ³	7.1%	5.6%	7.2%	7.2%	7.2%	7.2%	7.2%	
¹ Estimated based on actual expenses July 1, 2010 - February 28, 2011.								
² Includes additional Public Safety Expenses \$3.68m for Police/Security, additional ARFF; miscellaneous public safety in FY 2012.								
³ Capital Items Divided by OM&R Expenses portion of Current Expenses.								
Prepared By: Newton & Associates, Inc.								September 20, 2011
								c:\2011 GARBS Financial v8.xls

Estimated Operations, Maintenance and Repairs Expense's Impact on the 2011 Project

The Terminal Complex elements of the 2011 Project are anticipated to incur OM&R Expenses. A majority of these additional OM&R Expenses are anticipated to be incurred as result of additional utility and other operating expenses associated with the new baggage screening system element of the 2011 Project. The Terminal elements of the 2011 Project are estimated to require an additional \$1,415,000 per year in OM&R Expense in FY 2012. This additional OM&R Expense is projected to increase at the forecast rate of existing OM&R Expenses for the remainder of the Forecast Period. Combined with existing OM&R Expenses, total OM&R Expenses are projected to increase at an average annual rate of 4.6% per year.

⁴⁷ As measured by Consumer Price Index projections provided by the U.S. Office of Management and Budget.

Capital Items Expense

Under the Bond Order, Capital Items Expense of the Included Cost Centers for any given fiscal year cannot exceed 15.0% of the OM&R Expense for such year. Capital Items Expense averaged 7.2% of Current Expenses during the Study Period, during which the Airport experienced record growth in passenger activity. Accordingly, NAI is projecting that the Capital Items Expense will be approximately 7.2% of the Current Expenses for each year during the Forecast Period. Capital Items Expense in the Included Cost Center is projected to be \$3,466,000 in FY 2012 and increasing to \$5,199,842 in FY 2017.

I. IMPACT OF PASSENGER FACILITY CHARGES

On May 6, 2004, the City applied to the FAA for the authority to impose its first Passenger Facility Charge of \$3.00 to be collected by airlines on each revenue passenger boarding aircraft at the Airport. The net proceeds of the PFC will be \$3.00 less \$0.11 in airline processing charges, or \$2.89 per revenue enplaned passenger. **Table V-8** depicts both historical and forecast PFC collections on an annual basis from FY 2005 through FY 2024. Following summarizes the background and status of the City's PFC Program.

PFC Application No. 1 – As Amended

In the FAA's Final Agency Decision ("FAD") dated August 23, 2004, and subsequently amended on October 12, 2004, the FAA approved the collection of PFC revenues for the purposes of funding in whole or in part the costs of 48 projects including the Third Parallel Runway project, with collections to commence on November 1, 2004. The City subsequently filed an amendment to PFC Application No. 1 with the FAA, to amend the City's authority to collect and use PFC revenues. This amendment reflected the changes in estimated cost of the Third Parallel Runway and other PFC eligible projects included in PFC Application No. 1, and the City's capital projects financial plan which includes the application of grants received from the LOI. The FAA approved the Airport's amendment to PFC Application No. 1 on July 25, 2007. The City's total authority to impose and use PFCs under PFC Application No. 1 is \$650,150,414.

PFC Application No. 2

Simultaneous with the City's amendment to PFC Application No. 1, the City filed PFC Application No. 2 to the FAA for the authority to collect and use PFC revenue to pay PFC eligible debt service on certain PFC-eligible projects and to pay the cost of certain PFC eligible projects on a pay-as-you-go basis. The FAA approved PFC Application No. 2 on October 25, 2007 in the amount of \$144,557,137.

PFC Application No. 3

The City applied to the FAA for the authority to impose and use PFC revenue to pay PFC eligible debt service associated with seven project work elements, five of which are funded with certain proceeds from the Series 2010A Bonds (\$79,090,972)⁴⁸ and two are funded solely from PFCs on a pay-as-you-go basis (\$1,675,000). On February 24, 2009, the City received FAA approval of PFC Application No. 3 with total authority to impose and use PFCs in the amount of \$80,765,972.

PFC Application No. 4

The City applied to the FAA for the authority to impose and use PFC's to fund certain costs of certain PFC-eligible projects. As described in Section II, the six project elements are projects which will be funded, in part, with proceeds of the 2011 Bonds, the debt service of which is PFC-eligible. The six project elements included in the 2011 Project funded, in part, with proceeds of the 2011 Bonds included in PFC Application No. 4 include: (1) Rehabilitation of Runway 18C/36C – Design and Construction; (2) Access Road – West ARFF Building; (3) Taxiway “D” Extension; (4) New Baggage Screening System – Design and Construction; (5) Concourse “E” Expansion; and (6) East Terminal Expansion. The remaining project elements will be funded with future bonds or on a pay-as-you-go basis. On September 15, 2011, the City received FAA approval of PFC Application No. 4 with total authority to impose and use PFC's in the amount of \$164,302,133. Combined with the estimated PFC revenues to be collected pursuant to approved PFC Applications No. 1, No. 2, and No. 3 (\$875,473,523), the total amount of Impose and Use authority of the City's PFC program is \$1,039,775,656.

PFCs and the Bond Order

PFCs received by the City are not Revenues under the Bond Order and are referred to as “PFC Revenues.” Under the Second Supplemental Bond Order adopted by the City on August 23, 2004, PFC Revenues, when received by the City, are deposited in the PFC Revenue Account. The City shall apply moneys in the PFC Revenue Account in the following order of priority: (i) first, by transfer to the Bond Fund, to pay debt service on PFC Eligible Bonds; (ii) second, to pay the capital costs of PFC Eligible Projects; and (iii) third, as otherwise permitted by federal statute or the regulations promulgated by the FAA, as amended or supplemented, with respect to PFCs.

In its PFC Applications to the FAA and in its MII requests of the Signatory Airlines, the City has stated that it intends to use PFC Revenues each year to make deposits in the Revenue Bond Fund in amounts equal to the deposits required to be made therein by the City to pay the PFC eligible debt service. For FY 2012, these amounts are budgeted to be \$5,691,403 for the 2004 Bonds,

⁴⁸ This amount represents total approved principal and interest (debt service). The Taxiway Bridges project is one of the five projects funded with the 2010A Bonds. The City requested Impose and Use Authority for this project in the amount of \$21,060,000, which included project contingency of \$558,232. The FAA approved the amount based on the then current bid (\$20,501,768). The City currently estimates the cost of the Taxiway Bridges to be \$22,508,110. The City intends to submit an Amendment to PFC Application No. 3 to increase the PFC Impose and Use authority of this project by \$2,006,342. For the purpose of this Report, it is assumed the debt service on the 2010A Bonds issued to fund this project will be 100% PFC eligible.

\$5,202,653 for the 2007 Bonds, \$1,920,785 for the 2008D Bonds, \$10,406,023 for the 2010 Bonds and \$2,699,127 for the proposed 2011 Bonds.

To the extent such PFC Revenues are deposited into the Revenue Bond Fund they will diminish the deposits required to be made to the Revenue Bond Fund each month from the Revenue Fund. The net effect will be to reduce the amount of Revenues required to pay debt service on the 2004 Bonds, 2007 Bonds, 2008D Bonds, 2010 Bonds, and 2011 Bonds by \$25,919,990 in FY 2012.

Another effect of using PFC Revenues to pay Revenue Bond debt service will be to reduce the payments required from airlines for use of facilities comprising PFC Eligible Projects. In the P.A.F., approximately \$8.1 million of 2004 Bonds, 2007 Bonds, 2008D Bonds, 2010 Bonds, and the proposed 2011 Bonds annual debt service will be paid by PFCs, reducing the P.A.F. Requirement by this amount.⁴⁹ This, in turn, will reduce landing fees in the same amount.

The amount of PFCs collected by the City each year will correlate directly with the number of revenue passengers boarding aircraft at the Airport in such year. As such, the PFC collections are very directly related to fluctuations in passenger traffic. In formulating its plan of finance for the 2011 Project, the City has recognized this sensitivity and the possibility that the total number of revenue passengers at the Airport would decline sharply if US Airways were to cease hubbing activity at the Airport and this hubbing activity were not replaced by another airline. In such event, it is forecast that the annual enplaned passengers would be those generated solely from the Air Service Area. As previously described in Section IV, the projected number of O&D passenger enplanements at the Airport is 5,100,392 in FY 2013. If the total number of enplaned passengers at the Airport were to fall to this level, the City would apply to the FAA for approval to increase the amount of its PFC from \$3.00 to \$4.50. At \$4.50 and 5,100,392 annual enplanements, the annual PFC collections would be approximately \$20.6 million per year, leaving approximately \$6.7 million in PFC eligible debt service which would be payable from amounts on deposit in the PFC Account or Net Revenues in FY 2013. Given this scenario at the \$3.00 PFC level in FY 2013, annual collections would be approximately \$13.6 million, leaving approximately \$13.9 million in PFC eligible debt service payable by amounts on deposit in the PFC Account or Net Revenues.

⁴⁹ This amount is based on estimated debt service in FY 2012.

TABLE V-8
Forecast of Passenger Facility Charge Collections

Fiscal Year	Forecast of Enplanements			Annual Growth	Total PFC Revenue Enplanements	PFC Revenue		
	O&D	Connecting	Total			Collections	Interest	Total
Actual								
2005	3,595,120	9,950,937	13,546,057		6,264,292	\$18,103,805	\$76,963	\$18,180,768
2006	4,106,020	10,143,073	14,249,093	5.2%	13,211,189	38,180,336	815,600	38,995,936
2007	4,788,700	10,923,295	15,711,995	10.3%	15,029,427	43,435,045	2,645,071	46,080,116
2008	4,932,010	12,091,050	17,023,060	8.3%	16,060,268	46,414,174	4,156,153	50,570,327
2009	4,517,040	12,787,971	17,305,011	1.7%	15,949,215	46,093,231	3,632,400	49,725,632
2010	4,697,900	13,026,990	17,724,890	2.4%	16,336,198	48,088,470	2,350,231	50,438,702
2011 ¹	4,999,894	14,710,872	19,710,766	11.2%	18,166,486	52,501,145	1,454,928	53,956,073
					Subtotal	\$292,816,207	\$15,131,347	\$307,947,554
Projected								
2012	5,049,893	14,857,981	19,907,874	1.0%	18,348,151	53,026,157	2,086,604	55,112,760
2013	5,100,392	15,006,561	20,106,952	1.0%	18,531,633	53,556,418	2,337,177	55,893,596
2014	5,151,396	15,156,626	20,308,022	1.0%	18,716,949	54,091,982	2,576,236	56,668,218
2015	5,202,910	15,308,192	20,511,102	1.0%	18,904,118	54,632,902	2,784,823	57,417,725
2016	5,254,939	15,461,274	20,716,213	1.0%	19,093,160	55,179,231	2,854,050	58,033,282
2017	5,307,488	15,615,887	20,923,375	1.0%	19,284,091	55,731,024	2,820,837	58,551,860
2018	5,360,563	15,772,046	21,132,609	1.0%	19,476,932	56,288,334	2,792,874	59,081,208
2019	5,414,169	15,929,766	21,343,935	1.0%	19,671,701	56,851,217	2,770,288	59,621,506
2020	5,468,310	16,089,064	21,557,374	1.0%	19,868,418	57,419,729	2,753,193	60,172,923
2021	5,522,994	16,249,955	21,772,948	1.0%	20,067,103	57,993,927	2,741,696	60,735,622
2022	5,578,223	16,412,454	21,990,678	1.0%	20,267,774	58,573,866	2,735,831	61,309,696
2023	5,634,006	16,576,579	22,210,584	1.0%	20,470,451	59,159,605	2,735,764	61,895,369
2024	5,690,346	16,742,345	22,432,690	1.0%	20,675,156	59,751,201	2,741,614	62,492,814
					Subtotal	\$732,255,593	\$34,730,986	\$766,986,580
Total						\$1,025,071,801	\$49,862,333	\$1,074,934,134
¹ Estimated PFC revenues based on actual FY 2011 enplanement activity.								
² Estimated Charge Expiration Date for PFC No. 4 is August 1, 2023.								
Notes:								
- Revenue Enplanements estimated to be 92.2% of total enplanements in FY 2010.								
- PFC Level = \$3.00. PFC Level net of airline handling fee = \$2.89.								
- PFC collections began on November 1, 2004.								
Source: Historical PFC Collections from City of Charlotte						September 20, 2011		
Projections prepared by Newton & Associates, Inc.						c:\2011 GARBS Financial v8.xlsx		

J. ADDITIONAL BONDS TEST AND FORECAST APPLICATION OF REVENUES

Under the provisions of the Bond Order, certain conditions must be met before additional bonds can be issued to pay for construction of additional facilities. The elements of the 2011 Project are additional facilities.

One condition for the issuance of additional bonds is a projection that, for each of the first two full fiscal years following the completion of the additional facilities, Revenues will be sufficient to satisfy the required deposits and provide an amount on deposit in the Revenue Fund equal to the Coverage Factor. The construction of the new short term public parking garage is estimated to be completed on September 1, 2014. The relevant years for the 2011 Project are FY 2016 and FY 2017.

Table V-9 presents the projection of (i) Revenues and (ii) deposits to the following funds and accounts:

Operating Fund;
Revenue Bond Funds; and
Discretionary Fund.

As presented in Table V-9, in each year of the Forecast Period, an amount equal to 25% of each such year's Bond Fund Deposits is retained in the Revenue Fund, meeting the Coverage Factor condition for the issuance of the 2011 Bonds.

Table V-9 also presents effective debt service coverage on the Prior Bonds (2004 Bonds, the 2007 Bonds, the 2008D Bonds, the 2009B Bonds, the 2010 Bonds, and the proposed 2011 Bonds. Over the Forecast Period, the ratio of Net Revenues to Bond Fund Deposits, net of PFCs ("Net Bond Fund Deposits"), is projected to be no less than 2.96 times the Net Bond Fund Deposits.

