NEW ISSUES: FULL BOOK ENTRY **RATINGS: "A2" Moody's**
"A+" Fitch

Subject to compliance by the County and others with certain covenants, in the opinion of Chapman and Cutler LLP and Emile Banks & Associates, LLC, Co-Bond Counsel, under present law, interest on the 2013 Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, except for interest on any 2013 Bond for any period during which such 2013 Bond is owned by a person who is a substantial user of the Bond Project or any person considered to be related to such person (within the meaning of Section 147(a) of the Code), but such interest ***is included*** *as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. The interest on the 2013 Bonds is not exempt from present Wisconsin income or franchise taxes. See "TAX EXEMPTION" herein for a more complete discussion. The 2013 Bonds will not be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.*

$50,425,000
MILWAUKEE COUNTY, WISCONSIN

$47,095,000
AIRPORT REVENUE BONDS, SERIES 2013A (AMT)

$3,330,000
AIRPORT REVENUE REFUNDING BONDS, SERIES 2013B (AMT)

Dated: Date of Delivery **Principal Due: December 1, as shown on inside cover page**

The Airport Revenue Bonds, Series 2013A (AMT) (the "Series 2013A Bonds") and the Airport Revenue Refunding Bonds, Series 2013B (AMT) (the "Series 2013B Bonds") (collectively referred to as the "2013 Bonds") bear interest at the interest rates specified on the inside cover page of this Official Statement, payable semi-annually on June 1 and December 1, commencing December 1, 2013. The Series 2013A Bonds are subject to optional and mandatory redemption, as more fully described herein.

The 2013 Bonds will be special, limited obligations of Milwaukee County (the "County"), payable solely from net revenues derived from the ownership and operation by the County of General Mitchell International Airport and Lawrence J. Timmerman Airport (the "Airport System") on a parity with the County's other Airport Revenue Bonds, collectively referred to as the Outstanding Bonds, and any additional airport revenue bonds which may hereafter be issued by the County, as provided in the General Bond Resolution, as defined herein.

The 2013 Bonds will not be a general obligation of the County, nor will the County be obligated to levy any taxes in connection with the 2013 Bonds.

The 2013 Bonds will be issued as fully registered obligations and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the 2013 Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the 2013 Bonds as described herein.

The 2013 Bonds may not be suitable for all investors. Prospective purchasers of the 2013 Bonds should read this entire Official Statement including information under the section "INVESTMENT CONSIDERATIONS," and the appendices hereto.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS *NOT* A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The County's Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2012 was finalized after the Preliminary Official Statement was published, but prior to the publishing of this final Official Statement. This final Official Statement incorporates information from the County's December 31, 2012 CAFR.

The 2013 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of certain legal matters relating to issuance of the 2013 Bonds by Chapman and Cutler LLP and Emile Banks & Associates, LLC, Co-Bond Counsel. Certain legal matters will be passed upon for the County by the Milwaukee County Corporation Counsel Office and for the Underwriters by Gonzalez Saggio & Harlan LLP. It is expected that the 2013 Bonds in book-entry form will be available for delivery through DTC, on or about August 14, 2013.

BofA Merrill Lynch **Siebert Brandford Shank & Co., L.L.C.**

The date of this final Official Statement is August 1, 2013.

MATURITY SCHEDULES

$47,095,000
Airport Revenue Bonds, Series 2013A (AMT)

Maturity (December 1)	Principal Amount	Rate	Yield	CUSIP*
2015	$ 1,045,000	5.000%	1.170%	602248HF6
2016	1,095,000	5.000%	1.610%	602248HG4
2017	1,150,000	5.000%	2.000%	602248HH2
2018	1,210,000	5.000%	2.360%	602248HJ8
2019	1,270,000	5.000%	2.730%	602248HK5
2020	1,330,000	5.000%	3.120%	602248HL3
2021	1,400,000	5.000%	3.470%	602248HM1
2022	1,470,000	5.000%	3.720%	602248HN9
2023	1,540,000	5.250%	3.870%	602248HP4
2024	1,625,000	5.250%	4.090%	602248HQ2
2025	1,710,000	5.250%	4.320%	602248HR0
2026	1,795,000	5.250%	4.480%	602248HS8
2027	1,890,000	5.250%	4.630%	602248HT6
2028	1,990,000	5.250%	4.770%	602248HU3
2029	2,095,000	5.250%	4.890%	602248HV1
2030	2,205,000	5.000%	5.000%	602248HW9
2031	2,315,000	5.250%	5.040%	602248HX7
2032	2,435,000	5.250%	5.110%	602248HY5
2033	2,565,000	5.000%	5.170%	602248HZ2

$14,960,000 Term Bond due December 1, 2038 - Rate 5.250% - Yield 5.350% - CUSIP No. 602248JA5

$3,330,000
Airport Revenue Refunding Bonds, Series 2013B (AMT)

Maturity (December 1)	Principal Amount	Rate	Yield	CUSIP*
2014	$ 390,000	4.000%	0.850%	602248JB3
2015	390,000	4.000%	1.170%	602248JC1
2016	385,000	4.000%	1.600%	602248JD9
2017	385,000	4.000%	2.000%	602248JE7
2018	380,000	2.250%	2.360%	602248JF4
2019	365,000	2.500%	2.730%	602248JG2
2020	355,000	3.000%	3.120%	602248JH0
2021	345,000	3.375%	3.470%	602248JJ6
2022	335,000	3.625%	3.720%	602248JK3

* The CUSIP numbers referenced above have been assigned by an organization that is not affiliated with the County or the Underwriters and are included in this Official Statement solely for the convenience of Bondholders and potential Bondholders.

This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. No dealer, broker, salesman or other person has been authorized by the County, the Financial Advisor or the Underwriters to give any information or make any representations other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not to be construed as a representation by the Financial Advisor or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date thereof (or since the date of any information included herein that is dated other than the date hereof).

This Official Statement is not to be construed as a contract with the purchaser of the 2013 Bonds. Statements contained in this Official Statement involving estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such, and are not to be construed as representations of fact. This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE 2013 BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE 2013 BONDS ARE RELEASED FOR SALE, AND THE 2013 BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE 2013 BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE 2013 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 BONDS AT A LEVEL ABOVE THE LEVEL THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN REVIEW OF THE TERMS OF THE 2013 BONDS AND THE OFFERING THEREOF, AND 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 OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

MILWAUKEE COUNTY, WISCONSIN

$47,095,000
AIRPORT REVENUE BONDS, SERIES 2013A (AMT)

$3,330,000
AIRPORT REVENUE REFUNDING BONDS, SERIES 2013B (AMT)

INTRODUCTION

This Official Statement is furnished to provide information regarding the $47,095,000 Airport Revenue Bonds, Series 2013A (AMT) (the "Series 2013A Bonds") and the $3,330,000 Airport Revenue Refunding Bonds, Series 2013B (AMT) (the "Series 2013B Bonds") of Milwaukee County, Wisconsin (the "County"). The Series 2013A Bonds and Series 2013B Bonds (collectively, the "2013 Bonds") are issued pursuant to the Constitution and laws of the State of Wisconsin, including Section 66.0621 of the Wisconsin Statutes, and resolutions adopted by the County Board of Supervisors of the County.

The County owns and operates General Mitchell International Airport (the "Airport") and Lawrence J. Timmerman Airport ("Timmerman Airport"), which together comprise the Milwaukee County Airport System (the "Airport System"). The Airport System is a division within the County's Department of Transportation and Public Works, and is accounted for as an enterprise fund in the County's financial statements. See APPENDIX B "AIRPORT SYSTEM FINANCIAL INFORMATION."

The Airport, a medium hub airport, is Wisconsin's largest and busiest airport located on approximately 2,331 acres approximately six miles south of downtown Milwaukee. The airfield at the Airport contains two air carrier runways and three other runways. The terminal complex consists of a main terminal building and three concourses with 48 gates. The Airport also contains a six-level parking structure for automobile parking and rental car operations. See "THE AIRPORT SYSTEM" for a description of the Airport System's facilities, governance and operating results.

According to FAA Air Carrier Activity Information System ("ACAIS") and Bureau of Transportation Statistics T-100 Data, the Airport was ranked 47th in the U.S. in terms of total passengers accommodated in 2012. Total passenger traffic at the Airport grew steadily during the period from 2002 through 2010, as evidenced by an average annual growth rate in enplanements of 5.0 percent during this period. However, year-over-year enplanements decreased in 2011 (-3.4 percent) and again in 2012 (-20.6 percent), and are expected to decrease further in 2013. The largest contributing factor to the recent three-year decline in enplanements is that in September 2010, Frontier Airlines ("Frontier") began to reduce its service and discontinue its hubbing activity at the Airport and these reductions have continued through 2013. The other airlines have not expanded their service to replace Frontier's service.

The County has entered into a series of similar airline-airport use and lease agreements (the "AUA") with 20 airlines (the "Signatory Airlines") providing the terms and conditions upon which the Signatory Airlines use the Airport. The AUA expires December 31, 2015, but a five-year extension can be obtained by mutual agreement and acceptance of another five-year capital improvement program to December 31, 2020. See "AIRLINE-AIRPORT USE AND LEASE AGREEMENT" for a more detailed description of the AUA.

The Series 2013A Bonds are being issued to finance general capital improvements (the "Bond Projects") at the Airport as described in "PLAN OF FINANCE" herein. The Series 2013B Bonds are being issued to refund certain outstanding general airport revenue bonds of the County, which were issued to finance improvements to the Airport System as described in "PLAN OF FINANCE" herein. Unison-Consulting, Inc., the Airport System's airport consultant ("Unison" or the "Airport Consultant") has evaluated the financial feasibility of the issuance of the 2013 Bonds. A copy of the Airport Consultant's report (the "Financial Feasibility Report") appears as APPENDIX A hereto and should be read in its entirety.

The 2013 Bonds are being issued pursuant to the General Bond Resolution adopted by the County Board of Supervisors on June 22, 2000, which established an airport revenue bond program (the "General Bond Resolution"), and supplemental resolutions adopted by the County Board of Supervisors on February 7, 2013 (the "2013 Supplemental Resolutions" and together with the General Bond Resolution, the "Bond Resolutions").

Capitalized terms used herein, which are not defined herein, have the meanings given them in "APPENDIX C – Summary of Certain Provisions of Resolution – Definitions of Certain Terms."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The information contained in this introduction is qualified by reference to this entire Official Statement (including the cover page, the inside cover page, the preliminary pages and the appendices). This introduction is only a brief description and a full review should be made of this entire Official Statement (including the appendices), as well as the documents summarized or described in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement are qualified in their entirety by reference to the full text of each such document, statute or instrument.

DESCRIPTION OF THE 2013 BONDS

General

The 2013 Bonds shall be dated the date of delivery, and shall bear interest at the rates and shall mature on the dates as set forth on the inside cover page of this Official Statement. Interest on the 2013 Bonds is to be computed on the basis of a 360-day year of twelve 30-day months. The payment of interest on the 2013 Bonds shall be made on December 1, 2013 and on each June 1 and December 1 thereafter until maturity or prior redemption (each an "Interest Payment Date"), by check or draft of the Trustee in lawful money of the United States of America to the owners listed on the bond register as of the close of business on the fifteenth day of the calendar month next preceding each such Interest Payment Date. The principal of the 2013 Bonds shall be made in lawful money of the United States of America only upon presentation at the principal corporate trust office of the Trustee.

The Series 2013A Bonds are subject to optional and mandatory redemption, as more fully described under the captions "DESCRIPTION OF THE 2013 BONDS - Optional Redemption" and "DESCRIPTION OF THE 2013 BONDS - Mandatory Redemption," herein.

The 2013 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, New York, New York. DTC will act as securities depository of the 2013 Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2013 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest payments to its participants, for subsequent disbursement to the beneficial owners of the 2013 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) So long as Cede & Co. is the registered owner of the 2013 Bonds as nominee, references herein to the bondholders, owners or registered owners of the 2013 Bonds shall mean Cede & Co., as aforesaid and shall not mean the beneficial owners of the 2013 Bonds.

Optional Redemption

Series 2013A Bonds: The Series 2013A Bonds maturing on or after December 1, 2024 are subject to redemption prior to maturity at the option of the County in whole or in part on December 1, 2023, and on any date thereafter, at a redemption price equal to 100 percent of the principal amount of the Series 2013A Bonds to be redeemed plus accrued interest to the date fixed for redemption. The amounts and maturities of the Series 2013A Bonds to be redeemed shall be selected by the County. If less than the entire principal amount of any maturity is to be redeemed, the Series 2013A Bonds of that maturity to be redeemed shall be selected by lot.

Series 2013B Bonds: The Series 2013B Bonds are not subject to redemption prior to maturity at the option of the County.

Mandatory Redemption

Series 2013A Bonds: The Series 2013A Bonds maturing on December 1, 2038 (the "Series 2013A Term Bonds") are subject to mandatory sinking fund redemption in part by lot on December 1 of each of the years and in the principal amounts shown in the table below, at a redemption price equal to 100 percent of the principal amount of such Series 2013A Bonds so to be redeemed plus accrued interest to the date fixed for redemption.

Term Bonds Maturing on December 1, 2038

Redemption Date December 1	Principal Amount of Redemption
2034	$ 2,695,000
2035	2,835,000
2036	2,985,000
2037	3,140,000
2038*	3,305,000

* Stated Maturity

Upon any redemption of Series 2013A Term Bonds (other than as part of the mandatory sinking fund redemption requirement set forth above) or purchase in lieu thereof, the principal amount of the respective Series 2013A Term Bonds so redeemed or purchased shall be credited against the mandatory sinking fund redemption installments established for the respective Series 2013A Term Bonds so redeemed or purchased in such manner as the County shall direct.

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Notice and Manner of Redemptions

Notice of redemption is to be given by registered or certified mail, overnight express delivery, facsimile or electronic transmission at least 30 days prior to the date fixed for redemption to each registered owner of a 2013 Bond called for redemption at the address shown on the registration books of the County. Failure to give such notice to a particular bondholder or any defect in such notice shall not affect the sufficiency of the proceedings for the redemption of other 2013 Bonds.

Transfer, Registration and Exchange of Bonds

The 2013 Bonds are issued in fully registered form and are initially to be registered in the name of Cede & Co., as nominee for DTC, as securities depository for the 2013 Bonds. Purchases by beneficial owners of the 2013 Bonds are to be made in book entry form in the principal amount of $5,000 or any integral multiple thereof. Payment to and transfers by beneficial owners are to be made as described below under "BOOK-ENTRY-ONLY SYSTEM."

If the 2013 Bonds are no longer held in book-entry-only form, the 2013 Bonds will be transferable at the principal corporate trust office of the Trustee by the registered owner in person or by the owner's attorney duly authorized in writing, upon surrender of the 2013 Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or its duly authorized attorney, and thereupon the County shall issue in the name of the transferee a new registered 2013 Bond or 2013 Bonds of the same aggregate principal amount and series, interest rate and maturity as the surrendered 2013 Bond. The 2013 Bonds may also be exchanged, alone or with other 2013 Bonds of the same series, interest rate and maturity, at the principal office of the Trustee, for a new 2013 Bond or 2013 Bonds of the same aggregate principal amount, series, interest rate and maturity, without transfer to a new registered owner.

Transfers, registrations and exchanges of the 2013 Bonds shall be without expense to the owner, except that any taxes or other governmental charges required to be paid with respect to the same shall be paid by the owner requesting the transfer, registration or exchange as a condition precedent to the exercise of the privilege; and no transfers, registrations and exchanges shall be required to be made during the 15 days next preceding an interest payment date for the 2013 Bonds, nor during the 45 days next preceding the date fixed for redemption of the 2013 Bonds.

SECURITY FOR THE 2013 BONDS

Pledge of Revenues

The 2013 Bonds are special obligations of the County, and are being issued on a parity with the County's currently outstanding bonds (the "Outstanding Bonds") listed below and any additional airport revenue bonds, which may hereafter be issued by the County, as provided in the General Bond Resolution:

- Airport Revenue Bonds, Series 2003A [1] (the "Series 2003A");
- Airport Revenue Bonds, Series 2004A (the "Series 2004A");
- Airport Revenue Bonds, Series 2005A (the "Series 2005A");
- Airport Revenue Refunding Bonds, Series 2005B (the "Series 2005B");
- Airport Revenue Bonds, Series 2006A (the "Series 2006A");
- Airport Revenue Refunding Bonds, Series 2006B (the "Series 2006B");
- Airport Revenue Bonds, Series 2007A (the "Series 2007A");
- Airport Revenue Bonds, Series 2009A (the "Series 2009A");
- Airport Revenue Refunding Bonds, Series 2009B (the "Series 2009B");
- Airport Revenue Bonds, Series 2010A (the "Series 2010A");
- Airport Revenue Refunding Bonds, Series 2010B (the "Series 2010B").

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[1] The 2013-2022 maturities of the Series 2003A are being refunded by the Series 2013B Bonds.

The principal of and premium, if any, and interest on the 2013 Bonds are payable solely from, and are secured equally and ratably by a pledge of the Net Revenues derived from the Airport System. For the definition of Net Revenues, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION – Definition of Certain Terms." Under the 2013 Supplemental Resolutions, Passenger Facility Charge revenues ("PFC Revenues") are pledged to the payment of the principal of and interest on the Series 2013A Bonds to the extent that the projects financed by the Series 2013A Bonds are approved for funding with PFC Revenues. In accordance with the related Bond Resolution, such PFC Revenues will be deposited in a special account in the Revenue Fund. It is currently expected that approximately 24.5 percent of the project costs being funded by the Series 2013A Bonds will be eligible for funding by PFC Revenues. See "SOURCES OF REVENUES OF THE AIRPORT SYSTEM – Passenger Facility Charges" for information regarding PFC Revenues. PFC Revenues are not pledged to the payment of the principal of and interest on the Series 2013B Bonds.

Revenues of the Airport System

The Airport accounts for approximately 99 percent of the revenues of the Airport System. The revenues of the Airport System are derived from rentals, fees and charges paid by users of the Airport System. In the AUA, the Signatory Airlines pay for their usage of the Airport based on a series of formulae designed to allow the County to recover its cost of providing facilities and services for the Airport System. The costs are apportioned among the Signatory Airlines based on usage. See "AIRPORT SYSTEM REVENUES" and APPENDIX F for a more detailed description of the AUA, and the cost recovery formulae.

Through a ballot process under the AUA, the Signatory Airlines have approved the Bond Projects and have agreed to funding of the Bond Projects through general airport revenue bonds ("GARBs") and the inclusion in rates and charges under the Airline Leases of additional amounts necessary to meet the requirements of a GARB financing, including the funding and replenishment of the funds and accounts provided for under the Bond Resolutions. The Airport has approval to include in the rates charged to the Signatory Airlines any amounts necessary to pay the principal of and interest on the 2013 Bonds as a Debt Service Expense under the AUA. In addition, Airport System Management intends to pay a certain portion of these costs from PFC Revenues to the extent that the Bond Projects are approved for funding with PFC Revenues. It is anticipated that approximately $11.0 million of the $45.1 million in Bond Project costs funded with the Series 2013A Bonds will be PFC eligible; therefore, PFC Revenues will be pledged to pay a portion of the debt service of the Series 2013A Bonds. See "AIRPORT SYSTEM REVENUES – PFC Pledged Revenues" for additional information regarding PFC Revenues.

Rate Covenant

The County has covenanted in the Bond Resolutions to establish and impose such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and to revise the same from time to time when necessary, and collect the income, rents, receipts and other moneys derived therefrom, so that in each fiscal year the revenues will be at all times at least sufficient to provide for the payment of all amounts necessary to make the required deposits in such fiscal year under the Bond Resolutions.

The Bond Resolutions contain a covenant (the "Rate Covenant") requiring the County to establish and collect such rates, rentals, fees and charges sufficient so that in each fiscal year the Net Revenues, together with Other Available Funds (defined as the amount of unencumbered funds on deposit or anticipated to be on deposit on the first day of the fiscal year in the Coverage Fund and the Surplus Fund in an amount up to 25 percent of debt service in the fiscal year), will be at least equal to 125 percent of debt service on all Outstanding Bonds including, without duplication, any repayment or other obligations incurred by the County in respect of draws or other payments or disbursements made under a credit facility, but only if such obligations have a lien on revenues on the same priority as the lien thereof. PFC Revenues are treated as revenues under the Rate Covenant only to the extent they are specifically designated as revenues in the Bond Resolutions authorizing the bonds. PFC Revenues are not included in the revenues pledged to Series 2003A, Series 2009B, Series 2010B, and Series 2013B Bonds, but are included in the revenues pledged to Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, Series 2010A, and Series 2013A Bonds as described under "SECURITY FOR THE 2013 BONDS - Revenues of the Airport System" above and "SOURCES OF REVENUES OF THE AIRPORT SYSTEM – Passenger Facility Charges."

Failure to comply with the Rate Covenant does not constitute a default by the County under the Bond Resolutions if (i) the County promptly (a) causes an airport consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements described above; (b) considers the recommendations of such airport consultant; and (c) takes such action as the County, in its discretion, deems necessary to comply with the Rate Covenant, and (ii) in the following fiscal year, Net Revenues, together with Other Available Funds, are at least sufficient to meet the Rate Covenant.