TABLE V-9
Forecast Application of Revenues Under Provisions of the Bond Order

	Estimated ¹						
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<u>Included Cost Center Revenues:</u>							
Beginning Balance - Amount Retained in Revenue Fund from Prior Year	\$10,306,000	\$10,312,103	\$12,795,649	\$13,679,644	\$13,677,455	\$13,678,925	\$12,279,256
Terminal Complex Cost Center	106,021,472	111,619,151	115,066,876	116,437,953	117,837,693	119,279,957	120,752,610
Public Airfield Facilities	11,730,021	13,568,551	13,730,718	13,900,419	14,078,006	14,263,845	14,458,320
Other Included Cost Center Revenues	4,490,151	4,641,344	4,791,996	4,947,309	5,101,039	5,237,014	5,389,655
Total Included Cost Center Revenues	\$132,547,643	\$140,141,150	\$146,385,238	\$148,965,325	\$150,694,193	\$152,459,741	\$152,879,840
<u>Application of Revenue:</u>							
Operating Fund							
Current Expenses	\$55,295,608	\$61,410,635	\$64,329,217	\$66,332,166	\$68,395,586	\$70,492,550	\$72,655,534
Operating Fund Reserve	1,445,041	2,038,343	972,861	667,650	687,807	698,988	720,995
Sub-total	\$56,740,648	\$63,448,978	\$65,302,078	\$66,999,815	\$69,083,392	\$71,191,539	\$73,376,529
Net Revenues [A]	\$75,806,995	\$76,692,173	\$81,083,160	\$81,965,510	\$81,610,801	\$81,268,203	\$79,503,311
<u>Existing Revenue Bond Funds</u>							
2004 Revenue Bond Fund							
2004 A Bonds	4,347,613	4,347,613	4,347,613	4,347,613	4,347,613	4,347,613	4,347,613
2004 B Bonds	5,496,588	5,495,138	5,495,550	5,497,300	5,499,863	5,497,713	5,495,588
Less: PFC's Applied to 2004 Bonds	(5,692,367)	(5,691,403)	(5,691,677)	(5,692,841)	(5,694,544)	(5,693,115)	(5,691,702)
2007 Revenue Bond Fund							
2007 A Bonds	6,362,760	6,362,160	6,363,564	6,361,758	6,361,764	6,363,360	6,363,486
2007 B Bonds	988,292	2,025,688	2,020,725	2,014,700	2,012,613	2,014,250	2,009,400
Less: PFC's Applied to 2007 Bonds	(4,165,557)	(5,202,653)	(5,198,392)	(5,191,465)	(5,189,380)	(5,191,815)	(5,187,028)
2008D Revenue Bond Fund							
Less: PFC's Applied to 2008D Bonds	(465,122)	(1,920,785)	(1,923,149)	(1,920,142)	(1,921,140)	(1,916,767)	(1,920,991)
2009B Revenue Bond Fund							
	8,614,650	8,617,450	8,615,200	8,616,500	8,616,000	3,032,225	0
2010 Revenue Bond Fund							
2010 A-1 Bonds	8,406,213	\$8,401,413	\$8,405,213	\$8,401,463	\$8,405,438	\$8,402,938	\$8,405,938
2010 A-2 Bonds	141,588	141,588	141,588	141,588	141,588	141,588	141,588
2010 B Bonds	5,744,388	5,749,438	5,746,938	5,744,963	5,747,763	5,741,888	5,746,888
2010 C Bonds	639,859	1,426,013	1,416,888	1,417,338	1,421,938	1,415,475	1,418,375
Less: PFC's Applied to 2010 A&C Bonds	(9,618,071)	(10,406,023)	(10,396,707)	(10,393,688)	(10,402,547)	(10,390,019)	(10,398,510)
Sub-total Existing Revenue Bond Funds [B]	\$21,307,295	\$21,437,147	\$21,437,438	\$21,435,898	\$21,438,864	\$15,852,469	\$12,822,380
<u>2011 Revenue Bond Fund</u>							
2011 A Bonds (Fixed Rate AMT)	0	\$3,686,311	\$5,722,813	\$5,723,750	\$5,720,800	\$5,725,238	\$5,723,188
2011 B Bonds (Fixed Rate NonAMT)	0	1,595,277	2,473,663	2,476,100	2,472,350	2,472,450	2,475,825
2011 C Bonds (Variable Rate)	0	1,242,997	1,874,738	1,875,938	1,876,075	1,875,150	1,878,163
Less: PFC's Applied to 2011 A,B&C Bonds	0	(2,699,127)	(4,132,895)	(4,136,141)	(4,133,074)	(4,132,401)	(4,138,117)
Sub-total Proposed 2011 Revenue Bond Funds [C]	\$0	\$3,825,458	\$5,938,317	\$5,939,647	\$5,936,151	\$5,940,436	\$5,939,058
Total Revenue Bond Fund Deposits (net of PFCs)	\$21,307,295	\$25,262,605	\$27,375,755	\$27,375,545	\$27,375,015	\$21,792,906	\$18,761,437
Net Non-Airline Terminal Revenues	\$54,499,699	\$51,429,568	\$53,707,405	\$54,589,965	\$54,235,786	\$59,475,297	\$60,741,874
Ending Balance - Amount Retained in Revenue Fund¹	\$10,312,103	\$12,795,649	\$13,679,644	\$13,677,455	\$13,678,925	\$12,279,256	\$11,524,447
Amount Available for Revenue Sharing	\$44,187,596	\$38,633,919	\$40,027,761	\$40,912,510	\$40,556,860	\$47,196,042	\$49,217,427
Credit to Signatory Airlines - 40% of Excess Non-airline Terminal Revenues	\$17,675,038	\$15,453,567	\$16,011,104	\$16,365,004	\$16,222,744	\$18,878,417	\$19,686,971
Net Deposit to Discretionary Fund	\$26,512,557	\$23,180,351	\$24,016,657	\$24,547,506	\$24,334,116	\$28,317,625	\$29,530,456
<u>Debt Service Coverage</u>							
Existing + 2011 Bonds [A/(B+C)]	3.56	3.04	2.96	2.99	2.98	3.73	4.24
¹ General Obligation Bonds Reserve Account, Renewal and Improvement Fund and Insurance and Condemnation Award Fund are projected to have no activity during the Forecast Period, therefore these Funds and Accounts are not depicted on this Table.							
Prepared by Newton & Associates, Inc.							
September 22, 2011							
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K. AIRPORT LIQUIDITY

Although not strictly a component of the test of feasibility, the amount of unrestricted cash on hand can be an important cushion to allow an airport to endure unforeseen and temporary periods of business interruption. Along with debt service reserve funds, PFC funds and unrestricted cash can enable an airport to meet its debt service obligations and pay operating expenses for a temporary period when airport revenues are diminished or non-existent.

As shown on **Table V-10**, according to the City's unaudited financial records for FY 2011, total balance sheet cash and cash equivalents for the Airport Enterprise Fund were \$604,488,593 as of June 30, 2011. This amount includes amounts in the PFC Fund, the CFC Fund, the Cannon Estate Fund and the debt service coverage fund which the City considers to be restricted in use and not available to pay for the operation and maintenance of the Airport. Therefore these amounts are excluded from the estimation of unrestricted cash for FY 2012 available to pay Current Expenses. PFC funds, debt service funds and the debt service coverage fund would be available to pay debt service.

The City anticipates the need to make further expenditures in FY 2012 to pay for elements of the 2011 Project and other capital improvements at the Airport. These amounts are depicted on Table V-10.

The City has appropriated \$31,373,448 from its cash reserves to the Construction Fund to fund a portion of the 2011 Project from its unrestricted cash reserves. This amount of cash transfers will be reimbursed with proceeds from the issuance of the 2011 Bonds resulting in an increase in available, unrestricted cash. The Airport is also projected to generate \$23,180,351 in net surplus revenue from its operations for FY 2012, which amount will also increase the amount of unrestricted cash on hand as of July 1, 2012.

As depicted on Table V-10, the projected total estimated unrestricted cash available for Current Expenses that would be available on of July 1, 2012 is projected to be \$395,194,085. This amount of available cash would be available to pay Current Expenses as well as debt service during a period of diminished or non-existent Airport Revenues.

TABLE V-10
Projected Airport Unrestricted Cash

	Projected FY 2012
Cash & Cash Equivalents per Balance Sheet (6/30/11)	\$604,488,593
Reductions:	
Restricted Funds	
Cannon Estate	\$5,821,448
PFC Fund	180,122,742
CFC Fund	24,825,496
Operating Reserve	17,113,107
Bond Cushion Fund	10,305,452
Renewal & Replacement Fund	1,500,012
Subtotal Restricted Funds	\$239,688,257
FY 2012 Capital Project Expenditures ¹	6,485,013
FY 2011 Signatory Airline Credit	17,675,038
Total Reductions	\$263,848,308
Additions:	
Reimbursement from 2011 Bonds ²	\$31,373,448
FY 2012 Net Surplus ³	23,180,351
Total Additions	\$54,553,799
Estimated Unrestricted Cash - End of FY 2012	\$395,194,085
¹ Includes anticipated expenditures for 2011 Project and other capital projects. ² Reimbursement for appropriation of City cash to fund 2011 project with 2011 Bonds. ³ Surplus is net of Signatory Airline Credit.	
Source: City of Charlotte	September 20, 2011
Prepared by Newton & Associates, Inc.	c:\..\2011 GARBs Financial v8.xlsx

L. AIRLINE COST PER ENPLANED PASSENGER

Signatory and non-signatory airline cost per enplanement comprises Terminal rentals and landing fees. As show in **Table V-11**, total estimated airline revenue in FY 2011, net of the Signatory Airline Credit, is \$13,205,745 which, when divided by the total enplanements for FY 2011 (19,710,766), results in an average airline cost per enplanement in FY 2011 of \$0.67.

As previously described, the City anticipates authorization from the FAA to impose a PFC and use the PFC Revenues to pay the PFC eligible debt service on the proposed 2011 as well as the Prior Bonds. The only non-PFC eligible 2011 Project element which is expected to affect airline rates and charges is the airline ticket counters/conveyors renovations project. It is assumed that the debt service associated this project element will be recoverable through the Signatory Airline Terminal Rental.

Given the estimated OM&R Expense related to the 2011 Project and the projected general increases in OM&R Expense over the Forecast Period, total airline revenues are projected to increase from \$33,918,871 in FY 2012 to \$37,566,465 in FY 2017. As a result, after taking into account the Signatory Airline Credit for the respective years, the average airline cost per enplanement is projected to be \$0.93 in FY 2012 and \$0.85 in FY 2017.

TABLE V-11
Airline Cost per Enplaned Passenger

	Study Period					Average Annual Growth Rate
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	
Terminal Complex:						
Signatory Airline Terminal Rentals	\$11,476,768	\$11,932,646	\$11,403,661	\$12,362,473	\$10,703,530	-1.7%
Non-Leased Premises Airline Terminal Use Fees	7,351,458	7,905,378	7,313,706	7,263,540	8,920,890	5.0%
Sub-total	\$18,828,226	\$19,838,024	\$18,717,368	\$19,626,012	\$19,624,420	1.0%
Public Aircraft Facilities (PAF):						
Signatory Airline Landing Fees ¹	\$6,076,429	\$5,748,277	\$6,024,638	\$5,894,990	\$7,203,602	4.3%
Non-Signatory Airline Landing Fees	3,978,681	3,805,450	3,573,029	3,600,241	4,227,625	1.5%
Less: Cargo Landing Fees	(275,645)	(234,521)	(187,307)	(199,812)	(174,864)	-10.8%
Sub-total	\$9,779,466	\$9,319,206	\$9,410,360	\$9,295,418	\$11,256,363	3.6%
Total Airline Revenues	\$28,607,692	\$29,157,230	\$28,127,728	\$28,921,431	\$30,880,783	1.9%
Less: Signatory Airline Credit	(16,631,024)	(15,827,284)	(12,621,862)	(15,604,696)	(17,675,038)	1.5%
Net Airline Revenues	<u>\$11,976,668</u>	<u>\$13,329,946</u>	<u>\$15,505,866</u>	<u>\$13,316,735</u>	<u>\$13,205,745</u>	<u>2.5%</u>
Total Airline Enplanements	15,711,995	17,023,060	17,305,011	17,724,890	19,710,766	5.8%
Airline Cost Per Enplaned Passenger	\$0.76	\$0.78	\$0.90	\$0.75	\$0.67	-3.2%

	Forecast Period						Average Annual Growth Rate
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	
Terminal Complex:							
Signatory Airline Terminal Rentals	\$11,204,915	\$11,463,680	\$11,734,470	\$12,017,842	\$12,314,382	\$12,624,701	2.4%
Non-Leased Premises Airline Terminal Use Fees	9,338,771	9,554,440	9,780,131	10,016,308	10,263,461	10,522,097	2.4%
Add'l Terminal Rentals - 2011 Debt Svc Recover	280,292	434,625	435,053	434,394	434,412	435,005	9.2%
Sub-total	\$20,823,977	\$21,452,745	\$21,949,654	\$22,468,545	\$23,012,255	\$23,581,803	2.5%
Public Aircraft Facilities (PAF):							
Signatory Airline Landing Fees ¹	\$8,362,187	\$8,464,379	\$8,571,320	\$8,683,229	\$8,800,339	\$8,922,891	1.3%
Non-Signatory Airline Landing Fees	4,907,571	4,967,545	5,030,306	5,095,983	5,164,712	5,236,635	1.3%
Less: Cargo Landing Fees	(174,864)	(174,864)	(174,864)	(174,864)	(174,864)	(174,864)	0.0%
Sub-total	\$13,094,893	\$13,257,060	\$13,426,761	\$13,604,349	\$13,790,188	\$13,984,662	1.3%
Total Airline Revenues	\$33,918,871	\$34,709,805	\$35,376,415	\$36,072,894	\$36,802,442	\$37,566,465	2.1%
Less: Signatory Airline Credit	(15,453,567)	(16,011,104)	(16,365,004)	(16,222,744)	(18,878,417)	(19,686,971)	5.0%
Net Airline Revenues	<u>\$18,465,303</u>	<u>\$18,698,701</u>	<u>\$19,011,411</u>	<u>\$19,850,150</u>	<u>\$17,924,026</u>	<u>\$17,879,494</u>	<u>-0.6%</u>
Total Airline Enplanements	19,907,874	20,106,952	20,308,022	20,511,102	20,716,213	20,923,375	1.0%
Airline Cost Per Enplaned Passenger	\$0.93	\$0.93	\$0.94	\$0.97	\$0.87	\$0.85	-1.6%

Prepared by Newton & Associates, Inc.

September 20, 2011

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M. SENSITIVITY ANALYSIS

The enplanement forecast in Section IV of the Report is based, in part, upon the assumption that US Airways will continue to maintain a connecting passenger hub at the Airport and maintain operations at a level substantially equal to the FY 2011 level. NAI has analyzed the sensitivity of this assumption and the potential impact on the additional bonds test, forecast Coverage Factor and the airline cost per enplaned passenger should variances be realized (“Sensitivity Analysis”).

The Sensitivity Analysis assumes that US Airways will cease all hubbing operations at the Airport effective July 1, 2012, which is the first day of FY 2013. The cessation of hubbing operations at the Airport will result in a reduction in total enplaned passengers and certain revenues at the Airport. Although a certain level of regional hubbing activity at the Airport may continue to occur, the Sensitivity Analysis assumes the loss of all projected connecting enplanements from FY 2013 through the end of the Forecast Period.

The results of the Sensitivity Analysis are presented on **Table V-12**. As shown, Net Revenues are estimated to decrease from \$76,692,173 in FY 2012 to \$49,642,659 in FY 2013. This estimated reduction is the result, in part, of the loss of hubbing related Non-Leased Premises Airline Terminal Use Fees from the use of City-owned gates on Concourses D and E. The Sensitivity Analysis also assumes a reduction in food, beverage and retail concessions as well as advertising revenues. According to the Aviation Director, Airport management would undertake initiatives to significantly reduce the level of Current Expenses at the Airport in a cessation of hubbing operations scenario. Notwithstanding, Current Expenses were projected to grow at the levels described in the Forecast of Airport Revenues and Expenses.

As previously described in this Section V, Impact of Passenger Facility Charges, the PFC level would be increased from \$3.00 to \$4.50 in the event of a closure of the hub, according to Airport management. Notwithstanding the increase in the PFC level, annual PFC cash flows would be insufficient to pay the PFC-eligible debt service on the Prior Bonds, and the 2011 Bonds. Based on the assumed discontinuation of hubbing operations in FY 2013, NAI estimates this shortfall would be approximately \$15.6 million over the Forecast Period. The Sensitivity Analysis assumes that Airport management would use available PFC Revenues in the PFC Account to cover any such shortfall. According to the City, the estimated balance in the PFC Account is \$180.1 million as of June 30, 2011. Assuming the City would use PFC Revenues in the PFC Account to cover such shortfall, the estimated remaining amount in the PFC Account would be approximately \$164.5 million. As depicted on Table V-12, the resulting effective debt service coverage is projected to be no less than 1.79 during the Forecast Period.