Reserve Account

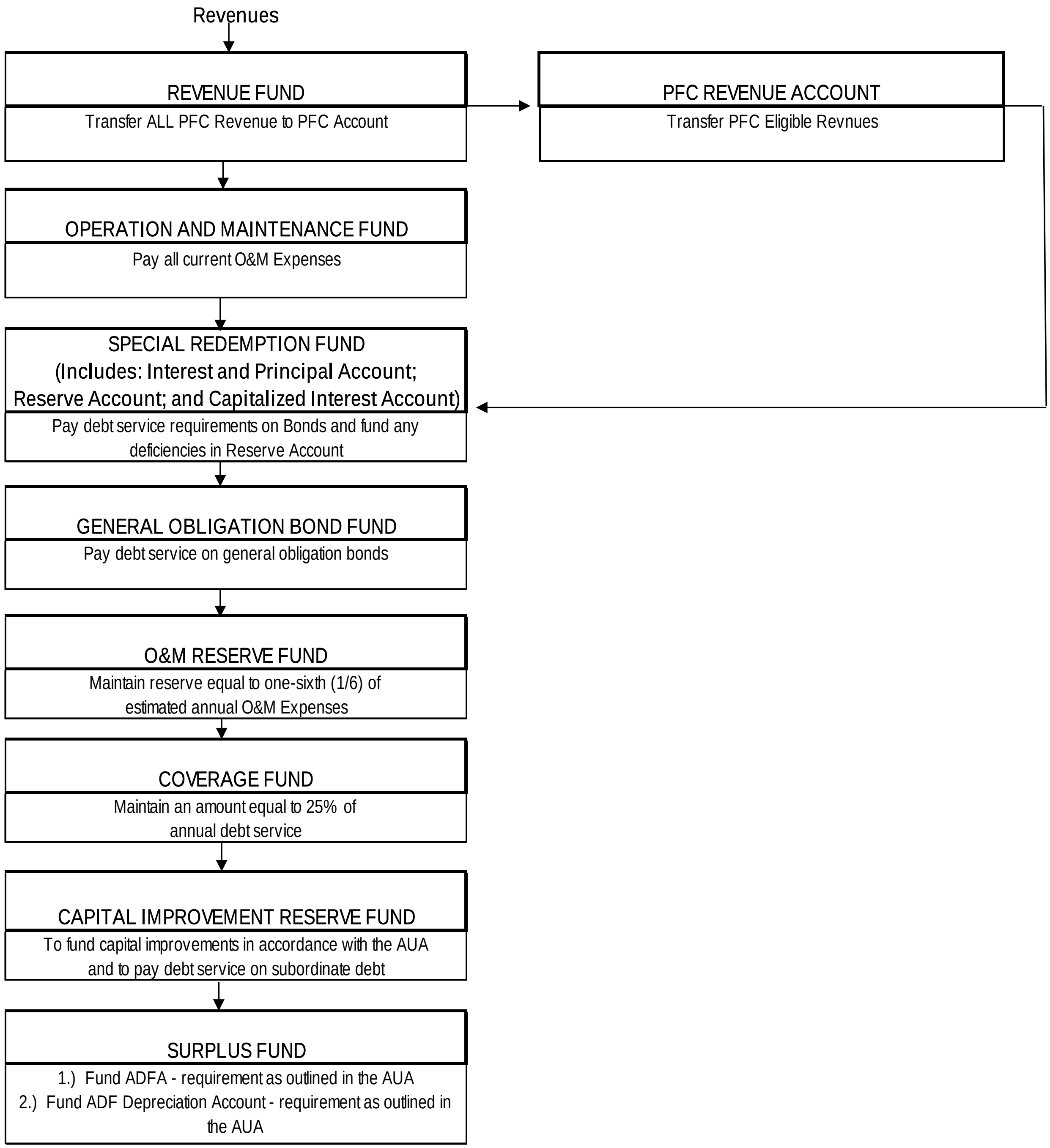
Under the Bond Resolutions, the County has established a Reserve Account into which is deposited and maintained the reserve requirement, an amount equal to the least of (i) maximum annual debt service on the 2013 Bonds and Outstanding Bonds during the then-current or any future fiscal year, (ii) 125 percent of the average annual debt service on the 2013 Bonds and Outstanding Bonds, or (iii) 10 percent of the principal amount (as defined in the Bond Resolutions) of all 2013 Bonds and Outstanding Bonds upon original issuance thereof, but shall not in any event exceed the maximum amount permitted to be on deposit in the Reserve Account pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations issued thereunder. The moneys on deposit in the Reserve Account shall be used and applied to pay principal or mandatory sinking fund installments and interest on the 2013 Bonds and Outstanding Bonds due and owing when a deficiency exists in the amounts on deposit for such purpose in the Interest and Principal Account of the Special Redemption Fund. Investments in the Reserve Account are valued at the market value thereof unless the Trustee determines that a lower valuation is necessary by reason of uncertainty of payment thereof or anticipated loss thereon prior to maturity. Reserve Account monies shall also be transferred to the Interest and Principal Account on the first day of any fiscal year to the extent that principal to come due on the 2013 Bonds and Outstanding Bonds in that fiscal year exceeds the amount of depreciation to be charged to the Signatory Airlines in that fiscal year. The monies so drawn from the Reserve Account shall be replenished from rates and charges imposed under the Airline Leases in that fiscal year.

In lieu of the deposit of moneys in the Reserve Account, the County, at any time, may cause to be credited to the Reserve Account a letter or line of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security and/or liquidity in respect of the 2013 Bonds and Outstanding Bonds (a "Credit Facility") for the benefit of the bondholders equal to the difference between the Reserve Requirement and all other amounts then on deposit in the Reserve Account. The Credit Facility shall be payable on any date on which moneys will be required to be withdrawn from the Reserve Account and applied to the payment of the principal of or interest on any bonds of such series when such withdrawals cannot be made by amounts credited to the Reserve Account. The Reserve Account is funded fully with cash at this time.

Flow of Funds

The County will set aside and deposit all Revenues, including PFC Revenues, into the Airport Revenue Fund established by the Bond Resolutions and apply all monies on deposit therein at such times and in accordance with the priorities established in the Bond Resolutions. The County Treasurer may accumulate Revenues as received from time to time and shall cause the transfer of such accumulated Revenues to the funds and accounts established under the Bond Resolutions on a periodic basis. The Special Redemption Fund will be held by the Trustee pursuant to the General Bond Resolution. Only PFC Revenues specifically designated for the payment of debt service pursuant to a supplemental resolution (and only PFC Revenues which are so pledged) shall be deposited into the Special Redemption Fund. All other funds and accounts will be held by the County. The funds and accounts established by the Bond Resolutions and their priority of payment are set forth in the following table. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION – Definitions of Certain Terms" for a definition of Revenues.

MILWAUKEE COUNTY AIRPORT SYSTEM
FLOW OF FUNDS PER GENERAL RESOLUTION



The Bond Resolutions provide that, except as otherwise provided therein, all income from the investment of any fund or account established under the Bond Resolutions (including net profit from the sale of any investment) shall be retained in that fund or account until such fund or account is fully funded in accordance with the terms of the Bond Resolutions, and, thereafter, shall be treated as Revenues and deposited in the Revenue Fund, except that all income from the investment of the Reserve Account, when the Reserve Requirement is on deposit therein, shall be transferred to the Interest and Principal Account and used for the purposes thereof. For the period until the date of substantial completion of a project financed by bonds (or until the project is discontinued) income accruing from investment of the proceeds of bonds issued to finance or refinance the project which have been deposited in the Capitalized Interest Account, the Construction Fund or the Reserve Account, including income on the income, shall when received be deposited in the Construction Fund, or, if so directed by the County, in the Interest and Principal Account, or as otherwise provided by the supplemental resolution under which the bonds are issued for the project. Any loss from investment of a fund or account shall be charged to the fund or account but, unless otherwise made up, shall be set off against income from investment of the fund or account, which would otherwise be deposited in another fund, or account. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION - Creation of Funds; Flow of Funds."

Additional Bonds

The Bond Resolutions permit the issuance of one or more additional series of bonds on a parity with the 2013 Bonds and any other Outstanding Bonds ("Additional Bonds") upon certain conditions. Any such series of Additional Bonds may be issued only upon the filing of the following with the Trustee:

(1) (a) A certificate of the County that to the best of the knowledge and belief of the authorized officer executing the certificate, no event of default exists and, (b) a certificate of the Trustee that there is no event of default of which it has actual knowledge;

(2) A certificate of the County, executed on its behalf by an authorized officer, setting forth (a) the Net Revenues for the last audited fiscal year and (b) the maximum debt service (including, without duplication, related Credit Facility Obligations) on all Outstanding Bonds and the bonds to be issued in any fiscal year; and demonstrating that such Net Revenues, together with Other Available Funds, equal an amount not less than 125 percent of such debt service (including, without duplication, related Credit Facility Obligations); or, alternatively, a certificate prepared and signed by an airport consultant, setting forth for each of the three fiscal years commencing with the fiscal year following that in which the projects financed by such Additional Bonds are estimated to be completed, the projected Net Revenues, the projected Other Available Funds, and the maximum debt service on all Outstanding Bonds and the Additional Bonds to be issued in any fiscal year; and demonstrating that for each such fiscal year the projected Net Revenues, together with the projected Other Available Funds, will be in an amount not less than 125 percent of such debt service (including, without duplication, related Credit Facility Obligations);

(3) A certified copy of the supplemental resolution providing for the issuance of the Additional Bonds; and

(4) An opinion of bond counsel that the conditions precedent to the issuance of the Additional Bonds have been satisfied.

The certificates required by subparagraph (2) above shall not be required in connection with the issuance of Additional Bonds to pay costs of completing a project for which bonds have been previously issued; provided that the principal amount of such Additional Bonds issued under this paragraph shall not exceed 15 percent of the original principal amount of the bonds previously issued for such project; and provided further that Additional Bonds shall not be issued under this paragraph unless there has been filed with the Trustee a certificate of the consulting engineer (i) stating that the project has not materially changed from its description in the supplemental resolution authorizing the bonds initially issued to pay the project costs of the project, (ii) estimating the revised aggregate project costs of the project, (iii) stating that the revised aggregate project costs of such project cannot be paid in full with moneys available for such project in the Construction Fund, and (iv) stating that the issuance of the Additional Bonds is necessary to provide funds for the completion of the project.

The certificates required by subparagraph (2) above shall not be required in connection with the issuance of bonds to refund bonds, provided that the average annual debt service on the refunding bonds shall not be greater than the average annual debt service on the bonds being refunded, but such certificates shall be required in the case of bonds issued to refund obligations other than bonds (including the issuance of bonds to retire notes issued in anticipation of bonds) as if the bonds were being issued for the projects financed by the refunded obligations.

Issuance of Subordinate Securities and Special Facility Bonds

The Bond Resolutions provide that the County may issue subordinate lien securities for the purpose of the Airport System payable from the revenues deposited in the Capital Improvement Reserve Fund. The Bond Resolutions also include provisions under which the County may issue Special Facility Bonds for the purpose of constructing a special facility at the Airport. A special facility is any facility, structure, equipment or other property, real or personal, which is at the Airport System or a part of any facility or structure at the Airport System and which is designated as a special facility by a supplemental resolution. Such supplemental resolution shall provide that revenues earned by the County from or with respect to such special facility shall constitute Special Facility Revenues and shall not be included as Revenues. Any such Special Facility Bonds are required to be payable solely from Special Facility Revenues and will not be a charge or claim against the Revenue Fund or any other fund or account designated in the Bond Resolutions. For a summary of the conditions for the issuance of Special Facility Bonds, see “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION – Issuance of Subordinate Securities and Special Facility Bonds.”

PLAN OF FINANCE

Authorization

The County Board of Supervisors adopted the 2013 Supplemental Resolutions authorizing the issuance of the Series 2013A Bonds and Series 2013B Bonds, on February 7, 2013. The 2013 Bonds are being issued on a parity with the Outstanding Bonds.

Purpose of the Series 2013A Bonds

The projects to be funded in whole or in part with the proceeds of the Series 2013A Bonds consist of the capital improvements described below.

1. **Baggage Claim Area Expansion - Construction –** This project will expand and renovate the existing baggage claim area capacity by approximately 1,600 square feet, which includes the heating, ventilation and air conditioning system. This project will also include the construction of a new roof, new lighting for the interior building and exterior roadway, new baggage conveyers and carrousels, other sidewalk improvements and replacement of the existing canopy to cover walkways and part of the road. Completion of this project will provide increased baggage claim capacity as well as improved efficiency through the replacement of existing carrousels with wider and faster baggage claim systems to support the increased number of gates at the Airport and future enplanement demand.

   This project is eligible for PFC financing and it was included in the Airport’s most recent application (“PFC-17”) to the Federal Aviation Administration (the “FAA”) for partial funding, the approval of which was received on June 13, 2013. A portion of the project costs will be financed with the Series 2013A Bonds and the associated debt service cost is expected to be paid through airline rates and charges and PFC Revenues.

2. **In-Line Baggage Security – Construction Phase 2 –** This project constructs an elevated structure on the north side of the ticketing area to maintain the Electronic Detection System (“EDS”) machines. The completion of this project will address the Transportation Security Administration (“TSA”) mandate to ensure all checked bags are screened by the operation of equipment within the ticketing lobby. Currently, the screening operation results in substantial congestion in the unsecured area of the lobby. This project is

designed to alleviate that congestion and create better integration into the ticketing and bag check process for the benefit of the TSA and airlines' operations.

This project is eligible for PFC financing and it was approved in the Airport's PFC-16 application to the FAA. The Airport has received significant TSA funds to assist with project costs. The County's share of project costs will be financed with a portion of the Series 2013A Bonds and the associated debt service cost is expected to be paid through PFC Revenues.

3. **Redundant Main Electrical Service Feed – Construction** – This project will construct a new substation at the southwest corner of the parking structure that will house two transformers to supply additional capacity than provided by transformers at the existing substation. This will include construction of additional bays, relocation of the existing service at the Howell Ave. station, installation of new duct banks and feed lines from the new substation to the terminal switchgear. The completion of this project will address the increase in electrical demand that has grown significantly over the past 10 years (from 4,203 KVA to 6,027 KVA) resulting from terminal expansion and the installation of additional equipment.

   This project is eligible for PFC financing and it was included in the Airport's PFC-17 application to the FAA, the approval of which was received on June 13, 2013. The project costs will be financed with a portion of the Series 2013A Bonds and the associated debt service cost is expected to be paid through airline rates and charges and PFC Revenues.

4. **Training Center – Design & Construction –** This project consists of the relocation of airport security, operations and safety and security training facilities to under-utilized space on the ground floor of the Administration Building. This space will provide adequate facilities to meet the FAA and TSA increased requirements for enhanced airfield driving and security training for all personnel requiring access to the airfield and other secured areas of the Airport. The construction will also include the addition of an elevator or ramp for ADA access between the ground level space to the Administration Building 2nd level and Concourse C Connector.

   This project is not eligible for PFC financing. The project will be financed with a portion of the proceeds of the Series 2013A Bonds and the associated debt service cost will be paid through airline rates and charges.

5. **Parking Structure Repairs** – This project was the result of a parking structure inspection initiated in 2011, which resulted in a Structural Evaluation Report (the "Evaluation Report") published in December 2011 identifying annual and capital maintenance repairs that will be necessary over the next 20 years. The Evaluation Report identified various structural repairs needed including approximately 2,000 linear feet of expansion joint replacement, water infiltration correction and repair, repainting of rusted framing members in the west tower stairs, replacement of approximately 75 stair tower cracked windows and rusted frames, replacement of approximately 10,000 linear feet of concrete sealant, and various other repairs.

   This project is not eligible for PFC financing. The project will be financed with a portion of the proceeds of the Series 2013A Bonds and the associated debt service cost will be paid through airline rates and charges.

6. **Purchase and Installation of Narrow Band Radio System –** This project replaces the Airport's current VHF based system with an industry-standard narrowband compliant system, which is in accordance with 47 CFR 90.209. The current system is a narrowband compliant 800 MHz Motorola communication system that can function on the Airport's current communication platform. The system consists of: three dispatch consoles which include an equal number of consolettes and desks, 20 control base units, 157 mobile (vehicle based) units, and 221 portable (handheld) units, including the accessories and installation materials. Completion of this project will allow more effective communication throughout the Airport System and complements the National Telecommunications and Information Administration mandate for more rapid federal agency migration to narrowband operation, which became effective January 1, 2008.

   This project is not eligible for PFC financing. The project will be financed with a portion the Series 2013A Bonds and the associated debt service cost will be paid through airline rates and charges.

The following table summarizes the projects to be funded by the Series 2013A Bonds.

Project Description	Amount Funded	PFC Eligible
Baggage Claim Area Expansion - Construction	$ 28,708,000	Yes
In-line Baggage Security - Construction Phase 2	3,789,000	Yes
Redundant Main Electrical Service Feed - Construction	7,405,000	Yes
Training Center - Design & Construction	2,415,000	No
Parking Structure Repairs	959,000	No
Purchase and Installation of Narrow Band Radio System	1,775,500	No
Project Fund Deposit	$ 45,051,500	

Project Approval

The AUA provides for an Airline Airport Affairs Committee ("AAAC") comprised of representatives of each of the Signatory Airlines. Under the AUA, the Signatory Airlines consent to the Airport System's Five-Year Capital Improvement Plan ("Five-Year CIP") for the years 2011 through 2015 as a condition of entering into the AUA. If additional projects are proposed to be added to the Five-Year CIP that would exceed the negotiated cap amount that the Signatory Airlines and Airport have agreed to in the AUA for the years 2011 through 2015, then the projects must be submitted to the AAAC for approval.

When submitting capital improvement projects to the AAAC for approval, the Airport is required to submit a report, which includes an estimate of the construction and operating costs of the project, a description of the work proposed, its benefits and funding source. Under the AUA, projects having an impact on Airport rates and charges must be approved by 51 percent of the Signatory Airlines, which collectively pay more than 51 percent of associated cost center expenses during the most recent six-month period. For example, terminal and apron projects would require approval by Signatory Airlines paying 51 percent of terminal rents. Likewise, airfield projects that impact Airport rates and charges require approval by Signatory Airlines that pay 51 percent of landing fees. If a project does not receive airline approval in the first request, the Airport staff may re-submit the project in the following year. If a project is denied in the second year, the Airport staff may proceed with the project in the third year.

The projects for which PFC-backed GARBs are issued and those that will not affect rates and charges do not require ballot approval under the AUA. While it was, and is, the intent to use PFC funds to finance the GARBs issued for PFC eligible projects, the Signatory Airlines have previously approved the use of GARBs to provide "double barrel" backing with general airport revenues to enhance the strength of the issue. As described under "SECURITY FOR THE 2013 BONDS – Revenues of the Airport System," it is expected that approximately 24.5 percent of the debt service on the Series 2013A Bonds will be paid from PFC Revenues.

Purpose of the Series 2013B Bonds

The proceeds of the Series 2013B Bonds will be used to refund on the call date below certain of the Outstanding Obligations of the County as presented below (the "Refunded Obligations"), and to pay the cost of issuing the Series 2013B Bonds.

Dated	Issue	Maturities Outstanding	Maturities Refunded	Amount Refunded	Call Date
01/01/2003	Airport Revenue Bonds, Series 2003A	2013-2022	2013-2022	$ 3,750,000	09/03/2013

SOURCES AND USES OF FUNDS

The estimated sources and uses for the 2013 Bonds are as follows.

Estimated Sources:	Series 2013A	Series 2013B	Total
Par Amount	$ 47,095,000.00	$ 3,330,000.00	$ 50,425,000.00
Net Original Issue Premium	1,751,451.60	87,299.90	1,838,751.50
Existing Debt Service Reserve Fund	16,974,762.60	--	16,974,762.60
Cash on Hand	--	424,713.54	424,713.54
Total Sources of Funds	65,821,214.20	3,842,013.44	69,663,227.64
Estimated Uses:			
Project Fund Deposit	$ 45,051,500.00	--	$ 45,051,500.00
Refunded Bonds Account	--	$ 3,799,713.54	3,799,713.54
Debt Service Reserve Fund	17,799,215.60	--	17,799,215.60
Capitalized Interest	2,385,470.14	--	2,385,470.14
Estimated Cost of Issuance	584,160.01	41,304.89	625,464.90
Excess Proceeds	868.45	995.01	1,863.46
Total Uses of Funds	65,821,214.20	3,842,013.44	69,663,227.64

Note: Cost of Issuance includes Underwriters' Discount.

FUTURE CAPITAL IMPROVEMENT PROJECTS

The Airport System's Capital Improvement Program for the years 2013 through 2017 (the "2013 – 2017 CIP") has a total estimated cost of approximately $272.1 million. The 2013 – 2017 CIP projects include those identified in the Airport's current Part 150 Study and the Airport System's ongoing capital improvement program as identified by Airport System Management. Prior to implementing individual projects of the 2013 – 2017 CIP, the projects must be approved by the County Executive and the County Board of Supervisors. The AUA provides that the Signatory Airlines consent to the Five-Year CIP as a condition of entering into the AUA, which was the 2011-2015 CIP.