If US Airways were to cease all hubbing activity in FY 2013, the cost per enplaned passenger is estimated to increase from \$0.93 in FY 2012 to \$4.26 in FY 2013. NAI believes that this resulting higher cost per enplaned passenger would compare favorably with comparable, non-hubbing airports and would not discourage commercial passenger airline service at the Airport. Furthermore, this level of cost per enplaned passenger would not be expected to impair the City’s

ability to pay its debt service on the Prior Bonds and the 2011 Bonds, and otherwise meet its obligations under the Bond Order.

TABLE V-12
Sensitivity Analysis

SENSITIVITY - APPLICATION OF REVENUES						
	Forecast Period					
	NO HUB					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Included Cost Center Revenues	\$140,141,150	\$114,944,736	\$116,973,269	\$118,136,017	\$119,364,030	\$119,222,058
Current Expenses & Operating Fund Reserve	63,448,978	65,302,078	66,999,815	69,083,392	71,191,539	73,376,529
Net Revenues	\$76,692,173	\$49,642,659	\$49,973,454	\$49,052,625	\$48,172,491	\$45,845,529
Revenue Bond Funds - Debt Service	\$51,182,595	\$54,718,577	\$54,709,821	\$54,715,702	\$49,117,022	\$46,097,786
Less: PFCs Collected & Interest on PFC Account	(25,919,990)	(24,237,523)	(24,427,298)	(24,621,206)	(24,819,351)	(25,021,767)
PFCs From PFC Account ¹	0	(3,105,299)	(2,906,978)	(2,719,480)	(2,504,766)	(2,314,581)
Total Revenue Bond Fund Deposits (net of PFCs)	\$25,262,605	\$27,375,755	\$27,375,545	\$27,375,015	\$21,792,906	\$18,761,437
Ending Balance - Revenue Fund	\$12,795,649	\$13,679,644	\$13,677,455	\$13,678,925	\$12,279,256	\$11,524,447
Deposit to Discretionary Fund	\$38,633,919	\$8,587,259	\$8,920,454	\$7,998,685	\$14,100,330	\$15,559,645
Credit to Signatory Airlines	\$15,453,567	\$3,434,904	\$3,568,182	\$3,199,474	\$5,640,132	\$6,223,858
Net Deposit to Discretionary Fund	\$23,180,351	\$5,152,355	\$5,352,272	\$4,799,211	\$8,460,198	\$9,335,787
Revenue Bond Debt Service Coverage	3.04	1.81	1.83	1.79	2.21	2.44
¹ Estimated amount of PFCs in PFC Account as of 6/30/11 is \$180.1 million according to City Finance.						
SENSITIVITY - AIRLINE COST PER ENPLANED PASSENGER						
	Forecast Period					
	NO HUB					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Terminal Complex:						
Signatory Airline Terminal Rentals	\$11,204,915	\$11,463,680	\$11,734,470	\$12,017,842	\$12,314,382	\$12,624,701
Non-Leased Premises Airline Terminal Use Fees	9,338,771	0	0	0	0	0
Add'l Terminal Rentals - 2011 Debt Svc Recovery	280,292	434,625	435,053	434,394	434,412	435,005
Sub-total	\$20,823,977	\$11,898,305	\$12,169,523	\$12,452,237	\$12,748,794	\$13,059,706
Public Aircraft Facilities (PAF):						
Signatory Airline Landing Fees	\$8,362,187	\$8,464,379	\$8,571,320	\$8,683,229	\$8,800,339	\$8,922,891
Non-Signatory Airline Landing Fees	4,907,571	4,967,545	5,030,306	5,095,983	5,164,712	5,236,635
Less: Cargo Landing Fees	(174,864)	(174,864)	(174,864)	(174,864)	(174,864)	(174,864)
Sub-total	\$13,094,893	\$13,257,060	\$13,426,761	\$13,604,349	\$13,790,188	\$13,984,662
Total Airline Revenues	\$33,918,871	\$25,155,365	\$25,596,285	\$26,056,585	\$26,538,982	\$27,044,368
Less: Signatory Airline Credit	(15,453,567)	(3,434,904)	(3,568,182)	(3,199,474)	(5,640,132)	(6,223,858)
Net Airline Revenues	\$18,465,303	\$21,720,461	\$22,028,103	\$22,857,111	\$20,898,850	\$20,820,510
Total Airline Enplanements	19,907,874	5,100,392	5,151,396	5,202,910	5,254,939	5,307,488
Airline Cost Per Enplaned Passenger	\$0.93	\$4.26	\$4.28	\$4.39	\$3.98	\$3.92
Prepared by Newton & Associates, Inc.						
September 20, 2011						
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APPENDIX C
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Bond Order, the Series Resolution and Appendix A attached thereto. This summary is not intended to be definitive and is qualified in its entirety by express reference to the Bond Order, the Series Resolution and Appendix A attached thereto, for the complete terms thereof.

DEFINITIONS OF CERTAIN TERMS

“Act” means The State and Local Government Revenue Bond Act (Sections 159-80 to 159-97, inclusive, as amended, of the General Statutes of North Carolina), as the same may be amended from time to time.

“Additional Facilities” means

(a) any airport facilities, including all land, buildings, structures, equipment and appurtenances constituting a part thereof,

(b) all enlargements of and improvements and additions to any existing or future buildings and structures that constitute the Included Cost Centers, and

(c) all renewals and replacements of any of the foregoing,

which airport facilities, enlargements, improvements, additions, renewals and replacements are financed as a whole or in part through the issuance of Bonds; provided, however, that Additional Facilities do not include any of the foregoing the debt service to pay the cost of which is allocated to the Excluded Cost Centers under the system of accounting operated by the City for the Airport.

“Airport” means the public airport known as the Charlotte/Douglas International Airport, together with such additions thereto as may be made from time to time.

“Airport Attorney” means the City Attorney or such other attorney who from time to time is designated by the city to perform the duties of the Airport Attorney.

“Airport Consultant” means any engineer, engineering firm, firm of certified public accountants, airport consulting firm or corporation, or other qualified person, firm or corporation of favorable repute for skill and experience in performing the duties for which it is employed by the City.

“Airport Discretionary Fund” means the fund created and designated Charlotte/Douglas International Airport Discretionary Fund by the Bond Order.

“Airport Manager” means the Airport Manager, the officer succeeding to his principal functions, or such other individual who from time to time is designated in writing by the City to perform the duties of the Airport Manager.

“Annual Budget” means the budget adopted or in effect for each Fiscal Year as provided in the Bond Order.

“Authorized Denomination” means \$5,000 and any integral multiple thereof.

“Balloon Long-Term Bonds” means fixed rate Long-Term Bonds (a) 25% or more of the principal payments of which are due in a single year and (b) 25% or more of the principal of which may, at the option of the holder thereof, be redeemed at one time, and in either event which portion of the principal is not required by the documents pursuant to which such Bonds are issued to be amortized by redemption prior to such date.

“Bond Counsel” means an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds, selected by the City.

“Bond Order” means the bond order of the City adopted on November 18, 1985, as supplemented by a supplemental bond order of the City adopted on June 8, 1992 and as further supplemented by the second supplemental bond order of the City adopted on August 23, 2004.

“Bond Registrar” means, with respect to any Series of Bonds, the Bond Registrar at the time serving as such under the Series Resolution relating to such Series, whether the original or a successor Bond Registrar. U. S. Bank National Association is serving as Bond Registrar for the 2011A Bonds and the 2011B Bonds.

“Business Day” means a day on which the Trustee, the Bond Registrar and the Depositary are open for the purpose of conducting their commercial banking business.

“Capital Funds Budget” for any Fiscal Year means the budget adopted by the City setting forth the amount estimated by the City to be necessary for the extension, improvement, enlargement, renewal or replacement of the Airport, whether the same are to be commenced, continued or completed during such Fiscal Year or thereafter.

“City” means the City of Charlotte, North Carolina, a municipal corporation and a body politic and corporate in the State.

“City Council” means the City Council of the City or any successor body succeeding to the City Council’s principal functions.

“Code” means the Internal Revenue Code of 1986, as from time to time amended.

“Completion Date” means the date of acquisition or completion of any Additional Facilities, or of any segment thereof, as certified by the City pursuant to the Bond Order.

“Completion Bonds” means any Long-Term Bonds incurred for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Bonds have theretofore been incurred in accordance with the terms of the Bond Order, to the extent necessary to provide a completed facility of the type and scope contemplated at the time that such Long-Term Bonds theretofore incurred were originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared, with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Bonds theretofore incurred were originally incurred.

“*Coverage Factor*” means, for any Fiscal Year, an amount equal to 25% of the sum of the amounts required to be deposited from Net Revenues for the preceding Fiscal Year to the Revenue Bond Accounts and subaccounts.

“*Credit Support Payment Amounts*” means any amounts other than principal, premium or interest required to be paid by the City in connection with any Series of Bonds; including letter of credit fees, municipal bond insurance premiums, interest rate exchange, cap, collar or swap payments, dollar-denominated or cross-currency interest agreements; or similar fees, payments or charges and termination payments in connection with contracts for such items.

“*Current Expenses*” means (A) the City’s cost of capital items (including the cost of capital leases) in an amount not to exceed in any Fiscal Year 15% of all current expenses as budgeted for such Fiscal Year, plus (B) the City’s current expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing,

- (a) all ordinary and usual expenses of operation, maintenance and repair,
- (b) administrative expenses,
- (c) salaries,
- (d) interest with respect to working capital loans,
- (e) payments to any retirement plan or plans properly chargeable to the Airport,
- (f) insurance expenses,
- (g) engineering expenses relating to the operation, maintenance or repair of the Airport,
- (h) fees and expenses of the Trustee, legal expenses, and fees of consultants, and
- (i) any other expenses required to be paid by the City under the Bond Order or by law,

but Current Expenses do not include

- (u) any reserves for extraordinary replacements or repairs,
- (v) any allowance for depreciation,
- (w) any interest other than as provided in (d) above,
- (x) any principal payment in respect of capital leases or indebtedness other than Bonds,

(y) any deposits to any Fund or Account created under the Bond Order and payments of principal, premium, if any, and interest from such Funds and Accounts, or,

(z) any of the foregoing set forth in paragraphs (A) and (B) with respect to Excluded Cost Centers.

“*Default*” means any Event of Default and any event that, after notice or lapse of time or both, would become an Event of Default.

“*Depository*” means any bank or trust company duly authorized by law to engage in the banking business and selected by the City as a depository of money under the Bond Order.

“*Eminent Domain*” means the eminent domain or condemnation power by which all or any part of the Included Cost Centers may be taken for another public use or any agreement that is reached in lieu of proceedings to exercise such power.

“*Event of Default*” means each of those events of default set forth in the Bond Order.

“*Excluded Cost Centers*” means those areas and parts of the Airport other than the Included Cost Centers.

“*FAA*” means the Federal Aviation Administration or any successor organization or entity succeeding to the Federal Aviation Administration’s principal functions.

“*Finance Director*” means the Director of Finance of the City, the person performing the duties of the Finance Director or the official succeeding to the Finance Director’s principal functions, the Assistant Finance Director or any Deputy Finance Director.

“*Fiscal Year*” means the period commencing on the first day of July in any year and ending on the last day of June of the following year, unless the Trustee is notified in writing by the City of a change in such period, in which case the Fiscal Year shall be the 12-month period set forth in such notice.

“*Fitch Ratings*” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency (other than S&P or Moody’s) as may be designated in writing by the City, with the consent of the LGC.

“*Government Obligations*” means (a) direct obligations of, or obligations the payment of the principal of and the interest on which is guaranteed by, the United States of America, and, to the extent permitted by law, (b) obligations of state or local government municipal bond issuers, provision for the payment of the principal of and interest on which will have been made by deposit with a trustee or escrow agent of Government Obligations described in (a) above, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers.

“*Included Cost Centers*” means the Terminal Complex and the Public Aircraft Facilities.

“*Interest Payment Date*” means July 1, 2012 and each July 1 and January 1 thereafter.

“Investment Obligations” means Government Obligations and the obligations of (a)(1) Federal National Mortgage Association, (2) Federal Intermediate Credit Banks, (3) Federal Banks for Cooperatives, (4) Federal Land Banks, (5) Federal Home Loan Banks, (6) Federal Financing Bank, (7) Federal Farm Credit System, (8) Federal Home Loan Mortgage Corporation, (9) Government National Mortgage Association, (10) Federal Housing Administration, and (11) Farmers Home Administration, (b) shares of the North Carolina Cash Management Trust, (c) certificates of deposit or time deposits of any bank, any branch of any bank, trust company, or national banking association (including the Trustee and its affiliates) but only if such certificates of deposit or time deposits are fully secured, to the extent not insured by the Federal Deposit Insurance Corporation, by Government Obligations or by obligations described in clauses (1) to (11), inclusive, of (a) above, (d) commercial paper rated in one of the two highest ratings categories by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, (e) such other investments as the Finance Director shall certify to the Trustee as being permitted by the Act, and, to the extent from time to time permitted by law, (f) bankers acceptances and (g) any repurchase agreement by the Trustee with a bank for Government Obligations or obligations described in the above clauses (1) to (11), inclusive, of (a) above in which the Trustee shall be given a first security interest and on which no third party shall have a lien and having on the date of the repurchase agreement a fair market value at least equal to the amount of the repurchase obligation of the bank, but only if such obligations are transferred to the Trustee or a third-party agent by physical delivery or by an entry made on the records of the issuer of such obligations, and the Trustee receives confirmation from any such third-party agent that those securities are being held in a safe-keeping account in the name of the Trustee. Any investment in a repurchase agreement will be considered to mature on the date the bank providing the repurchase agreement is obligated to repurchase the Investment Obligations.

“Local Government Commission” or *“LGC”* means the Local Government Commission of North Carolina, a division of the Department of State Treasurer, and any successor or successors thereto.

“Long-Term Bonds” means all Bonds, including (a) Short-Term Bonds if a commitment by a financial lender exists to provide financing to retire such Short-Term Bonds and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute a repayment period longer than one year, and (b) the current portion of Long-Term Bonds, for money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year.

“Long-Term Debt Service Requirement” means, for any period of 12 consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest on Outstanding Long-Term Bonds during such period, also taking into account (a) with respect to Balloon Long-Term Bonds the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of 20 years on a level debt service basis at an interest rate equal to the rate borne by such Bonds on the date calculated, except that if the date of calculation is within 12 months of the actual maturity of such Bonds, the full amount of principal payable at maturity will be included in such calculation and (b) with respect to Variable Rate Bonds that are Long-Term Bonds the interest on such Bonds will be calculated at (i) the initial rate of interest if such Bonds have not been outstanding for at least two Interest Payment Dates on which the interest has been subject to change, and (ii) subsequent to the second such Interest Payment Date, the weighted average rate of interest for such Bonds during the preceding two such Interest Payment Dates, provided, however, that interest will be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Bonds or other moneys are placed on deposit in escrow for such purpose.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency (other than S&P or Fitch Ratings) as may be designated in writing by the City, with the consent of the LGC.

“*Net Proceeds*” means the gross proceeds derived from insurance or as an award arising from Eminent Domain with respect to the Included Cost Centers, less payment of attorneys’ fees and expenses properly incurred in the collection of gross proceeds.

“*Net Revenues*” for any period means the excess, if any, of Revenues over Current Expenses for such period.

“*1985 Airport Agreements*” means those certain Charlotte/Douglas International Airport, Charlotte, North Carolina Amended and Restated Airport Agreements and Leases entered into by the City and certain air carriers, dated as of November 18, 1985, and each other airport agreement and lease bearing substantially similar terms with respect to the Included Cost Centers, and all supplements and amendments thereto.

“*Outstanding*” when used with reference to Bonds means, as of a particular date, all Bonds theretofore issued under the Bond Order except:

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

- (b) Bonds for the payment of which money, Government Obligations, or a combination of both, in an amount sufficient to pay on the date when such Bonds are to be paid or redeemed the Redemption Price of and the interest accruing to such date on the Bonds to be paid or redeemed, have been deposited with the Trustee in trust for the Owners of such Bonds; Government Obligations will be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Government Obligations, when due, will be sufficient to pay on such date the Redemption Price of, and the interest accruing on, such Bonds to such date; and

- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Bond Order.

“*Owner*” means a person in whose name a Bond is registered in the registration books kept by the Bond Registrar.

“*Paying Agent*” means the Trustee or any successor or successors thereto appointed pursuant to the Bond Order or the Series Resolution.

“*Permitted Encumbrances*” means, with respect to the Included Cost Centers:

- (a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the City;

- (b) covenants, easements, encumbrances, defects of title, reservations, restrictions, and conditions existing at the time of delivery of the 1985 Bonds;

(c) defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations, and clouds on title, none of which in the written opinion of the Airport Attorney, a copy of which is filed with the Trustee, materially impairs the use of the property affected thereby for its intended purposes;

(d) mechanics', workers', repairmen's, architects', engineers', surveyors', or carriers' liens or other similar liens with respect to the Included Cost Centers provided that the same will be discharged in the ordinary course of business and without undue delay or the validity of the same shall be contested in good faith with any pending execution thereof appropriately stayed; and

(e) other liens, charges and encumbrances that, in the written opinion of the Airport Attorney, a copy of which is filed with the Trustee, do not prevent or materially impair the use of the property affected thereby for its intended purposes (such attorney may rely upon a certificate of any engineer or an architect as to whether such liens, charges and encumbrances materially impair the use of the property affected thereby for its intended purposes).

"PFC" or "PFCs" means passenger facility fees authorized under 49 U.S.C. §40117, or any predecessor or successor law, and approved by the FAA from time to time, or such other similar charge or fee imposed by the City on passengers enplaned at the Airport.

"PFC Eligible Bonds" means those Bonds, issued under the Bond Order and identified as such in a Series Resolution or in a certificate of the Finance Director, (1) the proceeds of which are used for PFC Eligible Projects, and (2) the payment of principal of, premium, if any, and interest on which may be made from PFC Revenues.

"PFC Eligible Projects" means those improvements or projects at the Airport designated as an "eligible airport-related project" by the FAA.

"PFC Revenues" means revenues collected by the City from the imposition of PFCs.

"PFC Revenue Account" means the account created and designated as the Charlotte/Douglas International Airport PFC Revenue Account under the Bond Order

"principal" means the principal amount of any Bond payable at maturity.

"Public Aircraft Facilities" means those portions of the Airport which provide for the landing, takeoff and taxiing of aircraft, including navigational aids, hazard designation and warning devices, airfield security roads and fencing, lighting and clear zone areas, including all modifications, additions or expansions thereto, including aviation easements and interests in land utilized in connection therewith or acquired for such purposes.

"Purchase Contract" means the Bond Purchase Agreement among the Local Government Commission, the City and the Purchasers, providing for the initial purchase of the 2011A Bonds and the 2011B Bonds.

“Purchasers” means the investment banking firms of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association d/b/a Wells Fargo Securities, and any other investment banking firms or underwriters that may be named in accordance with the Purchase Contract.

“Qualified Surety Bond” means any surety bond or other insurance policy, which has liquidity features equivalent to a letter of credit, or any letter of credit deposited in a subaccount of the Revenue Bond Reserve Account in lieu of or in partial substitution for monies on deposit therein, the issuer of which, at the time of the issuance of the Qualified Surety Bond, is rated in the highest rating categories by either S&P, Moody's or Fitch Ratings.

“Qualified Surety Bond Provider” means a provider of a Qualified Surety Bond.

“Rating Agency” means Moody's, S&P or Fitch Ratings. If more than one Rating Agency maintains a credit rating with respect to the 2011A Bonds or 2011B Bonds, then any action, approval or consent by or notice to a Rating Agency shall be effective only if such action, approval, consent or notice is given by or to each such Rating Agency.

“Redemption Price” means the principal amount of a Bond called for redemption plus the applicable premium, if any, payable upon redemption thereof in the manner provided by the Bond Order.

“Regular Record Date” means, with respect to each Interest Payment Date the 15th day of the calendar month immediately preceding the Interest Payment Date whether or not a Business Day.

“Renewal and Improvement Fund Requirement” for any Fiscal Year means \$1,500,000 or such larger amount as may be agreed to by the City and a majority-in-interest of the signatories to the 1985 Airport Agreements.

“Reserve Requirement” means (a) with respect to the 2011A Bonds, the lesser of (i) 10% of the issuance price of the 2011A Bonds, (ii) the maximum amount required to pay principal and interest on the 2011A Bonds for any current or succeeding Fiscal Year or (iii) 125% of the average annual principal and interest requirements on the 2011A Bonds and (b) with respect to the 2011B Bonds, the lesser of (i) 10% of the issuance price of the 2011B Bonds, (ii) the maximum amount required to pay principal and interest on the 2011B Bonds for any current or succeeding Fiscal Year or (iii) 125% of the average annual principal and interest requirements on the 2011B Bonds.

“Revenue Bond Fund” means the fund created and designated Charlotte/Douglas International Airport Revenue Bond Fund by the Bond Order.

“Revenue Bond Interest Account” means the account in the Revenue Bond Fund created and so designated by the Bond Order.

“Revenue Bond Principal Account” means the account in the Revenue Bond Fund created and so designated by the Bond Order.

“Revenue Bond Sinking Fund Account” means the account in the Revenue Bond Fund created and so designated by the Bond Order.

“Revenue Fund” means the fund created and designated Charlotte/Douglas International Airport Revenue Fund by the Bond Order.

“Revenues” means

(a) except to the extent hereinafter excluded, all payments, proceeds, fees, charges, rents and all other income derived by or for the City for the use of and for the services and facilities furnished by or from the operation or ownership of, the Airport and all other income derived by the City from the operation or ownership of the Airport and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence,

(b) amounts which the City is authorized, but not obligated, to pay or transfer to the Revenue Fund to the extent of any such payments or transfers, including transfers from the Airport Discretionary Fund, which amounts will become Revenues only at the time of payment or transfer to the Revenue Fund,

(c) amounts transferred from the Rebate Account to the Revenue Fund following each Fiscal Year, and

(d) any proceeds of business interruption insurance.

There will not be included in Revenues, unless paid or transferred pursuant to (b) above,

(1) any gifts, grants, bequests, contributions or donations;

(2) proceeds from the sale and disposition of all or any part of the Airport;

(3) reimbursement to the City of any advance to the Operating Fund;

(4) investment income to the extent of amounts transferred from the Revenue Fund to the Rebate Account as of the last day of each Fiscal Year;

(5) the investment income on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the City in any Funds and Accounts established by the Bond Order, but only to the extent such income and gains are not directed to the Revenue Fund as provided in the Bond Order or in any Series Resolution;

(6) to the extent and for so long as such payments are pledged to secure the financing of the same, debt service from the financing of any Special Purpose Facilities for so long as such Facilities are not part of the Included Cost Centers, except to the extent otherwise provided by the City in respect of any such Facilities;

(7) any proceeds of Eminent Domain or insurance other than the business interruption insurance mentioned above;

(8) the investment income on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the City in the Airport's fund relating to the period prior to the date of beneficial occupancy under certain 1978 Airport Agreements.

(9) taxes collected at the Airport,

(10) revenues described in clauses (a) and (c) above of Excluded Cost Centers;

(11) the proceeds of any indebtedness;

(12) payments made by the counterparty in connection with any interest rate exchange or swap agreement; and

(13) PFC Revenues.

“*Serial Bonds*” means the Bonds of any Series that are designated as such in the Series Resolution for such Series.

“*Series*” means all of the Bonds designated as being of the same series.

“*Series Resolution*” means the Series Resolution adopted by the City Council of the City on September 12, 2011, and the appendices attached thereto, and any amendments or supplements thereto.

“*Series 2011A Subaccount of the Revenue Bond Interest Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011A Subaccount of the Revenue Bond Principal Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011A Subaccount of the Revenue Bond Redemption Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011A Subaccount of the Revenue Bond Reserve Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011A Subaccount of the Revenue Bond Sinking Fund Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011B Subaccount of the Revenue Bond Interest Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011B Subaccount of the Revenue Bond Principal Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011B Subaccount of the Revenue Bond Redemption Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011B Subaccount of the Revenue Bond Reserve Account*” means the subaccount created and so designated by the Series Resolution.

“*Series 2011B Subaccount of the Revenue Bond Sinking Fund Account*” means the subaccount created and so designated by the Series Resolution.

“Short-Term Bonds” means all Bonds, other than the current portion of Long-Term Bonds incurred or assumed by the City, for payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less.

“Special Purpose Facilities” means any land, building, structure or other facilities, including equipment, acquired or constructed, which are financed by the issuance of obligations which are issued in compliance with the provisions of the Bond Order but are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Bond Order.

“Sinking Fund Requirement” means the principal amount of the 2011A Bonds or the 2011B Bonds to be retired by mandatory redemption under the Series Resolution as specified by the Finance Director in his certificate delivered under the Series Resolution. If during any 12-month period ended June 30 the total principal amount of the 2011A Bonds or the 2011B Bonds retired by purchase or redemption under the provisions of the Series Resolution is greater than the amount of the Sinking Fund Requirement for such 2011A Bonds or 2011B Bonds, respectively, the next succeeding Sinking Fund Requirements for such 2011A Bonds or 2011B Bonds, respectively, will be reduced in such amount aggregating the amount of such excess.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency (other than Moody’s or Fitch Ratings) as may be designated in writing by the City, with the consent of the LGC.

“Term Bonds” means the Bonds of any Series, other than Serial Bonds, stated to be payable by their terms on one or more dates.

“Terminal Complex” means the facilities identified in the 1985 Airline Agreements as the Terminal Complex.

“Total Operating Revenues” means, as to any period of time, total operating revenues with respect to the Included Cost Centers, as determined in accordance with generally accepted accounting principles for airports consistently applied.

“2011A Bonds” means the City of Charlotte, North Carolina Airport Revenue Bonds, Series 2011A issued pursuant to the Bond Order and the Series Resolution.

“2011B Bonds” means the City of Charlotte, North Carolina Airport Revenue Bonds, Series 2011B issued pursuant to the Bond Order and the Series Resolution.

THE BOND ORDER

Establishment of Funds. The following funds are established under the Bond Order:

(a) Charlotte/Douglas International Airport Construction Fund in which there is established the Additional Facilities Account:

(b) Charlotte/Douglas International Airport Revenue Fund, in which there is established the Rebate Account;

- (c) Charlotte/Douglas International Airport Operating Fund;
- (d) Charlotte/Douglas International Airport Revenue Bond Fund, in which there are established six special Accounts to be known as the Revenue Bond Capitalized Interest Account, the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account, the Revenue Bond Reserve Account and the Revenue Bond Sinking Fund Account;
- (e) Charlotte/Douglas International Airport Discretionary Fund;
- (f) Charlotte/Douglas International Airport Renewal and Improvement Fund;
- (g) Charlotte/Douglas International Airport Insurance and Condemnation Award Fund; and
- (h) Charlotte/Douglas International Airport PFC Revenue Account.

The Rebate Account and the Revenue Bond Fund and the Accounts and subaccounts therein are held by the Trustee. The Revenue Fund, the PFC Revenue Account, the Operating Fund, the Renewal and Improvement Fund, the Insurance and Condemnation Award Fund and the Airport Discretionary Fund and the Accounts therein are held by a Depository selected by the City.

Except for money in the Airport Discretionary Fund and the Rebate Account, the money in all the Funds and Accounts established in the Bond Order will be held in trust and applied as set forth in the Bond Order and, pending such application, the money in the Revenue Bond Fund will be subject to a lien and charge in favor of the Owners of the respective Series of Bonds, except as otherwise provided in the Bond Order or any series resolution.

Except as provided in the Bond Order, all Revenues will be deposited when received in the Revenue Fund. Payments made by the counterparty in connection with any interest rate exchange or swap agreement will be deposited as provided in the applicable series resolution. The City shall deposit all PFC Revenues when received in the PFC Revenue Account.

Application of Money in the Revenue Fund. On or before the 25th day of each month, except as provided in paragraphs (e), (f) and (h), the City shall withdraw funds on deposit from the Revenue Fund (other than amounts in the Rebate Account) and apply the same in the following manner and order:

- (a) beginning January 25, 1986, the City will deposit in the Operating Fund an amount equal to the difference between 33 1/3 % of the amount shown by the Annual Budget as Current Expenses for the then current Fiscal Year plus the amount of encumbered funds from previous budgets and the amount on deposit in the Operating Fund;
- (b) beginning in the month provided in the Series Resolutions, the City shall deliver to the Trustee for deposit in the appropriate subaccounts of the Revenue Bond Interest Account, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, the amounts specified in the Series Resolutions; provided that if there are not sufficient Revenues to satisfy all such deposits,

such deposits shall be made pro rata to each subaccount in accordance with the Outstanding aggregate principal amount of each Series;

(c) beginning in the month provided in the Series Resolutions, the City shall deliver to the Trustee for deposit in the appropriate subaccounts of the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, the amounts specified in the Series Resolutions; provided that if there are not sufficient Revenues to satisfy all such deposits, such deposits shall be made pro rata to each subaccount in accordance with the Outstanding aggregate principal amount of each Series;

(d) in any month in which the amount on deposit in any subaccount in the Revenue Bond Reserve Account is less than the Reserve Requirement due to the application of money therein or the reduction in value on the Investment Obligations therein, the City will deliver to the Trustee for deposit in the appropriate subaccount in the Revenue Bond Reserve Account $1/12^{\text{th}}$ of the amount of such deficiency if due to an application or $1/24^{\text{th}}$ if due to a reduction in value, and will make a deposit in an approximately equal amount in the next 11 or 23 months, as the case may be, taking into account in the 12^{th} or 24^{th} month, as the case may be, the amount of investment income realized to the 25^{th} day of such month;

(e) beginning January 25, 1986, the City will deposit in the Renewal and Improvement Fund $1/12^{\text{th}}$ of the amount necessary to fund or restore the Renewal and Improvement Fund to the Renewal and Improvement Fund Requirement.

In each month following a month in which the City has failed to make any deposit or payment required by paragraphs (a) through (e) above, the City will deposit or pay, in addition to the amounts then due, but only from Net Revenues, an amount sufficient to cure the deficiency in deposit or payment in the prior month unless such deficiency is cured by a transfer, pursuant to the terms of the Bond Order, of money or Investment Obligations to such Fund or Account from other Funds and Accounts.

Application of Money in the Operating Fund. The Current Expenses will be paid from the Operating Fund as the same become due and payable. If at any time the money held in the Operating Fund exceeds an amount equal to 33 $1/3\%$ of the Current Expenses for the then current Fiscal Year as shown on the Annual Budget plus the amount of encumbered funds from previous budgets, the City will transfer such excess to the Revenue Fund.

Application of Money in the Revenue Bond Capitalized Interest Account and Revenue Bond Interest Account. Not later than 10:00 A.M. on each Interest Payment Date, date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed, or on such other date as may be specified in the applicable series resolution, the Trustee will withdraw from the applicable subaccount in the Revenue Bond Interest Account and (1) wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amounts required for paying interest on the respective Bonds and (2) pay or otherwise transfer to the parties named in the applicable series resolution the amounts required for paying any Credit Support Payment Amounts for such Series of Bonds. The Bond Registrar will remit the amount due and payable to the Owners as provided in the Series Resolution.