It is anticipated that the CIP cost during the forecast period 2013 through 2017 will be funded with federal grants ($78.2 million), state grants ($24.1 million), PFC Revenues ($36.3 million), funds in the Capital Improvement Reserve Fund ($3.2 million), funds in the Surplus Fund ($12.4 million), TSA grants ($9.0 million), unspent proceeds from the 2010A Bonds ($13.3 million), proceeds from the Series 2013A Bonds ($45.1 million), and future bond issues ($50.6 million). The future bond issues are scheduled to be issued beyond the current term of the AUA.

BOOK-ENTRY-ONLY SYSTEM

The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by The Depository Trust Company entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013 Bonds. The 2013 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 each annual maturity of each Series of the 2013 Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AA+. 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.

Purchases of 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2013 Bonds, except in the event that use of the book-entry system for the 2013 Bonds is discontinued.

To facilitate subsequent transfers, all 2013 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 2013 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 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2013 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or

Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013 Bonds at any time by giving reasonable notice to the County or Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2013 Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the 2013 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2013 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2013 BONDS.

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THE COUNTY

General

The County is located in southeastern Wisconsin on the Lake Michigan shoreline. The County covers an area of approximately 242 square miles and consists of 10 cities and nine villages. The City of Milwaukee, which is the County seat, contains approximately 62.8 percent of the County's population and 45.7 percent of its taxable property value. The County serves as the population, economic and financial center of the state.

The County was first incorporated in 1835 by the Michigan Territorial Government. In 1837, territory was removed by the Wisconsin Territorial Legislature. Nine years later, territory was removed again, and the County attained its present size.

Government and Administration

The County is governed by a County Executive and an 18-member County Board of Supervisors (the "County Board"). The County Executive and the County Board are elected on a nonpartisan basis. Each supervisor is elected from a district with an average population of approximately 52,700. In addition, six constitutional and two statutory officers are elected on a partisan basis to serve four-year terms as shown below.

County Officials

(Year sworn into office follows name)

County Executive:	**Chris Abele (2011)**
County Clerk:	*Joseph J. Czarnezki (2009)*
Register of Deeds:	*John La Fave (2003)*
Treasurer:	*Dan Diliberti (2005)*
Clerk of Circuit Court:	*John Barrett (1999)*
Sheriff:	*David A. Clarke, Jr. (2002)*
District Attorney:	*John T. Chisholm (2007)*
County Comptroller:	*Scott Manske (2012)*

Board of Supervisors

Marina Dimitrijevic - Chairwoman (2004)
Peggy West - 1st Vice Chairperson (2004)
Steve Taylor- 2nd Vice Chairperson (2012)

Deanna Alexander (2012)
Mark A. Borkowski (1992)
David Bowen (2012)
Gerry P. Broderick (2002)
David Cullen (2012)
Jason Haas (2011)
Willie Johnson, Jr. (2000)
Patricia Jursik (2007)
Theodore A. Lipscomb (2008)
Michael Mayo, Sr. (1994)
Khalif Rainey (2013)
James J. Schmitt (1998)
Russell W. Stamper II (2012)
Anthony Staskunas (2013)
John F. Weishan, Jr. (2000)

Wisconsin 2013 Act 14

On June 2, 2013, Wisconsin Act 14 ("Act 14") relating to the County became effective. Act 14, among other things, changes the compensation structure of a member (a "Supervisor") of the County Board of Supervisors of the County (the "Board"), changes the length of the term of a Supervisor from four years to two years, affects the right of an annuitant under the Milwaukee County Employee's Retirement System if rehired by the County, limits the authority of the County to enter into certain intergovernment agreements, revises the approval process for public contracts, removes and clarifies some authority of the Board, increases and clarifies the authority of the County Executive of the County, and requires a referendum regarding the compensation of the Supervisors.

County Executive's Office

The County was the first county in the state of Wisconsin to establish an executive branch. The following five cabinet officers are appointed by the County Executive to assist in carrying out these executive functions**:**

- Director - Department of Administrative Services
- Director - Department of Health and Human Services
- Director - Department of Administrative Services - Human Resources
- Director - Department of Parks, Recreation and Culture
- Director - Department of Transportation and Public Works

In addition, the County Executive appoints and manages heads of the following departments:

- Zoological Gardens
- Department on Aging
- Veterans Service Office
- Medical Examiner
- Labor Relations
- Child Support
- Corporation Counsel
- Office for Persons with Disabilities

Functions of the County Executive's office include: coordination and direction of administrative and management functions of the County government not otherwise vested by law in boards, commissions or other elected officers; appointment of department heads, except where statute provides otherwise, and members of boards and commissions, subject to confirmation by the County Board; preparation and submission of an annual County budget to the County Board; submission annually, and otherwise if necessary, of a message to the County Board setting forth the condition of the County and recommending changes and improvements in County programs and services; and review for approval or veto of all resolutions and ordinances enacted by the County Board.

Legislative

The County Board determines County policy and directs the activities of County government by the adoption of ordinances and resolutions, under authority vested in it by the Wisconsin Statutes. At its annual meeting in November of each year, the County Board adopts the next calendar year's budget. It meets on a monthly basis to transact official business, and its committees meet regularly during the monthly cycles to hold hearings, gather information and take testimony preparatory to making recommendations to the full County Board.

The Chairperson of the County Board is elected by the members of the County Board following their election and is responsible for presiding at County Board meetings; ruling on procedural matters; representing the County Board at official functions; and making appointments to County Board committees, special subcommittees, boards and commissions.

The standing committees of the County Board meet periodically and make recommendations to the County Board, which formally approves, modifies or disapproves those recommendations. Standing committees include:

- Finance, Personnel and Audit
- Health and Human Needs
- Intergovernmental Relations
- Parks, Energy and Environment
- Transportation, Public Works and Transit
- Economic and Community Development
- Judiciary, Safety and General Services
- Committee of the Whole

County Employee Pension Benefits

The Employees' Retirement System of the County of Milwaukee (the "ERS") was established in 1938 and is a single-employer defined benefit pension plan. Employees who were enrolled in the ERS prior to 1971 receive contributions to their member accounts by the County, which are presently less than $15,000 a year. For all other members, the ERS was substantially noncontributory until 2011. In that year, employees were required under state Statute to begin contributing half of the actuarially determined annual required contribution to the ERS. Public safety employees were specifically exempted from this requirement, but in 2012, the Milwaukee Deputy Sheriffs' Association agreed to pay one-half of the Annual Required Contribution ("ARC"). The Milwaukee County Firefighters Association still has not agreed to a contribution. The most recently available data provides that the ERS has a funded ratio of 89.2 percent.

County Employee Other Post-Employment Benefits ("OPEB")

The County administers single-employer defined benefit healthcare and life insurance plans for retired employees. The plans provide health and life insurance contributions for eligible retirees and eligible spouses through the County's self-insured health insurance plan and the County's group life insurance plan. The County stopped providing post-retirement health care and life insurance for most employees who began work with the County after January 1, 1994. Employees who started prior to this date and worked 15 years with the County were eligible for post-retirement health care. The Airport employees are a part of this system.

The County has received its third actuarial report of Other Post-Employment Benefits ("OPEB") under Governmental Accounting Standards Board Statement #45 – "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" ("GASB #45"). The County has chosen to continue on a "pay as you go basis" for its OPEB liabilities. However, under the GASB #45 rules, the County is required to accrue the cost of the ARC for proprietary funds, and footnote the cost associated with governmental funds. The County required an actuarial report for its employees, and a separate actuarial report was prepared for the Milwaukee County Transit System (the "MCTS"), which is separately managed by Milwaukee Transport Services, Inc., a non-stock, not-for-profit Wisconsin corporation.

An actuarial valuation report was prepared as of January 1, 2012 for the County. The County's total actuarial accrued liability for OPEB for all funds, excluding the MCTS, is estimated at $1.13 billion, based on a six percent discount rate.

The ARC for the County as of January 1, 2012 was $87.9 million. Normal cost is $2.2 million and amortization of the unfunded liability was $85.7 million. The amortization of the unfunded liability assumes a 30-year amortization using a level dollar amount. The net ARC cost for 2011 and 2012 was $44.6 million and $28.9 million, respectively, which excluded the retiree health costs that are separately budgeted by the County. The County has no plans to establish a post-retirement trust for health care or make contributions to a trust, but only plans to accrue the costs associated with proprietary fund departments. The net OPEB Obligation as of December 31, 2011 and 2012 was $246.1 and $273.7 million, respectively for governmental activities and $9.7 and $11.0 million respectively for business activities. The business type activity is for the Airport, which is an enterprise fund of Milwaukee County. The Airport has expensed and accrued a total of $11.0 million for future OPEB costs as of December 31, 2012. The accrual of OPEB costs for the Airport will continue in accordance with GASB rules.

Separately, MCTS has contributed and maintains assets in a trust of $34.6 million towards an OPEB actuarial accrued liability of $246 million as of December 31, 2011.

Legal challenges have been brought against the County regarding proposed changes to pension and OPEB benefits that are designed to lower the costs of these benefits to the County. See "LITIGATION" for a more detailed description.

THE AIRPORT SYSTEM

General

The County owns and operates the Airport and Timmerman Airport, which together comprise the Milwaukee County Airport System. The Airport is the major air carrier airport in Wisconsin, serving a primary air service area of approximately 1.6 million people. Timmerman Airport is a general aviation reliever airport for the Airport, containing two paved runways and three instrument approaches.

The County began operating its first airport in 1919. In 1927, the Airport opened the County's first terminal and Northwest Airlines began offering flights from Milwaukee to Chicago and Minneapolis. A two-story terminal building was constructed in 1940, and a new two-level terminal with 23 gates was added in 1955. In 1985, a greatly expanded terminal complex with larger concession, ticketing, and baggage claim areas was built. In 1990, 16 additional gates were added to Concourse D and a moving walkway to transport travelers to the new gate areas was installed. In early 2000, the Airport began several terminal concourse improvement projects, which included improvements for Concourses C, D, and E that started in 2005 and are complete. In addition to terminal improvements, in 1980 a 4,440-space parking garage was completed, which was expanded to approximately 5,900 spaces in 1990. By late 2002, Phase I of a further parking garage expansion was completed, which increased the supply of public parking spaces in the parking garage to approximately 7,800.

The Airport System is accounted for an enterprise fund within Milwaukee County. The Airport System includes the operations of the Airport and Timmerman Airport. Baker Tilly Virchow Krause, LLP is the independent auditor that audited the basic financial statements of the County as a whole for the fiscal years ended December 31, 2007 through 2011, and is expected to do so again for the year ended December 31, 2012. The accounts of the Airport System are not separately audited.