On the date of issuance of any Series of Bonds, the Finance Director will deliver to the Trustee a schedule of monthly transfers to be made from the applicable subaccount of the Revenue Bond

Capitalized Interest Account to the applicable subaccount of the Revenue Bond Interest Account. The Trustee will make such transfers as required by the schedule of the Finance Director. If the Trustee fails to make any deposit to the Revenue Bond Interest Account that is required or if the balance in the Revenue Bond Interest Account on the 25th day of the month next preceding an Interest Payment Date is insufficient to pay interest becoming due on the Bonds on such Interest Payment Date, the Trustee will notify the City of the amount of the deficiency. Upon notification, the Trustee will transfer an amount sufficient to cure the same, drawing upon funds in the applicable subaccount in the Revenue Bond Reserve Account. If the amount so transferred is not sufficient to cure the deficiency in the Revenue Bond Interest Account, the City will deliver to the Trustee for deposit into said Revenue Bond Interest Account such amount as may be necessary to remedy such deficiency from unencumbered funds in the Renewal and Improvement Fund.

Application of Money in the Revenue Bond Principal Account. Not later than 10:00 A.M. on each principal payment date, the Trustee will withdraw from the applicable subaccount in the Revenue Bond Principal Account and wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amount necessary to pay the principal of such Bonds at their respective maturities.

If at any date there is money in the Revenue Bond Principal Account and no Serial Bonds are then Outstanding or if on any principal payment date money remains therein after the payment of the principal of Serial Bonds then due, the Trustee will withdraw such money and apply the same as follows: (a) deposit in the Revenue Bond Sinking Fund Account and the Revenue Bond Reserve Account, in that order, the amounts then required to be paid thereto by the City and (b) deliver all remaining amounts to the City. Upon receipt thereof the City will deposit (1) in the Renewal and Improvement Fund the amount then required to be paid thereto by the City and (2) all remaining amounts in the Airport Discretionary Fund.

Application of Money in the Revenue Bond Sinking Fund Account. Money held for the credit of the subaccounts in the Revenue Bond Sinking Fund Account will be applied during each Fiscal Year to the retirement, purchase or payment of Term Bonds.

Application of Money in the Revenue Bond Reserve Account. The Trustee will use amounts in the appropriate subaccounts in the Revenue Bond Reserve Account to make transfers, in the following order, to the appropriate subaccounts in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account to remedy any deficiency therein as of the 25th day of the month preceding any interest payment date to pay the interest on or the principal of the related Bonds when due, whenever and to the extent that the money on deposit in any or all of said subaccounts is insufficient for such purposes.

Application of Money in the Renewal and Improvement Fund. The City will apply money in the Renewal and Improvement Fund to the payment of all or a part of the cost of capital items for improvements to, unusual or extraordinary maintenance and repairs, renewals and replacements to the Airport and of costs incurred in connection therewith. The City will also use amounts in the Renewal and Improvement Fund to make transfers to the Revenue Bond Reserve Account whenever and to the extent necessary to cure a deficiency therein from unencumbered funds in the Renewal and Improvement Fund. If at any time the money held in the Renewal and Improvement Fund exceeds the Renewal and Improvement Fund Requirement, the City will withdraw an amount equal to such excess therefrom and deposit such amounts in the Revenue Fund.

Application of Money in the Airport Discretionary Fund. The City will apply money on deposit in the Airport Discretionary Fund for any lawful purpose. Moneys in the Airport Discretionary Fund will be held free and clear of any lien or encumbrance created by the Bond Order.

Application of Money in the Revenue Bond Redemption Account. Money held for the credit of the subaccounts in the Revenue Bond Redemption Account shall be applied to the purchase or redemption of Bonds in the manner provided in the applicable series resolution.

Application of Money in PFC Revenue Account. The City shall apply moneys in the PFC Revenue Account in the following order of priority: (1) first, by transfer to the Bond Fund, to pay debt service on PFC Eligible Bonds, (2) second, to pay the capital costs of PFC Eligible Projects, and (3) third, as otherwise permitted by federal statute or the regulations promulgated by the FAA, as amended or supplemented, with respect to PFCs.

Insurance and Condemnation Award Fund. The Trustee will deposit Net Proceeds into the Insurance and Condemnation Award Fund, when and as received by the Trustee. Upon direction of the City the Trustee will use money in the Insurance and Condemnation Award Fund for the following purposes: (a) to transfer to the Proceeds Account in the Construction Fund, the creation of which is authorized by the Bond Order, and thereafter to disburse the same to pay the costs of repairing or replacing the Included Cost Centers; and (b) to transfer to the Revenue Bond Redemption Account and the Revenue Bond Interest Account to redeem Bonds.

Disposition of Fund Balance. After provision is made for the payment of all Outstanding Bonds issued under the Bond Order, including the interest thereon and for the payment of all other obligations, expenses and charges required to be paid under or in connection with the Bond Order, and receipt by the Trustee of a certificate of the Finance Director to the effect that there are no other indentures, resolutions, bond orders, Series Resolution or other agreements that impose a continuing lien on the balances hereinafter mentioned, the Trustee will pay all amounts in any Fund or Account then held by it under the Bond Order to the City. If a continuing lien has been imposed on any such balance by another resolution, bond order, any other agreement, by court order or decree, or by law, the Trustee will pay such balance to such person as is entitled to receive the same by law or under the terms of such resolution, bond order, agreement, court order, or decree.

Security for the Bonds. As security for the payment of the Bonds and the interest thereon, the City grants to the Trustee a pledge of

- (a) Net Revenues,
- (b) its rights to receive Net Revenues, and
- (c) the money and Investment Obligations in the Renewal and Improvement Fund to the extent such money and Investment Obligations have not been encumbered by the City.

In addition, as security for the payment of each Series of Bonds and the interest thereon, the City has granted to the Trustee a pledge of the money and Investment Obligations in any and all of the related subaccounts of the Revenue Bond Funds and Accounts established under the Series Resolution relating to their issuance.

Security for Deposits. Any and all money received by the City under the provisions of the Bond Order, other than the Airport Discretionary Fund and the Rebate Account, will be deposited as received with the Trustee or one or more other Depositaries as provided in the Bond Order, and will be trust funds under the terms thereof, and, to the extent permitted by law in the case of the Construction Fund, will not be subject to any lien or attachment by any creditor of the City. All money deposited with the Trustee or any Depositary will be credited to the particular Fund, Account or subaccount to which such money belongs.

Investment of Money. Money held for the credit of all Funds, Accounts and subaccounts, other than the Airport Discretionary Fund, will be continuously invested and reinvested by the City, the Trustee or the Depositaries, whichever is applicable, in Investment Obligations to the extent practicable. Money held for the credit of the Airport Discretionary Fund may be invested and reinvested by the City as provided by law. Investment Obligations will mature or be redeemable at the option of the holder thereof not later than the respective dates when the money held for the credit of such Funds, Accounts and subaccounts will be required for the purposes intended.

Unless otherwise provided in any Series Resolution, Investment Obligations in the Revenue Bond Reserve Account will mature or be redeemable at the option of the holder thereof as follows: 25% not later than five years after the date of such investment, an additional 50% not later than ten years after the date of such investment, and the balance without limitation.

No Investment Obligations pertaining to any Series may mature on a date beyond the latest maturity date of the respective Bonds Outstanding at the time such Investment Obligations are deposited. Investment Obligations acquired with money in or credited to any Fund, Account or subaccount established under the Bond Order will be deemed at all times to be part of such Fund, Account or subaccount.

The Trustee will sell at the best price obtainable or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary so to do to provide money to make any payment from any such Fund, Account or subaccount. The Trustee will not be liable or responsible for any loss resulting from any such investment.

Valuation. For the purpose of determining the amount on deposit in any Fund, Account or subaccount, other than the Airport Discretionary Fund, Investment Obligations in which money in such Fund, Account or subaccount is invested will be valued (a) at face value if such Investment Obligations mature within 12 months from the date of valuation thereof, and (b) if such Investment Obligations mature more than 12 months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at his option, if so redeemable, or, if not so redeemable, at the lesser of (1) the cost of such Investment Obligations plus the amortization of any premium or minus the amortization of any discount thereon, and (2) the market value of such Investment Obligations.

All Investment Obligations in all of the Funds, Accounts and subaccounts, except the Revenue Account and the Airport Discretionary Fund, will be valued no earlier than the 25th day of the second month next preceding a principal payment date and no later than the 21st day of the month next preceding such principal payment date. In addition, Investment Obligations in the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Sinking Fund Account, and the Revenue Bond Reserve Account will be valued at any time requested by the City on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee will not be required to value Investment Obligations more than once in any calendar month.

Payment of Principal, Interest and Premium. The City will cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and interest on the Bonds at the places, on the dates and in the manner provided in the Bond Order and in the Bonds, according to the true intent and meaning thereof. The Bonds are special obligations payable solely from Net Revenues, the City's rights to receive the same, and money and Investment Obligations held in the Funds, Accounts and subaccounts created in the Bond Order, other than the Airport Discretionary Fund, and the income from such Investment Obligations and the investment of such money.

Rate Covenant.

(a) The City will fix, charge and collect rates, fees, rentals and charges for the use of the Airport and will revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of the deposits described in the section entitled "***--Application of Money in the Revenue Fund,***" above, plus an amount, if any, which provides an amount on deposit in the Revenue Fund, as of the opening of business on the first day of the next Fiscal year, equal to the Coverage Factor for such preceding Fiscal Year. For purposes of this covenant, amounts retained in the Revenue Fund as of the end of the year are deemed to be Revenues.

(b) If, during any such period, Revenues estimated are less than the amount required under paragraph (a) above, the City will revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such period.

(c) If the audit report for any Fiscal Year indicates that the City has not satisfied its obligations under paragraph (a) above, then within 15 days after the receipt of the audit report for such Fiscal Year, the City will employ an Airport Consultant to review and analyze the financial status and the administration and operations of the Included Cost Centers, to inspect the properties constituting the Included Cost Centers, and to submit to the City Council and the Finance Director, within 60 days thereafter, a written report on the same, including the action which the Airport Consultant recommends should be taken by the City with respect to the revision of its rates, fees, rentals and charges and the alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the following 12 month period. Promptly upon its receipt of the recommendations the City will, after giving due consideration to the recommendations, revise its rates, fees, rentals and charges and alter its methods of operation, which revisions or alterations are projected to result in compliance with paragraph (a) above. The City will transmit copies of the Airport Consultant's recommendations to the Trustee and each Owner who has requested the same.

(d) In the event the City fails to take action as required by paragraphs (b) and (c) above, the Trustee may, and upon request of the Owners of not less than 25% in principal amount of all Bonds Outstanding shall, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the City to comply with the requirements of said paragraphs.

Insurance. The City will purchase and maintain or cause to be maintained insurance covering such properties belonging to the Airport as are customarily insured against, including loss or damage from such causes as are customarily insured against by enterprises of a similar nature, business interruption insurance and comprehensive general liability insurance on the Airport for bodily injury and property damage, with such reasonable deductions as may be available, subject to certain minimum requirements set forth in the Bond Order.

The City is entitled to provide the coverage required by the Bond Order through Qualified Self Insurance, provided that the requirements therein set forth are satisfied. Prior to participation in any plan of Qualified Self Insurance not currently in effect, the City will deliver to the Trustee (i) a copy of the proposed plan, and (ii) from an insurance consultant an evaluation of the proposed plan together with an opinion to the effect that (A) the proposed Qualified Self Insurance will provide the coverage required by the Bond Order and (B) the proposed Qualified Self Insurance plan provides for the creation of fiscally sound reserves.

Under certain circumstances, the minimum requirements of insurance required by the Bond Order may be reduced if the amount of insurance is not available on reasonable terms and conditions.

Payment of Charges and Covenant Against Encumbrances. Except as provided the Bond Order, the City will not create or suffer to be created any lien or charge upon the Included Cost Centers or any part thereof, or on the Net Revenues, except for Permitted Encumbrances. The City will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within 60 days after the same become due and payable, all lawful costs, expenses, liabilities and charges relating to the maintenance, repair, replacement or improvement of the properties constituting the Included Cost Centers and the operation of the Included Cost Centers and lawful claims and demands for labor, materials, supplies or other objects that might by law become a lien upon the Included Cost Centers or Net Revenues if unpaid. Nothing contained in the Bond Order requires the City to pay or cause to be discharged, or make provision of the payment, satisfaction and discharge of, any lien, charge, cost, liability, claim or demand so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Disposition of Cost Centers. The City will not, except as hereinafter provided, sell or otherwise dispose of all or any part of the properties constituting the Included Cost Centers.

(a) The City has the right to sell or dispose of machinery, fixtures, apparatus, tools, instruments or other personal property which may be determined to be part of the Included Cost Centers, or any materials used in connection therewith if the City determines that such articles are no longer needed or useful in connection with the construction or maintenance of the properties constituting the Included Cost Centers or the operation of the Included Cost Centers or that such sale or disposition will not impair the operating efficiency of the Included Cost Centers or, as projected by the Airport Consultant, reduce the ability of the City to satisfy the requirements of the section entitled “**Rate Covenant**” set forth above.

(b) The City, without notice to the Trustee and free of any obligation to make any replacement thereof or substitution therefor, has the right to demolish or remove any real property and structures now or hereafter existing as part of the Included Cost Centers provided that the City determines that such removal or demolition does not impair the operating efficiency of the Included Cost Centers or, as projected by the Airport Consultant, reduce the ability of the City to satisfy the requirements of the section entitled “**--Rate Covenant**” set forth above.

(c) Notwithstanding the provisions of paragraph (b), if the City determines that any real property or structure constituting a part of the Included Cost Centers or attributable in whole or in part to the Included Cost Centers has become inadequate, unsuitable or unnecessary, the City will then have the right to demolish or remove such property and, to the extent permitted by law, may sell or otherwise dispose of all or a part of the same, if:

(1) prior to such removal or demolition the City gives written notice thereof to the Trustee, which notice describes the real property or structures to be demolished or removed and the reason for such demolition or removal; and

(2) (a) the City shall construct, acquire, replace or substitute real property or structures having a utility value at the Included Cost Centers at least equal to that of the property demolished or removed, or

(b) any such real property and structure now or hereafter existing as part of the Included Cost Centers may be demolished or removed by the City from time to time and the City will not be required to construct or acquire any real property or structures in substitution or in replacement thereof if there is filed with the Finance Director and Trustee prior to such demolition or removal, a certificate, signed by the Airport Manager and approved by the Airport Consultant, stating (i) that no Default has occurred and is continuing under the Bond Order, or, if any Default then exists, that the same will be projected to be cured by action taken, and (ii) that the Net Revenues for the Fiscal Year next succeeding that in which such demolition or removal occurs are projected to be sufficient to enable the City to satisfy the requirements of the section entitled “**--Rate Covenant**” set forth above.

Unless some other disposition is required by law or by contract, the City will, in its sole discretion, deposit the proceeds resulting from any abandonment, sale or disposition of properties constituting the Included Cost Centers to any Account in the Construction Fund, if the amount then on deposit therein is insufficient to pay the Costs of Additional Facilities, or to the Airport Discretionary Fund.

Additional Facilities; Additions to the Included Cost Centers. All buildings, structures and items of personal property that are constructed, placed or installed in or upon the properties constituting the Included Cost Centers as an addition or improvement to, as a substitute for, or in renewal, replacement or alteration of, any buildings, structures, and personal property constituting part of the Included Cost Centers, and all real property acquired as an addition to, in replacement of, or as a substitute for real property constituting a part of the Included Cost Centers will thereupon become a part of the Included Cost Centers.

Contracts, Leases and Other Agreements. The City may lease, as lessor, all or any part of the Included Cost Centers, or contract or agree for the performance by others, of operations or services on or in connection with the Included Cost Centers or any part thereof, for any lawful purpose, provided, that

(a) the City remains fully obligated and responsible under the Bond Order to the same extent as if such lease, contract or agreement, or any amendment or rescission thereof, had not been executed, and

(b) the obligation of the City under such lease, contract or agreement does not impair the performance of the City's obligations under the Bond Order.

Financing of Special Purpose Facilities. Nothing in the Bond Order will be construed as prohibiting the City from financing the acquisition or construction of any Special Purpose Facilities within the Excluded Cost Centers permitted by law so long as the City shall have delivered to the Trustee an opinion of the Airport Attorney to the effect that the underlying obligations issued to finance such Facilities are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Bond Order and that the financing of such Special Purpose Facilities will not conflict with or constitute on the part of the City a breach of or default under any of the covenants or provisions of the Bond Order.

Subject to requirements of the section entitled "***--Additional Facilities; Additions to the Included Cost Centers***" set forth above, any such Facility so financed or otherwise acquired by the City and not constituting a part of the Included Cost Centers may be added to the Included Cost Centers by resolution of the City Council provided that at the date of inclusion of such Facility in the Included Cost Centers the City delivers to the Trustee:

(a) a certificate of the Finance Director stating that no Default has occurred and is continuing or, if any Default then exists, that action taken will cure the same, and

(b) a report of the Airport Consultant stating that based upon its knowledge and analysis of the financial performance and operations of the Included Cost Centers, the requirements with respect to the incurrence of indebtedness would be satisfied.

Covenant Regarding 1985 Airline Agreements.

(a) The City will not rescind, terminate, amend or modify any 1985 Airline Agreement if such rescission, termination, amendment or modification would in any manner materially and adversely affect the rights or security of the holders of the Bonds. Further, while any Bonds are Outstanding the City will not (i) rescind or terminate any 1985 Airline Agreement unless an "*Event of Default*" thereunder has occurred and is continuing; provided, however, that regardless of whether or not such an Event of Default has occurred and is continuing, the City may substitute under a 1985 Airline Agreement another air carrier if the air carrier substituted for such air carrier agrees to undertake all of the obligations and duties for which it is being substituted under such 1985 Airline Agreement, (ii) amend any 1985 Airline Agreement to limit the obligation of the air carrier under such 1985 Airline Agreement with respect to the payment of fees and charges related to the deposit requirements described in the section entitled "***--Application of Money in Revenue Fund***" set forth above, or (iii) amend any such 1985 Airline Agreement in any manner which would adversely affect the City's ability to satisfy the covenant of the City described in the section entitled "***--Rate Covenant***" set forth above.

(b) The City will not take any action or omit to take any action which, if taken or omitted, would permit any debt service payment on any Series of Bonds to be excluded from the calculation of fees and charges under the 1985 Airline Agreements.

Extension of Interest Payment. If the time for the payment of the interest on any Bond is extended, whether or not such extension is by or with the consent of the City, such interest so extended shall not be entitled in case of default to the benefit or security of the Bond Order and in such case the Owner of the Bond for which the time for payment of interest was extended will be entitled only to the payment in full of the principal of all Bonds then Outstanding and of interest for which the time for payment has not been extended.

Events of Default. Each of the following events is hereby declared an “*Event of Default*”:

(a) payment of the principal of and the redemption premium, if any, on any of the Bonds is not made when the same are due and payable, either at maturity or by redemption or otherwise;

(b) payment of the interest on any of the Bonds is not made when the same is due and payable;

(c) final judgment for the payment of money in excess of \$100,000 is rendered against the City as a result of the ownership, control or operation of the Included Cost Centers, and any such judgment is not discharged within sixty (60) days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof;

(d) the City: (i) becomes insolvent or the subject of insolvency proceedings; or (ii) is unable, or admits in writing its inability, to pay its debts as they mature; or (iii) makes a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iv) files a petition or other pleading seeking reorganization, composition, readjustment, or liquidation of assets, or requesting similar relief; or (v) applies to a court for the appointment of a receiver for it or for the whole or any part of the Included Cost Centers other than Special Facilities; or (vi) has a receiver or liquidator appointed for it or for the whole or any part of the Included Cost Centers other than Special Facilities (with or without the consent of the City) and such receiver is not discharged within 90 consecutive days after his appointment; or (vii) becomes the subject of an “order for relief” within the meaning of the United States Bankruptcy Code; or (viii) files an answer to a creditor’s petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within 60 consecutive days after the same is filed against the City;

(e) any court of competent jurisdiction assumes custody or control of the City or of the whole or any substantial part of its property under the provisions of any other law for the relief or aid of debtors, and such custody or control is not terminated within 90 days from the date of assumption of such custody or control;

(f) the occurrence and continuation of an Event of Default under any series resolution; and

(g) the City defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Order, and such default continues for 30 days after receipt by the City of a written notice from the Trustee specifying such default and requesting that it be corrected, provided that if prior to the expiration of such 30-day period the City institutes action reasonably designed to cure such default, no "*Event of Default*" shall be deemed to have occurred upon the expiration of such 30-day period for so long as the City pursues such curative action with reasonable diligence.

Non-acceleration of Maturities and Remedies. Neither the Trustee nor any Owner is permitted to accelerate the maturity of any Bond. In addition to any remedies then available to the Trustee under the Bond Order and under State and federal law, upon the occurrence of an Event of Default the Trustee may:

(a) Require the City to endorse all checks and other negotiable instruments representing Revenues to the order of the Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Trustee.

(b) Notify any or all account debtors of the City to pay any amounts representing Revenues, when due and owing, directly to the Trustee, as Trustee.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Bond Order, the Trustee will be entitled, as a matter of right, to the extent permitted by law, to the appointment of a receiver or receivers of the Airport and of the Revenues pending such proceedings, with such powers as the court making such appointments confers, whether or not the Revenues are deemed sufficient ultimately to satisfy the Bonds then Outstanding hereunder.

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the City under the Bond Order.

Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, proceed to protect and enforce the rights of the Owners.

The Owners of a majority in aggregate principal amount of Bonds at any time Outstanding have the right, by written instruments delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee. The Trustee may, and upon written request of the Owners of not less than a majority in principal amount of the Bonds then Outstanding shall, waive any Event of Default which in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Bond Order or before the completion of the enforcement of any other remedies under the Bond Order, but no such waiver will extend to or affect any other existing or subsequent Event of Default or impair any rights or remedies consequent thereon.

Notice of Default. The Trustee will mail to all Owners at their addresses as they appear on the registration books maintained by the Trustee written notice of the occurrence of any Event of Default within 30 days after the Trustee has notice of the same.

Supplemental Order Without Owners' Consent. The City from time to time and at any time and with the consent of the Trustee, may adopt such orders supplemental to the Bond Order (which supplemental orders will thereafter form a part of the Bond Order) which do not adversely affect the interest of the Owners:

- (a) to cure any ambiguity or formal defect or omission or to correct or supplement any provision that may be inconsistent with any other provision, or
- (b) to grant to or confer upon the Trustee, for the benefit of the Owners, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, or
- (c) to add to the conditions, limitations and restrictions on the issuance of Bonds or other conditions, limitations and restrictions thereafter to be observed, provided that such conditions, limitations, and restrictions do not impair the security for the Outstanding Bonds, or
- (d) to add to the covenants and agreements of the City in the Bond Order other covenants and agreements thereafter to be observed by the City or to surrender any right or power reserved to or conferred upon the City, provided that such covenants and agreements and the surrendering of any such right or power do not impair the security for the Outstanding Bonds.

Supplemental Order with Owners' Consent. Subject to the terms and provisions contained in the Bond Order, and not otherwise, the Owners of not less than 51% in aggregate principal amount of the Bonds then Outstanding that will be affected by a proposed supplemental order will have the right, from time to time, anything contained in the Bond Order to the contrary notwithstanding, to consent to and approve the adoption of such order or orders supplemental thereto as are deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Order or in any supplemental order, provided that nothing will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of Net Revenues other than the lien and pledge created by the Bond Order, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental order.

Pro Rata Application of Funds. Anything in the Bond Order to the contrary notwithstanding, if at any time the money in the applicable subaccounts in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account is not sufficient to pay the interest on, the principal of, or other amounts due in connection with, the related Series of Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purposes, whether through the exercise of the remedies provided for in the Bond Order or otherwise, will be applied as follows:

first: if the principal of the Series of Bonds has not become due and payable, to the payment of all installments of interest and Credit Support Payment Amounts then due in the order of maturity of the installments of such interest or Credit Support Payment Amounts;

second: if the principal of less than all of the Series of Bonds has become due and payable, first to the payment of all installments of interest and Credit Support Payment Amounts then due on such Bonds of which the principal is not overdue in the order of the maturity of the installments thereof, and next to the payment of interest at the respective rates specified in the Series of Bonds on overdue principal along with all other amounts due in connection with such Series, and next to the payment of the principal of such Bonds then due in order of their due dates,

third: if the principal of all Series of Bonds has become due and payable by redemption or otherwise, first to the payment of all interest and Credit Support Payment Amounts due on such Bonds of which the principal is not overdue and next to the payment of interest at the respective rates specified in the Series of Bonds on overdue principal along with all other amounts due in connection with such Series, and next to the payment of the principal of the Series of Bonds in order of their due dates; and

fourth: if the principal of all Series of Bonds has become due and payable, and all of the Series of Bonds have been fully paid, together with all interest and premium and Credit Support Payment Amounts, if any, thereon, any surplus then remaining shall be applied as set forth in the paragraph entitled “**--Disposition of Fund Balances**”, above.

Subject to any priorities which may be established by any Series Resolution, all payments to be made to the Owners pursuant to the Bond Order will be made ratably to the persons entitled thereto, without discrimination or preference; if there are insufficient funds to make any payment of interest, principal or other amount then due among Bonds of a designated priority, the amount to be paid in respect of principal, interest or other amount then due, as the case may be on each Bond will be determined by multiplying the aggregate amount of the funds available for such payment by a fraction, the numerator of which is the amount then due as principal, interest or other amount, as the case may be, on each Bond and the denominator of which is the aggregate amount due in respect of all principal, interest or other amount, as the case may be, on all Bonds.

Issuance of Bonds.

(a) Subject to the conditions hereinafter described, the City can issue the following bonds for Additional Facilities or to refund Outstanding Bonds or other indebtedness:

(1) Long-Term Bonds if prior to issuance one of the following conditions is met:

(i) there is delivered to the Trustee a certificate of the Finance Director (accompanied by a report of an independent certified public accountant or firm of certified public accountants) certifying that, taking all outstanding Long-Term Bonds (excluding any Long-Term Bonds to be refunded by the Long-Term Bonds to be issued) and the Long-Term Bonds then to be issued into account as if they had been issued at the beginning of the most recent fiscal Year for which audited financial statements are available preceding the date of delivery

of such Certificate, the Net Revenues for such Fiscal Year were not less than 1.50 times the Long-Term Debt Service Requirement with respect to all outstanding Long-Term Bonds and the Long-Term Bonds to be issued for such period; or

(ii) (A) there is delivered to the Trustee a certificate of the Finance Director (accompanied by a report of an independent certified public accountant or firm of certified public accountants) certifying that, taking into account all outstanding Long-Term Bonds, but not the Long-Term Bonds then to be issued, for the most recent Fiscal Year for which audited financial statements are available preceding the date of delivery of such Certificate, the provisions of the paragraph entitled “*--Rate Covenant*”, above, have been satisfied; and

(B) there shall be filed with the Trustee a report of an Airport Consultant to the effect that such requirements taking the proposed Long-Term Bonds into account, for (I) in the case of Long-Term Bonds to finance Additional Facilities, each of the first two full Fiscal Years succeeding the date on which such Additional Facilities are expected to be completed and in operation, or (II) in the case of Long-Term Bonds not financing Additional Facilities, each of the first two Fiscal Years succeeding the date on which such Long-Term Bonds are issued, will be projected to be satisfied; or

(iii) without compliance with either of the tests mentioned in (i) and (ii) above, additional Long-Term Bonds in an amount not to exceed 10% of the Total Operating Revenues for the most recent Fiscal Year for which audited financial statements are available. The total amount of Long-Term Bonds incurred by the City under this paragraph (iii) and outstanding without compliance with one of the tests mentioned in (i) and (ii) above will not in the aggregate exceed at any time the amount calculated in accordance with the provisions of this paragraph (iii).

(2) Notwithstanding the provisions of paragraph (1) above, Completion Bonds may be incurred without an earnings test if the principal amount thereof does not exceed 5% of the principal amount of the Bonds initially issued therefor, and in excess of 5% of such principal amount, but only if any of the tests set forth in (1) above are met.

(3) Bonds may be issued for the purpose of refunding all or any part of any Outstanding Bonds or other indebtedness of the City issued for Included Cost Center purposes so as to render it no longer Outstanding if prior to issuance thereof:

(i) The Trustee determines that the proceeds of such Long-Term Bonds, together with interest earnings on the Government Obligations to be acquired and other available funds, will be sufficient to pay the principal of and interest and any premium on the Bonds to be refunded to the redemption or maturity date and the expenses incident to the refunding, and

(ii) (a) The issuance of such Long-Term Bonds will satisfy the requirements of paragraph (a)(1)(ii)(B) above.

(4) Short-Term Bonds may be issued in the ordinary course of business if, immediately after the issuance of such Short-Term Bonds, the outstanding principal

amount of all Short-Term Bonds does not exceed 10% of Total Operating Revenues for the most recent Fiscal Year preceding the date of issuance of such Short-Term Bonds for which audited financial statements are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year no such Bonds will be Outstanding.

(b) Nothing in this paragraph restricts or limits the right of the City to incur indebtedness other than Bonds and capital leases payable as described in the definition of Current Expenses provided the principal thereon is not payable, directly or indirectly, from Revenues.

(c) The City will not issue any other indebtedness other than capital leases payable as described in the definition of Current Expenses which will have a lien on Net Revenues prior to the lien established by the Bond Order.

(d) The City will not issue any additional Bonds under the Bond Order which will have a lien upon Net Revenues senior to any Bonds issued on a parity with the 1997A Bonds or any Credit Support Payment Amounts,

Defeasance. When

(a) the Bonds have become due and payable in accordance with their terms or otherwise as provided in the Bond Order, and

(b) the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds have been paid or if the Trustee holds money or non-callable Government Obligations, or a combination of both, that are sufficient in the aggregate to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, and

(c) if the Bonds are due and payable by reason of a call for redemption, irrevocable instructions to call the Bonds for redemption shall have been given by the City to the Trustee, and

(d) sufficient funds will also have been provided or provision made for paying all other obligations payable by the City,

then and in that case the right, title and interest of the Trustee and Owners in the Funds, Accounts and subaccounts created by the Bond Order will thereupon cease, determine and become void, the City Council will repeal and cancel the Bond Order, and the Trustee will apply any surplus in the Funds or Accounts, other than money held for the redemption or payment of these Bonds pursuant to the escheat provisions of State law.

THE SERIES RESOLUTION

Establishment of Subaccounts. The Series Resolution establishes a separate Series 2011A Subaccount and Series 2011B Subaccount within the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account, the Revenue Bond Reserve Account and the Revenue Bond Sinking Fund Account for the security of the Owners of the respective 2011A Bonds and 2011B Bonds.