Included within APPENDIX B to this Official Statement are the Statement of Revenues, Expenses and Changes in Net Position and Balance Sheet of the Airport System excerpted from the County's audited basic financial statements audited by Baker Tilly Virchow Krause, LLP for the years ended December 31, 2008 through 2012.

The Airport System is economically self-sustaining and operates solely on revenue generated from operations and concessions, and federal and state funding. For financial purposes, and in the calculation of airline rates and charges, the County combines the financial operations of the Airport and Timmerman Airport.

General Mitchell International Airport

As of June 2013, seven major airlines and 13 regional commuter airlines provide scheduled passenger service at the Airport. The seven major air carriers operating at the Airport are AirTran, American, Delta, Frontier, Skywest, Southwest and US Airways. The 13 regional commuter airlines include: Air Canada Jazz, Air Wisconsin (US Airways), American Eagle, Atlantic Southeast (Delta), Chautauqua (American/Delta/Frontier), Compass (Delta), Expressjet (United), Go Jet (Delta), Pinnacle (Delta), PSA (US Airways), Republic (Frontier), Shuttle America (Delta/Frontier), and SkyWest (Air Tran/Delta/United).

- AirTran expanded to become the second largest carrier at the Airport in 2009 with an enplanement share of 23.3 percent, behind Midwest with an enplanement share of 34.4 percent. AirTran's share of Airport enplanements increased to 31.9 percent in 2012, the largest share held by an individual airline brand. AirTran was acquired by Southwest on May 2, 2011. AirTran continues to operate as a separate brand pending full integration with Southwest. Southwest has begun switching some AirTran flights to the Southwest brand, as reflected in the decrease in AirTran's enplanement share during first quarter 2013.

- Southwest, the leading low-cost airline began serving the Airport on November 1, 2009. Its share of Airport enplanements grew quickly to 18 percent in 2012, the third largest individual airline share after AirTran (31.9 percent) and Delta (21.7 percent) in 2012, and to 29 percent, the largest individual airline share during first quarter 2013.

- The expansion of low-cost carrier service by AirTran, Frontier and Southwest and the fare competition between AirTran and Frontier contributed to a 24 percent increase in Airport enplanements in 2010.

- Republic Airways Holdings, Inc. acquired both Midwest and Frontier in 2009 and merged the two airlines' operations into Frontier in 2010. In 2011, the merged airline's share of Airport enplanements increased to 28.8 percent, from a 16.1 percent combined share in 2009. Frontier's financial difficulties continued after the merger, prompting significant service cuts at the Airport. In 2012, Frontier's share of Airport enplanements decreased to 10.2 percent. The significant cuts in Frontier's service resulted in a 21 percent decrease in total Airport enplanements in 2012. Continuing cuts in Frontier's service at the Airport resulted in further decreases in Frontier's enplanement share to 4.1 percent during first quarter 2013.

- Delta, together with its regional affiliates, held the third largest share of Airport enplanements from 2009 (19.5 percent) through 2011 (16 percent). Delta has since moved up in market share ranking at the Airport to hold the second largest share of 21.7 percent in 2012 and 25.5 percent during first quarter 2013.

- The recent economic recession, which began in December 2007, ushered in another round of structural adjustments in the airline industry. These changes led to significant capacity cuts at many airports, including the Airport, and the consolidation of U.S. airlines.

- Southwest's entry into the market in 2009 and AirTran's service expansion contributed to the expansion of mainline service at the Airport. As a group, mainline carriers increased their share of Airport enplanements from 58.7 percent in 2009 to 82.2 percent in 2012.

- Regional service declined especially after the elimination of Midwest Connect service. Regional carriers decreased their share of Airport enplanements from 41.1 percent in 2009 to 17.6 percent in 2012.

- The Airport has maintained a broad base of air service providers. Only in 2006 and 2007 did a single airline (Midwest) capture the majority of traffic. Since Midwest's operations were merged into Frontier's in 2011, the merged airline's share of the Airport's enplanements has shrunk to 10 percent in 2012. Now AirTran and Southwest's combined operations account for the largest share of Airport enplanements (49.9 percent in 2012).

Airport System Management

An Airport Director manages the Airport System. The County Executive appoints the Director of Transportation and Public Works, who appoints the Airport Director. The Airport Director oversees approximately 261 full-time equivalent employees. Key members of the Airport System Management include the Airport Director; Deputy Airport Director, Finance and Administration; Deputy Airport Director, Operations and Maintenance; and Airport Engineer. Biographical data concerning the Airport Director and other key officials of the Airport System is set forth below.

Airport Director. C. Barry Bateman was appointed Airport Director in 1982. Prior to his appointment as Airport Director, he served as the Assistant Director of Aviation at Las Vegas McCarran International Airport for eight years and also as an Administrative Assistant at Blue Grass Airport in Lexington, Kentucky. He is currently a member of the American Association of Airport Executives, and he also holds a commercial pilot certificate and is a certified Flight Instructor. Mr. Bateman is a graduate of the University of Kentucky, holds an M.B.A. from Cardinal Stritch University, and is an Accredited Airport Executive.

Deputy Airport Director, Finance and Administration. Patricia M. Walslager was appointed Deputy Airport Director, Finance and Administration in 2011. Ms. Walslager served in various fiscal management positions in Milwaukee County from 1996 to 2011 in the following departments; Department of Health and Human Services, Behavioral Health Division, which consisted of a 2007 appointment to Associate Administrator, BHD – Fiscal. Ms. Walslager who is a Certified Public Accountant ("CPA") is a graduate of the University of Wisconsin – Milwaukee, with a BS in Secondary Education Mathematics and Economics and advanced studies in accounting. She has been a practicing CPA for over 30 years.

Deputy Airport Director, Operations and Maintenance. Terry Blue was appointed Deputy Airport Director in 2008, following 10 years of experience at various levels in the Airport Operations Division at Denver International Airport. His last position was Aviation Operation Manager, which he held for two years before leaving for his current position. Mr. Blue earned a BS in Aviation Management at Southern Illinois University and a Masters Degree in Public Administration from the University of Illinois.

Airport Engineer. Ed Baisch was appointed Airport Engineer in 2007 after serving as Acting Airport Engineer since 2004. Mr. Baisch previously served Milwaukee County as a Civil Engineer for the previous 13 years. Mr. Baisch holds a BS degree in Engineering from Michigan State University and a Master of Science in Civil Engineering from Marquette University. He has been a practicing engineer for over 31 years.

Airline Airport Affairs Committee

The AUA provide for an Airline Airport Affairs Committee ("AAAC") comprised of one representative per Signatory Airline who is authorized to represent and vote on items subject to AAAC review, approval, or concurrence. Each Signatory Airline advises the County's Airport Director of the name of the principal representative and not more than two alternate representatives to the AAAC.

Under the AUA, the Signatory Airlines consent to the Airport System's Capital Improvement Program for the years 2011 through 2015 as a condition of entering into the AUA. If additional projects are proposed to be added to the CIP that would exceed the negotiated cap amount that the Signatory Airlines and Airport have agreed to in the AUA for the years 2011 through 2015, then the projects must be submitted to the AAAC for approval. Under the AUA, projects having an impact on Airport rates and charges must be approved by 51 percent of the Signatory Airlines, which collectively pay more than 51 percent of associated cost center expenses during the most recent six-month period. For example, terminal and apron projects would require approval by Signatory Airlines paying 51 percent of terminal rents. Likewise, airfield projects that impact Airport rates and charges require approval by Signatory Airlines that pay 51 percent of landing fees.

When submitting capital improvement projects to the AAAC for approval the County's Airport Director submits a report on those capital improvement projects projected to result in an increase in rates and charges to the AAAC. AAAC approval is not required for projects to be funded solely with PFC Revenues. However, as described below, AAAC approval was obtained with respect to the Bond Projects expected to be paid through PFC Revenues so that general airport revenue bonds could be issued to finance them. The report for each project includes an estimate of its construction and operating costs, description of work proposed, and its benefits and funding source. To disapprove, the AAAC must provide written disapproval of each capital improvement project to the Airport Director within 30 days of submitting the project for approval to the AAAC. For a more complete discussion of the AAAC, see APPENDIX F and APPENDIX G herein.

The reports describing the bond eligible-projects and the funding for Bond Projects through the issuance of GARBs were submitted to the Signatory Airlines and their approval was received. Through a ballot process, those projects having an impact on Airport rates and charges were approved. Those projects for which PFC backed GARBs are issued, or which will not affect rates and charges, do not require ballot approval. While it was, and is, the intent to use PFC funds to finance the GARBs issued for PFC eligible projects, the Signatory Airlines had previously approved the use of GARBs to provide "double-barrel" backing with General Airport Revenues to enhance the strength of the Series 2013A Bonds.

Facilities and Services

Airfield and Aircraft Parking Aprons. The Airport's existing airfield configuration consists of two air carrier runways and three other runways, as follows:

RUNWAY DESCRIPTIONS

	Runway 1L-19R	Runway 7R-25L	Runway 1R-19L	Runway 7L-25R	Runway 13-31
Length (ft)	9,690	8,010	4,182	4,800	5,868
Width (ft)	200	150	150	150	150
Instrumentation	CAT I	CAT I	CAT II	CAT II	NONE
Pavement Material	Concrete	Concrete	Concrete	Concrete	Concrete w/ Asphalt overlay

Runways 1L-19R and 7R-25L accommodate all air carrier operations, while Runways 1R-19L and 7L-25R serve smaller jet aircraft and general aviation propeller aircraft. Runway 13-31 is available for smaller jet aircraft and general aviation aircraft under specific wind conditions. The taxiway system provides access between all runway ends. In addition, Runways 1L-19R and 7R-25L are serviced by partial parallel taxiways and the other runways are served by either crossing runways or taxiways. All of the taxiways are 75 feet wide, except one, which is 50 feet wide. The terminal apron area surrounds all three concourses and totals approximately 70 acres.

Terminal Facilities. The Airport's main terminal complex contains an estimated 810,000 square feet and is comprised of a central terminal building and three passenger concourses with 48 gates and corresponding hold-room areas. The terminal building has the capacity to expand to a total of 80 gates. Bridge structures connect the main level of the central terminal building to the three concourses. The central terminal building consists of four levels. The basement level contains the inbound baggage delivery system, mechanical and utility equipment rooms, concession and Airport storage rooms, and a tornado shelter. The ground or lower level contains ticketing operations, airline offices, outbound baggage and support systems, baggage claim, and baggage service offices. The second level contains concessions, the hold-room areas located in the three concourses, administrative offices, a first aid center, and an aviation museum. The Airport operations offices and the control center room are located on the mezzanine level. Located west of Concourse C is a separate 15,100 square-foot International Arrivals Terminal.