Revenues Received by the City. On or before the 25th day of each month beginning November 25, 2011, the City shall, subject to the provisions of the Bond Order, deposit or cause to be deposited from Net Revenues with the Trustee the following amounts and the Trustee shall apply such amounts to the various accounts and subaccounts specified below:

(1) into the Series 2011A Subaccount and the Series 2011B Subaccount of the Revenue Bond Interest Account an amount in substantially equal monthly installments necessary, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, to have funds on hand each June 25 and December 25, commencing June 25, 2012, to pay the next maturing installment of interest, on the 2011A Bonds and the 2011B Bonds then Outstanding; and

(2) into the Series 2011A Subaccount and the Series 2011B Subaccount of the Revenue Bond Principal Account an amount in substantially equal monthly installments necessary, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, to have funds on hand each June 25, commencing June 25, 2012, to pay the next maturing installment of principal, on the 2011A Bonds and the 2011B Bonds then Outstanding; or

(3) into the Series 2011A Subaccount and the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account, after taking into account money transferred from the PFC Revenue Account or otherwise deposited therein by the City, 1/12th of the amount required to retire the 2011A Bonds or 2011B Bonds to be called by mandatory redemption on the next ensuing July 1 of each year, commencing on July 25th of the year preceding each Sinking Fund Requirement payment, in accordance with the Sinking Fund Requirement therefor.

In each month following a month in which the Trustee has failed to make any of the above required deposits, the City will pay, but only from Net Revenues, and the Trustee will deposit, in addition to the amounts then due, an amount sufficient to cure the deficiency in the deposits in the prior months unless such deficiency has been cured by a transfer of money to such fund or account from other funds and accounts created hereby, pursuant to the terms of the Series Resolution.

Application of Money in the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account. Money held in the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account will be applied during each Fiscal Year to the purchase or retirement of 2011A Bonds then Outstanding as follows:

(a) The Trustee will, at the request of the City, endeavor to purchase and cancel 2011A Bonds or portions thereof subject to redemption by operation of the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account or maturing on the next ensuing July 1 at the most advantageous price readily obtainable with reasonable diligence, such price not to exceed par plus accrued interest to the date of purchase.

(b) The Trustee will call for redemption on July 1 in each Fiscal Year 2011A Bonds in a principal amount equal to the aggregate Sinking Fund Requirement for the 2011A Bonds for such Fiscal Year, less the principal amount of any such 2011A Bonds retired during such Fiscal Year by purchase pursuant to paragraph (a) above or delivered during such Fiscal Year to the Trustee by the City.

If at any date there is money in the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account and no 2011A Bonds are then Outstanding or if on any payment date money remains therein after the mandatory redemption of 2011A Bonds in accordance with the Sinking Fund Requirement therefor, the Trustee will withdraw such money therefore and will apply the same as follows: (a) deposit in the Series 2011A Subaccount of the Revenue Bond Reserve Account, the amounts, if any, required to be paid thereto in such month pursuant to the Bond Order and (b) deliver all remaining amounts to the City.

Application of Money in the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account. Money held in the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account will be applied during each Fiscal Year to the purchase or retirement of 2011B Bonds then Outstanding as follows:

(a) The Trustee will, at the request of the City, endeavor to purchase and cancel 2011B Bonds or portions thereof subject to redemption by operation of the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account or maturing on the next ensuing July 1 at the most advantageous price readily obtainable with reasonable diligence, such price not to exceed par plus accrued interest to the date of purchase.

(b) The Trustee will call for redemption on July 1 in each Fiscal Year 2011B Bonds in a principal amount equal to the aggregate Sinking Fund Requirement for the 2011B Bonds for such Fiscal Year, less the principal amount of any such 2011B Bonds retired during such Fiscal Year by purchase pursuant to paragraph (a) above or delivered during such Fiscal Year to the Trustee by the City.

If at any date there is money in the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account and no 2011B Bonds are then Outstanding or if on any payment date money remains therein after the mandatory redemption of 2011B Bonds in accordance with the Sinking Fund Requirement therefor, the Trustee will withdraw such money therefore and will apply the same as follows: (a) deposit in the Series 2011B Subaccount of the Revenue Bond Reserve Account, the amounts, if any, required to be paid thereto in such month pursuant to the Bond Order and (b) deliver all remaining amounts to the City.

Application of Money in the Series 2011A Subaccount of the Revenue Bond Redemption Account. The Trustee shall apply money in the Series 2011A Subaccount of the Revenue Bond Redemption Subaccount to the purchase or redemption of 2011A Bonds as follows:

(a) Subject to the provisions of paragraph (c) below, the Trustee shall, at the request of the City, endeavor to purchase and cancel 2011A Bonds or portions thereof, regardless of whether such 2011A Bonds or portions thereof are then subject to redemption, at the most advantageous price readily obtainable with reasonable diligence, provided that the purchase price of each 2011A Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such 2011A Bond under the provisions of the Series Resolution if such 2011A Bond or such portion thereof should be called for redemption on such date from the money in the Series 2011A Subaccount of the Revenue Bond Redemption Account. The Trustee shall pay the interest accrued on such 2011A Bonds or portions thereof to the date of settlement from the Series 2011A Subaccount of the Revenue Bond Interest Account and the purchase price from the Series 2011A Subaccount of the Revenue Bond Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2011A Subaccount of the Revenue

Bond Redemption Account within the period of 45 days immediately preceding any Interest Payment Date on which such 2011A Bonds or portions thereof are to be redeemed, except from moneys other than the moneys set aside in the Series 2011A Subaccount of the Revenue Bond Redemption Account for the redemption of Bonds.

(b) Subject to the provisions of paragraph (c) below, the Trustee shall call for redemption on a date permitted by the Series Resolution such amount of 2011A Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2011A Subaccount of the Revenue Bond Redemption Account as nearly as may be. The Trustee shall pay the accrued interest on the Bonds or portions thereof to be redeemed to the date of redemption from the Series 2011A Subaccount of the Revenue Bond Interest Account and the Redemption Price of such 2011A Bonds or portions thereof from the Series 2011A Subaccount of the Revenue Bond Redemption Account. The Trustee shall withdraw from the Series 2011A Subaccount of the Revenue Bond Redemption Account and set aside the respective amounts required to pay the Redemption Price of the 2011A Bonds or portions thereof so called for redemption.

(c) Money in the Series 2011A Subaccount of the Revenue Bond Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of 2011A Bonds then Outstanding in accordance with the Sinking Fund Requirement.

The expense incurred by the Trustee in connection with the purchase or redemption of any such 2011A Bonds shall be paid by the City from the Operating Fund or from any other available moneys.

Application of Money in the Series 2011B Subaccount of the Revenue Bond Redemption Account. The Trustee shall apply money in the Series 2011B Subaccount of the Revenue Bond Redemption Subaccount to the purchase or redemption of 2011B Bonds as follows:

(a) Subject to the provisions of paragraph (c) below, the Trustee shall, at the request of the City, endeavor to purchase and cancel 2011B Bonds or portions thereof, regardless of whether such 2011B Bonds or portions thereof are then subject to redemption, at the most advantageous price readily obtainable with reasonable diligence, provided that the purchase price of each 2011B Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such 2011B Bond under the provisions of the Series Resolution if such 2011B Bond or such portion thereof should be called for redemption on such date from the money in the Series 2011B Subaccount of the Revenue Bond Redemption Account. The Trustee shall pay the interest accrued on such 2011B Bonds or portions thereof to the date of settlement from the Series 2011B Subaccount of the Revenue Bond Interest Account and the purchase price from the Series 2011B Subaccount of the Revenue Bond Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2011B Subaccount of the Revenue Bond Redemption Account within the period of 45 days immediately preceding any Interest Payment Date on which such 2011B Bonds or portions thereof are to be redeemed, except from moneys other than the moneys set aside in the Series 2011B Subaccount of the Revenue Bond Redemption Account for the redemption of Bonds.

(b) Subject to the provisions of paragraph (c) below, the Trustee shall call for redemption on a date permitted by the Series Resolution such amount of 2011B Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then

held in the Series 2011B Subaccount of the Revenue Bond Redemption Account as nearly as may be. The Trustee shall pay the accrued interest on the Bonds or portions thereof to be redeemed to the date of redemption from the Series 2011B Subaccount of the Revenue Bond Interest Account and the Redemption Price of such 2011B Bonds or portions thereof from the Series 2011B Subaccount of the Revenue Bond Redemption Account. The Trustee shall withdraw from the Series 2011B Subaccount of the Revenue Bond Redemption Account and set aside the respective amounts required to pay the Redemption Price of the 2011B Bonds or portions thereof so called for redemption.

(c) Money in the Series 2011B Subaccount of the Revenue Bond Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of 2011B Bonds then Outstanding in accordance with the Sinking Fund Requirement.

The expense incurred by the Trustee in connection with the purchase or redemption of any such 2011B Bonds shall be paid by the City from the Operating Fund or from any other available moneys.

Application of Money in Series 2011A Subaccount of the Revenue Bond Reserve Account.
There will be deposited in the Series 2011A Subaccount of the Revenue Bond Reserve Account the amount certified by the Finance Director under the Series Resolution. The Trustee shall use money deposited in the Series 2011A Subaccount of the Revenue Bond Reserve Account solely for the purpose of paying the principal of and the interest on the 2011A Bonds whenever and to the extent that money in the Series 2011A Subaccount of the Revenue Bond Interest Account is insufficient to pay the interest on the 2011A Bonds or money in the Series 2011A Subaccount of the Revenue Bond Principal Account or the Series 2011A Subaccount of the Revenue Bond Sinking Fund Account is insufficient to pay the principal of the 2011A Bonds. The Trustee shall withdraw such money in accordance with the order of priorities set forth in the Series Resolution. If on any Interest Payment Date the amount on deposit in an account of the Series 2011A Subaccount of the Revenue Bond Reserve Account exceeds the Reserve Requirement therefor, the Trustee shall transfer such excess to the Series 2011A Subaccount of the Revenue Bond Interest Account.

If the City delivers a Qualified Surety Bond to the Trustee in satisfaction of the Reserve Requirement, in whole or in part:

(i) If and to the extent that money on deposit in the 2011A Subaccount of the Revenue Bond Reserve Account, plus all amounts on deposit in and credited to the 2011A Subaccount of the Revenue Bond Fund, in excess of the amount of the Qualified Surety Bond, are insufficient to pay the amount of principal and interest coming due, then on the later of: (i) one (1) day after receipt by the Qualified Surety Bond Provider of a demand for payment, duly executed by the Paying Agent certifying that payment due under the Series Resolution and the Bond Order has not been made to the Paying Agent; or (ii) the payment date of the 2011A Bonds as specified in the Demand for Payment presented by the Paying Agent to the Qualified Surety Bond Provider, the Qualified Surety Bond Provider will make a deposit of funds in an account with the Paying Agent sufficient for the payment to the Paying Agent of amounts which are then due to the Paying Agent under Series Resolution (as specified in the Demand for Payment therein) up to but not in excess of the Surety Bond Coverage, as defined in the Qualified Surety Bond.

(ii) the Trustee, or Paying Agent, if appropriate, shall, after submitting to the Qualified Surety Bond Provider the Demand for Payment as provided in (i) above, make

available to the Qualified Surety Bond Provider all records relating to the funds and accounts maintained under the Series Resolution.

(iii) the Trustee, or Paying Agent, if appropriate, shall, on receipt of money received from the draw on the Qualified Surety Bond, as specified in the Demand for Payment, credit the 2011A Subaccount of the Revenue Bond Reserve Account to the extent of money received pursuant to such Demand.

(iv) the 2011A Subaccount of the Revenue Bond Reserve Account is to be replenished in the following priority: (A) principal and interest on the Qualified Surety Bond is to be paid from first available Revenues; (B) after all such amounts are paid in full, amounts necessary to fund the 2011A Subaccount of the Revenue Bond Reserve Account to the required level, after taking into account the amounts available under the Qualified Surety Bond are to be deposited from next available Revenues.

Application of Money in Series 2011B Subaccount of the Revenue Bond Reserve Account.

There will be deposited in the Series 2011B Subaccount of the Revenue Bond Reserve Account the amount certified by the Finance Director under the Series Resolution. The Trustee shall use money deposited in the Series 2011B Subaccount of the Revenue Bond Reserve Account solely for the purpose of paying the principal of and the interest on the 2011B Bonds whenever and to the extent that money in the Series 2011B Subaccount of the Revenue Bond Interest Account is insufficient to pay the interest on the 2011B Bonds or money in the Series 2011B Subaccount of the Revenue Bond Principal Account or the Series 2011B Subaccount of the Revenue Bond Sinking Fund Account is insufficient to pay the principal of the 2011B Bonds. The Trustee shall withdraw such money in accordance with the order of priorities set forth in the Series Resolution. If on any Interest Payment Date the amount on deposit in an account of the Series 2011B Subaccount of the Revenue Bond Reserve Account exceeds the Reserve Requirement therefor, the Trustee shall transfer such excess to the Series 2011B Subaccount of the Revenue Bond Interest Account.

If the City delivers a Qualified Surety Bond to the Trustee in satisfaction of the Reserve Requirement, in whole or in part:

(i) If and to the extent that money on deposit in the 2011B Subaccount of the Revenue Bond Reserve Account, plus all amounts on deposit in and credited to the 2011B Subaccount of the Revenue Bond Fund, in excess of the amount of the Qualified Surety Bond, are insufficient to pay the amount of principal and interest coming due, then on the later of: (i) one (1) day after receipt by the Qualified Surety Bond Provider of a demand for payment, duly executed by the Paying Agent certifying that payment due under the Series Resolution and the Bond Order has not been made to the Paying Agent; or (ii) the payment date of the 2011B Bonds as specified in the Demand for Payment presented by the Paying Agent to the Qualified Surety Bond Provider, the Qualified Surety Bond Provider will make a deposit of funds in an account with the Paying Agent sufficient for the payment to the Paying Agent of amounts which are then due to the Paying Agent under Series Resolution (as specified in the Demand for Payment therein) up to but not in excess of the Surety Bond Coverage, as defined in the Qualified Surety Bond.

(ii) the Trustee, or Paying Agent, if appropriate, shall, after submitting to the Qualified Surety Bond Provider the Demand for Payment as provided in (i) above, make available to the Qualified Surety Bond Provider all records relating to the funds and accounts maintained under the Series Resolution.

(iii) the Trustee, or Paying Agent, if appropriate, shall, on receipt of money received from the draw on the Qualified Surety Bond, as specified in the Demand for Payment, credit the 2011B Subaccount of the Revenue Bond Reserve Account to the extent of money received pursuant to such Demand.

(iv) the 2011B Subaccount of the Revenue Bond Reserve Account is to be replenished in the following priority: (A) principal and interest on the Qualified Surety Bond is to be paid from first available Revenues; (B) after all such amounts are paid in full, amounts necessary to fund the 2011B Subaccount of the Revenue Bond Reserve Account to the required level, after taking into account the amounts available under the Qualified Surety Bond are to be deposited from next available Revenues.

Investment of Money. Money held for the credit of all subaccounts or accounts established under the Series Resolution on deposit with the Trustee shall be continuously invested and reinvested by the Trustee in such Investment Obligations as the City may direct to the extent practicable. The interest accruing on Investment Obligations in the subaccounts established under the Series Resolution and any profit or loss realized upon the disposition or maturity of such Investment Obligations shall be credited to or charged against the following Funds, accounts and subaccounts: interest and profit or loss resulting from each of the subaccounts established under the Series Resolution other than the Series 2011A Construction Account of the Construction Fund shall be credited to or charged against the Revenue Fund, and interest and profit or loss resulting from the Series 2011A Construction Account of the Construction Fund shall be credited to or charged against that account.