Two pedestrian bridges connect the main level of the central terminal building to the existing six-level automobile parking structure. The Airport has separate enplaning and deplaning roadways, which provide curbside access to the main terminal complex. A spur roadway off the main terminal departure road provides access to the International Arrivals Terminal.

Public Parking. The Airport currently has approximately 11,000 public parking spaces, consisting of approximately 7,800 spaces in the parking garage (short-term and long-term) and approximately 3,400 surface spaces. Of the spaces in the surface lots, 528 spaces are located in a lot near the terminal complex with the remainder located in remote lots served by parking shuttle buses. The 2013 – 2017 CIP includes the expansion of remote Lot B, adding approximately 500 spaces. However, this project will be undertaken only if future parking demand requires.

AMTRAK Station. An Amtrak station, which opened in January 2005, is located on the western edge of the Airport along the Canadian Pacific Railway lines. The station serves rail passengers using the Airport for travel, along with rail-only passengers using Amtrak's Hiawatha Service that provides seven daily round trips between Milwaukee and Chicago. The County and the Airport provide a free shuttle bus connection between the Airport and the Amtrak station, which includes a vehicle parking facility.

Other Facilities. Other facilities located at the Airport include rental car, general aviation, air cargo, and aviation support facilities. The Airport has six on-Airport rental car companies that lease rental car parking spaces in the parking garage. General aviation facilities include corporate hangars, a maintenance building and office buildings. Air cargo facilities include a building and apron facilities. Aviation support facilities include an aircraft rescue and fire fighting ("ARFF") facility, a hydrant fuel service system and underground storage tanks, and an air traffic control tower. Midwest Airlines and Air Wisconsin occupy maintenance hangars at the Airport. Air Wisconsin continues to operate a maintenance facility at its hangar. Midwest Airlines, however, was acquired by Frontier Airlines in 2009 and neither airline currently operates the hangars as maintenance facilities. Also located within the Airport's perimeter fence is the MKE Regional Business Park, which is land that was previously used by the 440th Air Force Reserve Station, which closed in February 2008. The site contains approximately 175,000 square feet of building space, which can accommodate wide range of uses as long as revenues are retained by the Airport.

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AIRLINE-AIRPORT USE AND LEASE AGREEMENT

The County's current AUA went into effect on October 1, 2010, although the rate methodologies under the previous AUA were in effect through December 31, 2010. The AUA is set to expire December 31, 2015, but may be extended for an additional period of five years ending December 31, 2020 upon mutual agreement, approval by the Signatory Airlines of a new five-year capital improvement plan (2016 – 2020), and agreement on a new Net Financing Requirement Cap.

The AUA specifies the terms and conditions of the Signatory Airlines' use of the Airport facilities and their operations at the Airport. The primary airline rates charged by the Airport are landing fees, terminal rents, and apron fees. The revenues generated by these fees are used to finance the activities of the Airport, including operating and maintaining the terminal complex and the airfield and apron facilities.

Prior to the issuance of the Series 2000A Bonds, the AUA provided for the recovery of the costs of capital projects from depreciation payments to a Capital Improvement Fund. When bonds were issued to fund capital project costs, interest on the bonds was charged to the Signatory Airlines as an operations and maintenance expense, and depreciation payments were applied to the payment of principal. As the more typical manner of repaying airport revenue bonds is through the repayment of principal and interest, the Signatory Airlines unanimously approved an amendment to the AUA to allow the Airport to include general airport revenue bond principal repayments in airport rates and charges.

The major provisions of the AUA are:

Term

- October 1, 2010 to December 31, 2015.
- Option to extend for five additional years to December 31, 2020 upon mutual agreement that includes a new five-year capital improvement program and Net (Airline) Financing Requirement Cap.

A residual rate methodology with deposits to the Surplus Fund

- Airport System Management deposits an amount equivalent to 10 percent of Airport concession revenues into the Airport Development Fund Account ("ADFA").
    - Monies can be used for capital improvements or any lawful Airport System purpose, subject to certain limitations.
    - Projects funded with the ADFA will not be depreciated or amortized and will not affect airline rates and charges.
- Airport System Management can transfer up to $4 million over the term of the agreement from the ADFA to the ADF Depreciation Account.
    - Monies can be used for capital improvements or any lawful Airport System purpose, subject to certain limitations.
    - Projects funded from the ADF Depreciation Account will be depreciated or amortized and will affect airline rates and charges.

Five-Year Capital Improvement Plan

- The Five-Year CIP was approved by the Signatory Airlines in accordance with the AUA.
- The Five-Year CIP project costs to be included in the calculation of airline rates and charges are limited to a Net (Airline) Financing Requirement Cap of $59 million. The Five-Year CIP anticipates using approximately $47.3 million of the Net (Airline) Financing Requirement Cap. This amount is comprised of approximately $34.0 million from the proceeds of the Series 2013A Bonds and $13.3 million of unused proceeds of the Series 2010A Bonds. No additional bonds are scheduled to be issued during the remainder of the term of the AUA.

- The Airport can add or modify projects without Majority-In-Interest ("MII") approval provided that the Net (Airline) Financing Requirement Cap on the total capital improvement plan is not exceeded.
- The airline MII process will continue to apply for additional capital projects not covered above.

Other

- Established the MKE Regional Business Park as a new cost center with the total net requirement allocated to the Airfield cost center.
- Signatory Airlines report passengers of their affiliates (code share partners & subsidiaries, parent companies or contract airlines) combined with their own passengers and pay their affiliates' landing fees and rents.
- Non-Signatory Airlines pay 125 percent of the rates paid by Signatory Airlines.
- There are two differential Terminal Rental rate classifications replacing 12 prior classifications. Public-Access Airline Space is at the base rate and Non-Public Access Space is at 75 percent of the base rate.
- All airline gates are preferential use with a utilization standard for each gate and also new entrant and expanding carrier accommodation language. Reassignment of gates by the Airport is allowed if the utilization standard has not been met over a 12-month look back period should such gate be required by another airline.

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AIRLINE RATES AND CHARGES

The primary airline rates charged by the County are landing fees, terminal rents, apron fees, and flexible response security charges, which are charged to the airlines for their use of the Airport facilities. The airline rates and charges are calculated using a cost center residual methodology, whereby the airlines are responsible for paying landing fees, terminal rentals, and apron rentals to recover the annual net deficits in the Airfield, Terminal, and Apron cost centers, respectively. In addition, the airlines are required to reimburse the Airport System for the cost of providing flexible response security services. The revenues generated by these fees are used to finance the activities of the Airport System, including operating and maintaining the Terminal complex and the airfield and apron facilities.

The methodology for calculating these fees and charges, as specified in the AUA, is discussed below.

a. *Landing Fees*. The Signatory Airlines are responsible for paying landing fees in an amount necessary to recover the Airfield net deficit, which is defined in the AUA as total annual Airfield expenses, minus a credit for non-Signatory Airline and non-airline airfield revenues. Airfield expenses are listed below:

- O&M expenses
- Depreciation[2]
- Principal on bonds issued in 2000 and subsequent years[3]
- Interest[4]

The Airfield net deficit used for purposes of establishing the landing fee rate is computed by reducing the Airfield expenses listed above by the following revenue credits:

- Military landing fee revenue
- General aviation revenues (fuel flowage fees, hangar and land rent, and fixed based operator rent)
- Air cargo rents (including cargo apron revenue)
- Non-Signatory Airline landing fee revenue
- Other non-airline revenue allocated to the Airfield

In addition to the above credits, the revenue gained or lost by the MKE Regional Business Park is included in the Airfield net deficit as a credit or expense.

Prior to the beginning of each year, Airport System Management projects the Airfield net deficit for the year based on budgeted Airfield expenses and the offsetting revenue credits of the MKE Regional Business Park gain/loss. The Signatory Airline landing fee rate is calculated as the Airfield net deficit divided by the projected Signatory Airline aircraft landed weight in thousand pound units. Under the AUA, non-Signatory Airlines are charged a landing fee that is 125 percent of the fee charged to Signatory Airlines.

Airport System Management can conduct a review any time during the year to compare the budgeted amounts with actual expenses and revenues received to date as indicated in the AUA. If the review indicates that there will be a variance of 10 percent or more, Airport System Management, in conformance with the County budget procedure and authorization, may make an adjustment to the rates in accordance with Article VI of the AUA. Any such adjustment will be effective for the balance of the calendar year. Unless extraordinary circumstances warrant additional adjustments, the County shall limit any such rate adjustment to no more than once during each calendar year. At the end of each calendar year the County conducts a year-end reconciliation no later than 30 days after the County has completed its full accounting process. This involves the actual expenses and revenues being compared to the amounts collected during the previous year. Any deficiency in the amounts collected from the Signatory Airlines

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2 Depreciation charges include principal payments on general obligation ("GO") bonds issued prior to 2000, a portion of which were refunded by the Series 2005B, Series 2006B and Series 2009B. Principal payments on the Series 2005B, Series 2006B, and Series 2009B will be included in principal charges as part of the airlines' terminal rate.
3 Net of any bond principal paid from PFC Revenues.
4 Net of any bond interest paid from PFC Revenues.

will be billed to the airlines. If the amount collected was higher than the actual net deficit, the difference will be remitted to the airlines by check within 60 days following the completion of the year-end settlement calculation.

b. *Terminal Rents*. The Signatory Airlines pay annual Terminal rent in an amount necessary to recover the Terminal net deficit. The Terminal net deficit is computed by aggregating all expenses for the Terminal cost center, and deducting certain revenues that are used to offset these expenses. Terminal expenses are listed below:

- Annual Terminal O&M Expenses
- Depreciation[5]
- Principal on bonds issued in 2000 and subsequent years[6]
- Interest[7]

The Terminal net deficit is computed by reducing the Terminal expenses listed above by 90 percent of the following revenues:

- Public Parking Fees
- Car Rental Concession Fees
- Gifts, Souvenirs & Novelty Fees
- Restaurant Concession Fees
- Catering Fees
- Displays Concessions Fees
- Public Transportation Concession Fees
- Golf Driving Range Concession Fees
- Bank Commissions

The remaining 10 percent of the above revenues will be deposited into the ADFA and be available for use at Airport System Management's discretion.

The rental rate for Terminal space occupied by the Signatory Airlines will be determined by dividing the Terminal net deficit by the sum of 100 percent of the airline public square feet rented by the Signatory Airlines and 75 percent of the airline non-public square feet rented by the Signatory Airlines. The rental rate is further delineated into airline public space and non-airline public space. The airline public space rent is equal to the Terminal rental rate. The airline non-public space rent is equal to 75 percent of the Terminal rental rate.