Payment of Principal, Interest and Premium and Pledge of Net Revenues. The City has covenanted in the Series Resolution that it will promptly pay the principal of and the interest on every 2011A Bond and 2011B Bond issued under the Series Resolution at the places, on the dates and in the manner provided therein and in the 2011A Bonds and the 2011B Bonds, and any premium required for the retirement of the 2011A Bonds and the 2011B Bonds by purchase or redemption, according to the true intent and meaning thereof. The City has further represented and covenanted that it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the 2011A Bonds and the 2011B Bonds authorized by the Series Resolution and to pledge the Net Revenues in the manner and to the extent therein and in the Bond Order set forth; that all action on its part for the issuance of the 2011A Bonds and the 2011B Bonds initially issued thereunder has been duly and effectively taken; and that such 2011A Bonds and 2011B Bonds in the hands of the Owners thereof are and will be valid and binding special obligations of the City according to their terms.

Supplemental Series Resolutions Without Consent of Owners. The City may, from time to time and at any time, adopt such resolutions supplemental hereto as are consistent with the terms and provisions of the Series Resolution and, in the opinion of the Trustee, do not affect adversely the interest of the Owners including, without limitation:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Series Resolution that may be inconsistent with any other provision in the Series Resolution, or to make any other provisions with respect to matters or questions arising under the Series Resolution that shall be consistent with the provisions of the Series Resolution, or

- (b) to grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, or
- (c) to add to the covenants and agreements of the City in the Series Resolution other covenants and agreements thereafter to be observed by the City or to surrender any right or power reserved to or conferred upon the City, or
- (d) to permit the qualification of the Series Resolution under any federal statute now or hereafter in effect or under any state Blue Sky law, or
- (e) to provide for the issuance of any of the 2011A Bonds or the 2011B Bonds in bearer form, or
- (f) to make modifications in the provisions for the issuance of the 2011A Bonds or the 2011B Bonds under a book-entry system, or
- (g) to obtain a rating on the 2011A Bonds or the 2011B Bonds from a national rating service.

Modification of Series Resolutions with Consent of Owners. The Owners of not less than 51% in aggregate principal amount of the 2011A Bonds and the 2011B Bonds then Outstanding have the right, from time to time anything contained in the Series Resolution to the contrary notwithstanding, to consent to and approve the adoption by the City and the acceptance by the Trustee of such series resolution supplemental thereto as are necessary or considered desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Series Resolution or in any supplemental series resolution; but nothing permits, or may be construed as permitting (a) an extension of the maturity of the principal of or the interest on any 2011A Bond or 2011B Bond or (b) a reduction in the principal amount of any 2011A Bond or 2011B Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a pledge of Net Revenues other than any pledge created or permitted by the Bond Order or the Series Resolution, or (d) a preference or priority of any 2011A Bond or 2011B Bond over any other 2011A Bond or 2011B Bond, or (e) a reduction in the aggregate principal amount of 2011A Bonds or 2011B Bonds required for consent to such supplemental series resolution. Nothing, however, may be construed as making necessary the approval by the Owners of the adoption and acceptance of any supplemental series resolution as authorized in the section “***--Supplemental Series Resolutions Without Consent of Owners***” set forth above.

If the Owners of not less than 51% in aggregate principal amount of the 2011A Bonds and the 2011B Bonds Outstanding have consented to and approved the adoption thereof, to the extent permitted by law, no Owner has any right to object to the adoption of such supplemental series resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the City from adopting the same or from taking any action pursuant to the provisions thereof.

On the adoption of any supplemental series resolution pursuant to the provisions of the Series Resolution, the Series Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Series Resolution, the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of the Series Resolution as so modified and amended.

Arbitrage and Tax Covenants. The City has covenanted that it will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from federal income taxation of the interest on the 2011A Bonds and the 2011B Bonds and, if it should take or permit, or omit to take or cause to be taken, any such action, the City will take or cause to be taken all lawful actions within its power necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof. The City has acknowledged that the continued exclusion of interest on the 2011A Bonds and the 2011B Bonds from an Owner's gross income for federal income tax purposes depends, in part, on compliance with the arbitrage limitations imposed by Section 148 of the Code. The City has covenanted that it will comply with all the requirements of Section 148 of the Code, including the rebate requirements, and that it will not permit at any time any of the proceeds of the 2011B Bonds or other funds under their control be used, directly or indirectly, to acquire any asset or obligation, the acquisition of which would cause the 2011A Bonds and the 2011B Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code.

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Parker Poe Adams & Bernstein LLP]

November 9, 2011

City of Charlotte, North Carolina
Charlotte, North Carolina

U. S. Bank National Association
Charlotte, North Carolina

City of Charlotte, North Carolina
\$76,100,000 Airport Revenue Bonds, Series 2011A
\$34,250,000 Airport Revenue Bonds, Series 2011B

Ladies and Gentlemen:

We have acted as bond counsel ("**Bond Counsel**") to the City of Charlotte, North Carolina (the "**City**"), in connection with the issuance and delivery by the City of its \$76,100,000 Airport Revenue Bonds, Series 2011A (the "**2011A Bonds**") and its \$34,250,000 Airport Revenue Bonds, Series 2011B (the "**2011B Bonds**") and collectively with the 2011A Bonds, the "**Bonds**"), pursuant to the Bond Order adopted by the City Council of the City (the "**City Council**") on November 18, 1985, as amended and supplemented by the First Supplemental Bond Order adopted by the City Council on June 8, 1992, and as further amended and supplemented by the Second Supplemental Bond Order adopted by the City Council on August 23, 2004 (collectively, the "**Bond Order**"), and the Series Resolution adopted by the City Council on September 12, 2011 (the "**Series Resolution**"). The City is a municipal corporation of the State of North Carolina (the "**State**") and is empowered to issue the Bonds pursuant to The State and Local Government Revenue Bond Act, Section 159-80 *et seq.* of the General Statutes of North Carolina, as amended (the "**Act**"), subject to the approval of the Local Government Commission of North Carolina. All capitalized terms not otherwise defined herein have the meaning assigned to such terms in the Bond Order.

The proceeds of the Bonds are being issued to provide funds to be used, with other available funds, (1) to improve Charlotte Douglas International Airport (the "**Airport**"), (2) to fund a debt service reserve account for each series of the Bonds, and (3) to pay the costs of issuance of the Bonds.

In rendering the opinions hereinafter expressed, we have examined the Act, certified copies of the Bond Order and the Series Resolution and such laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering the opinions hereinafter expressed. We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records, certifications, documents and proceedings.

On the basis of the foregoing, we are of the opinion, under existing law, that:

1. The City is validly existing as a municipal corporation of the State, with the authorization and power under the provisions of the Constitution and laws of the State, including the Act, to execute and deliver the Bonds for the purposes set forth in the Bond Order and the Series Resolution and to execute and deliver, and to perform its obligations under, the Bond Order and the Series Resolution.

2. The Bond Order and the Series Resolution have been duly adopted by the City and are each valid, binding and enforceable obligations of the City. The security for the payment of the Bonds, including the Net Revenues, has been validly pledged and assigned to U. S. Bank National Association, as trustee under the Bond Order and the Series Resolution for the benefit of the owners of the Bonds.

3. The Bonds have been duly authorized, executed and delivered in accordance with the applicable provisions of the Constitution and laws of the State, including the Act, and are valid and binding special obligations of the City. The Bonds are entitled to the benefits and security of the Bond Order and the Series Resolution for the payment of the Bonds, including the pledge of Net Revenues, in accordance with the terms of the Bond Order and the Series Resolution.

4. The principal of and interest on the Bonds are special obligations payable by the City solely from the sources described in the Bond Order and the Series Resolution, including the Net Revenues. The principal of, premium, if any, and interest on the Bonds is not payable from the general funds of the City, nor do they constitute a legal or equitable pledge, charge, lien or encumbrance on any of the City's property or on any of the City's income, receipts or revenues, except for the Net Revenues and any and all unencumbered funds which are pledged for such payment under the Bond Order and the Series Resolution. Neither the credit nor the taxing power of the State or the City are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, and no owner of the Bonds has the right to compel the exercise of the taxing power by the State or the City or the forfeiture of any of its property in connection with any default on the Bonds.

5. Interest on the 2011A Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

6. Interest on the 2011B Bonds (a) is excludable from gross income for federal income tax purposes, except no opinion is expressed regarding interest on any 2011B Bond for any period during which such 2011B Bond is held by a "substantial user" of the facilities financed or refinanced by the 2011B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) is an item of tax preference for purposes of the federal alternative

minimum tax imposed on individuals and corporations. The interest on the 2011B Bonds will be taken into account in determining adjusted current earnings of certain corporations (as defined for federal income tax purposes) and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its federal alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

7. The opinions set forth in paragraphs 5 and 6 are each subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

8. Interest on the Bonds is exempt from all State of North Carolina income taxation.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Order and the Series Resolution are limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors' rights and remedies generally, and by general principles of equity, whether such equitable principles are considered in a proceeding at law or in equity.

Our services as Bond Counsel to the City in connection with the issuance of the Bonds have been limited to rendering the opinions expressed above on the basis of our review of such proceedings and documents as we have deemed necessary to approve the validity of the Bonds and the tax status of interest on the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the "*Official Statement*"), or any other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion herein relating thereto (excepting only the matters set forth as our opinion in the Official Statement and the section entitled "**TAX TREATMENT**") or as to the financial resources of the City, or the ability of the City to make the payments required under the Bond Order and the Series Resolution, that may have been relied on by anyone in making the decision to purchase Bonds.

The opinions expressed above are given as of the date hereof, and we assume no obligation to revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

PARKER POE ADAMS & BERNSTEIN LLP

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APPENDIX E
THE CITY OF CHARLOTTE

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The City, a municipal corporation of the State located in the County of Mecklenburg (the "County"), is the largest city between Washington, D.C. and Atlanta. The City was incorporated in 1768, became the County seat in 1774, and has grown from an initial 360 acres to a present area covering 299 square miles of the 527-square mile County. The City is empowered by statute to extend its corporate limits through annexation and it engages in a continuing review of areas for possible future annexation. Under the City's adopted two-year annexation policy, the last annexation became effective on June 30, 2011. The City is prohibited from annexing incorporated municipalities and limited areas adjacent to it which are located in the County. In addition, the North Carolina General Assembly enacted legislation during its 2011 session which provides that, if 60% of the property owners in the area proposed to be annexed file petitions to deny the annexation within the requisite statutory period, the annexation is to be terminated and a municipality may not adopt a resolution considering the area for annexation for at least 36 months thereafter. In addition, residents within an involuntary annexation area are to be provided water and sewer connections without cost. This legislation may adversely affect the City's ability to complete future involuntary annexations.

The City has experienced significant population growth over the past several decades. The United States Department of Commerce, Bureau of the Census, has recorded the population of the City to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>
395,934	540,828	731,424

As of 2011, the City is the core of the Charlotte-Gastonia-Salisbury Combined Statistical Area (the "CSA"), a region of over 2.48 million people (representing an annual growth rate in population of 2.17% since 2007) that includes the Charlotte-Gastonia-Concord metropolitan area and five micropolitan areas – Albemarle, Mooresville, Salisbury, Shelby and Lincolnton, North Carolina and Lancaster and Chester, South Carolina. The combination of population growth and location reinforce the City's role as a regional center in the Southeast.

The City is governed by a mayor and an 11-member Council elected biennially on a partisan basis. The mayor presides over all Council meetings and can vote only in case of a tie. The mayor does have a limited veto power. The Council enacts all general and technical ordinances, including budgetary appropriations and construction and zoning ordinances, approves contracts and originates general management policies. The Council employs a City Manager who directs the daily operations of the City through department heads appointed by the City Manager.

W. Curtis Walton, Jr. is the City Manager of Charlotte, North Carolina. Previous positions with the City include Assistant City Manager, Budget and Evaluation Director, Deputy City Manager for Internal Operations, Budget and Evaluation Analyst, Budget and Evaluation Manager and Interim Key Business Executive for Business Support Services. Mr. Walton received his bachelors' degrees in Political Science and Psychology from The University of North Carolina at Chapel Hill and completed a master's degree in Urban Administration (now Public Administration) from The University of North Carolina at Charlotte in 1982. He is a member of the International City/County Management Association (ICMA), the North Carolina City and County Managers Association, and served on the board of the North Carolina Local Government Budget Association. His professional development includes the Public Executive Leadership Academy and the Municipal Administration Program at UNC-Chapel Hill, Leadership for the 21st Century through Harvard University and Leadership Charlotte. He currently serves on the board of directors for the Levine Museum of the New South.

Greg C. Gaskins is the Chief Financial Officer for the City. In such capacity, he supervises the Treasury, Revenue, Accounting, Systems and Risk Management Divisions of the City's Finance Department. He has over 22 years of high level management experience with the City. Prior to joining the City, Mr. Gaskins served as the Departmental Attorney for the State Treasurer of North Carolina and was Counsel to the North Carolina Local Government Commission. In that capacity, he advised local governments throughout North Carolina on various legal matters concerning debt issuance and management. Mr. Gaskins is a graduate of Wake Forest University and the Wake Forest University Law School. He also holds a Masters of Business Administration degree from the University of South Carolina.

APPENDIX F

LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

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THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Local Government Commission (the "*Commission*") is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. All general obligation issues are customarily sold on the basis of formal sealed bids submitted at the Commission's offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems and practices. The Commission's staff also counsels the units of local government in treasury and cash management, budget preparation and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission in order to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may

take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors in order to assist the unit in working out a plan for refinancing, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue with respect to a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed in accordance with such plan.

APPENDIX G
BOOK-ENTRY SYSTEM

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The Depository Trust Company
a subsidiary of The Depository Trust & Clearing Corporation

1. The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the 2011 Fixed Rate Bonds (the "*2011 Fixed Rate Bonds*"). The 2011 Fixed Rate 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 certificate will be issued for the 2011 Fixed Rate Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2011 FIXED RATE BONDS, AS DTC'S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2011 FIXED RATE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2011 FIXED RATE BONDS.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset serving for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of the 2011 Fixed Rate Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of 2011 Fixed Rate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Fixed Rate Bonds on DTC's records. The ownership interest of each actual purchaser of the 2011 Fixed Rate Bonds ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Fixed Rate Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2011 Fixed Rate Bonds, except in the event that use of the book-entry system for the 2011 Fixed Rate Bonds is discontinued.

4. To facilitate subsequent transfers, all 2011 Fixed Rate 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 2011 Fixed Rate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Fixed Rate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Fixed Rate Bonds are credited, which may or may not be the Beneficial Owners. The

Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2011 Fixed Rate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Fixed Rate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2011 Fixed Rate Bonds may wish to ascertain that the nominee holding the 2011 Fixed Rate Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2011 Fixed Rate Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2011 Fixed Rate Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2011 Fixed Rate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2011 FIXED RATE BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE TRUST AGREEMENT, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE COMMISSION, TO THE CITY, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2011 FIXED RATE BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

8. Redemption proceeds, distributions, and dividend payments on the 2011 Fixed Rate 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 Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the City or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE COMMISSION AND THE CITY CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

9. A Beneficial Owner shall give notice to elect to have its 2011 Fixed Rate Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such 2011 Fixed Rate Bonds by causing the Direct Participant to transfer the Participant's interest in the 2011

Fixed Rate Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2011 Fixed Rate Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2011 Fixed Rate Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2011 Fixed Rate Bonds to the Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the 2011 Fixed Rate Bonds at any time by giving reasonable notice to the Commission, the City and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2011 Fixed Rate Bond certificates are required to be printed and delivered.

11. The Commission or the City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor 2008A securities depository). In that event, 2011 Fixed Rate Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the City believe to be reliable, but the Commission and the City take no responsibility for the accuracy thereof.

THE COMMISSION, THE CITY AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2011 FIXED RATE BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TRUST AGREEMENT TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL PREPAYMENT OF THE 2011 FIXED RATE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2011 FIXED RATE BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

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