A comparison of actual and budgeted Terminal expenses and revenues can be conducted at any time during the year. If the review indicates that there will be a variance of 10 percent or more, Airport System Management, at its discretion, may make an adjustment to the rates in accordance with Article VI of the AUA. Any such adjustment will be effective for the balance of the calendar year. Unless extraordinary circumstances warrant additional adjustments, the County shall limit any such rate adjustment to no more than once during each calendar year. At the end of each calendar year the County will conduct a year-end reconciliation no later than 30 days after the County has completed its full accounting process. This involves the actual expenses and revenues being compared to the amounts collected during the previous year. Any deficiency in the amounts collected from the airlines will be billed to the airlines. If the amount collected was higher than the actual net deficit, the difference will be remitted to the airlines by check within 60 days following the completion of the year-end settlement calculation.

c. *Apron Fees*. Signatory Airlines pay annual Apron fees equal to the net deficit for the Apron cost center. The net deficit is calculated as total Apron expenses (O&M Expenses, interest, and depreciation) minus

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5 Depreciation charges include principal payments on GO bonds issued prior to 2000, a portion of which were refunded by the Series 2005B, Series 2006B and Series 2009B. Principal payments on the Series 2005B, Series 2006B and Series 2009B will be included in principal charges as part of the Signatory Airlines' terminal rate.
6 Net of any bond principal paid from PFC Revenues.
7 Net of any bond interest paid from PFC Revenues.

non-airline revenues and adjustments. The Apron fee rate is calculated as the Apron net deficit divided by the linear footage of gate positions. A comparison of actual and budgeted Apron expenses and revenues can be conducted at any time during the year. If the review indicates that there will be a variance of 10 percent or more, Airport System Management, at its discretion, may make an adjustment to the rates in accordance with Article VI of the AUA. Any such adjustment will be effective for the balance of the calendar year. Unless extraordinary circumstances warrant additional adjustments, the County shall limit any such rate adjustment to no more than once during each calendar year. At the end of each calendar year the County conducts a year-end reconciliation no later than 30 days after the County has completed its full accounting process. This involves the actual expenses and revenues being compared to the amounts collected during the previous year. Any deficiency in the amounts collected from the Signatory Airlines will be billed to the Signatory Airlines. If the amount collected was higher than the actual net deficit, the difference will be remitted to the Signatory Airlines by check within 60 days following the completion of the year-end settlement calculation.

d. *Flexible Response Security Charges*. Flexible Response Security Charges revenue represents amounts collected from the airlines to recover the cost of services provided by the County Sheriff's Department.

e. *Passenger Loading Bridge Charges*. Signatory Airlines pay annual Passenger Loading Bridge charges equal to the net deficit for the Passenger Loading Bridge cost center. The net deficit is calculated as the sum of O&M Expenses, interest, and depreciation. The Passenger Loading Bridge charge is calculated as the Passenger Loading Bridge net deficit divided by the number of passenger loading bridges. A comparison of actual and budgeted passenger loading bridge expenses is made at the Airport System Management's discretion and within 30 days after the end of the County's accounting period, and Airport System Management makes rate adjustments accordingly.

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AIRPORT SYSTEM REVENUES

Airport System Revenues, as defined in the Bond Resolutions, consist of all monies received by the Airport System from any source, including all rates, fees, charges, rents and other income derived by the County from the ownership or operation of the Airport System. Under the 2013 Supplemental Resolutions, PFC Revenues are pledged to the payment of the Series 2013A Bonds to the extent that the project costs are PFC-eligible. Therefore, approximately 24.5 percent of the Series 2013A Bonds debt service may be funded with PFC Revenues. Revenues do not include (a) proceeds of bonds or other borrowings by the County, or interest earned thereon, (b) proceeds of grants and gifts for limited purposes or the proceeds of the disposition of property financed by such grants and gifts, (c) condemnation proceeds or insurance proceeds, except those received from rental or business interruption insurance, (d) all income and revenue collected and received by the County with respect to properties and facilities which are not included in the definition of Airport System, or (e) Special Facility Revenues.

Airfield Revenues

Airfield Revenues consist of landing fees from Signatory Airlines and Non-Signatory Airlines, revenues from general aviation operations, and air cargo rentals. Total Airfield revenues increased from approximately $15.1 million in 2008 to approximately $20.9 million in 2012. Total Airfield revenues are projected to increase to approximately $26.6 million in 2018, due to the projected increases in the components discussed in the following paragraphs.

a. Landing Fee Revenues. Landing Fee revenues consist of fees collected from Signatory Airlines and non-Signatory Airlines based on the landed weight of each carrier's activity at the Airport. As explained previously, the airlines pay fees established to recover the Airfield net deficit, which equal total Airfield expenses minus non-airline revenues.

b. General Aviation and Other Revenues. General Aviation and Other Revenues include the following line items:

- Hangar Rentals – rents collected for land occupied by corporate hangars and fees collected for County owned T-Hangars.
- Fuel and Oil Charges – a per-gallon fuel flowage fee is assessed to general aviation fuel purchases in lieu of landing fees.
- Fixed Base Operator ("FBO") revenues **–** rents collected from FBOs for land, apron hangars, and other buildings.

c. Air Cargo Rentals. Air Cargo Rental revenues are generated from the following three sources: (1) building rent received for space rented in the air cargo building owned by the Airport, (2) air cargo ramp rent, and (3) ground rent received from a private developer who owns an air cargo building and leases building space to various tenants.

Terminal Revenues

Terminal revenues consist of Terminal rents received from the airlines, and non-airline revenues such as terminal concession revenues, rental car revenues, and parking revenues.

a. Signatory Space Rental. Signatory Space Rental revenue consists of rents collected from Signatory Airlines for space occupied in the Airport Terminal. As explained previously, the Signatory Airlines pay fees established to recover the Terminal net deficit, which equals total Terminal expenses minus non-airline revenues such as Terminal concessions revenues, rental car revenues, and public parking revenues.

b. Other Charges and Fees. This category includes other tenant revenue, including resale utilities (metered water and electricity used by tenants) and passenger service fees (a $7.50 per-passenger fee collected from airlines for international flights processed through the International Arrivals Building).

c. Concessions. Concession revenues consist of fees collected from Terminal concession operators. The major categories of concession revenues are: Car Rental, Gifts and Novelties, Food and Beverage, Other, and Public Parking Concessions.

Apron Fees

The Signatory Airlines pay Apron Fees established to recover the Apron net deficit, which equals total Apron expenses minus non-airline revenues and adjustments. The AUA requires Non-Signatory Airlines to pay a landing fee, terminal fee and apron fee rate that is 125 percent of the rate charged to the Signatory Airlines.

Other Revenues

Other revenues received by the Airport include reimbursements from the airlines for the Airport's security costs (Flexible Response Security Charges), rent is collected by the County for renting the old military base that is located on Airport grounds (MKE Regional Business Park), and rents collected from the County for Airport lands and building space used for highway maintenance and other purposes as well as interest earnings (Other Revenues/Services).

PFC Pledged Revenues

The Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the "1990 Act") allows public agencies controlling commercial service airports with regularly scheduled service and enplaning passengers of 2,500 or more annually to charge each enplaning passenger using the airport a $1.00, $2.00 or $3.00 facility charge, referred to as a "PFC". The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) ("AIR 21," and together with the 1990 Act, the "Federal Act") increased the maximum allowable PFC that may be charged by qualifying airports from $3.00 to $4.50.

Public agencies wishing to impose and use PFCs are required to apply to the FAA for such authority and meet the requirements specified in the legislation and regulations issued by the FAA. Regardless of the number of PFC applications that have been approved by the FAA, an airport can collect a maximum of $4.50 on each enplaning passenger.

The purpose of the charge is to develop additional capital funding resources for the expansion of the national airport system. The proceeds from PFCs must be used to finance eligible airport-related projects that serve or enhance the safety, capacity or security of the national airport transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

On August 14, 2012 the Airport submitted to the FAA PFC amendment applications 6 and 7 requesting to increase the PFC collection rate to $4.50 per eligible enplanement. The FAA approved the amendment applications and the effective date that began collection of the $4.50 was November 1, 2012. Airport System Management is currently reviewing additional PFC amendments that will further extend the $4.50 collection period beyond the current expiration date of December 31, 2015.

PFCs are not defined as Revenues in the General Bond Resolution unless pledged as Revenues in a supplemental resolution adopted by the County. Under the 2013 Supplemental Resolutions, PFC Revenues are pledged to payment of the Series 2013A Bonds to the extent that the projects financed by the Series 2013A Bonds are approved for PFC funding. PFCs are currently being used to pay debt service on PFC-approved projects financed with the Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, and Series 2010A with general obligation airport bonds and on a pay-as-you-go basis for other FAA-approved projects.

The following table presents Airport Revenues for fiscal years 2008 through 2012. Total Revenues grew from $75.6 million to $83.9 million from 2008 to 2012 at an average annual growth rate of 2.6 percent.

MILWAUKEE COUNTY AIRPORT SYSTEM
AIRPORT REVENUE
FOR YEARS 2008-2012

	Actual [1]					Avg. Annual Growth Rate
Airport Revenues	**2008**	**2009**	**2010**	**2011**	**2012**	**2008-2012**
Airfield						
Landing Fees						
Signatory Landing Fees	$11,432,979	$13,040,096	$18,178,083	$18,738,474	$17,321,749	10.9%
Non-Signatory Landing Fees	1,837,194	1,251,535	993,595	98,891	723,897	-20.8%
Total Landing Fees	$13,270,173	$14,291,631	$19,171,678	$18,837,365	$18,045,646	8.0%
General Aviation and Other						
Hydrant Fueling Revenues	$168,461	$93,609	$44,880	$0	$0	n/a
Hangar Rentals	478,419	483,548	490,745	513,567	544,753	3.3%
Fuel and Oil Charges	203,590	163,967	180,721	176,787	336,036	13.3%
Fixed Base Operator	438,931	427,780	412,827	405,172	412,530	-1.5%
Other [2]	-	-	-	1,093,348	1,065,799	n/a
Total General Aviation and Other	$1,289,401	$1,168,904	$1,129,173	$2,188,874	$2,359,117	16.3%
Air Cargo Rentals	546,876	557,822	443,719	484,353	590,052	1.9%
Total Airfield Revenues	$15,106,450	$16,018,357	$20,744,570	$21,510,592	$20,994,814	8.6%
Terminal						
Signatory Airlines						
Space Rentals	$5,917,262	$3,237,119	$1,886,374	$3,962,058	$3,599,218	-11.7%
Other Charges and Fees	406,671	445,007	224,700	303,270	284,633	-8.5%
Total Signatory Airlines	$6,323,933	$3,682,126	$2,111,074	$4,265,328	$3,883,850	-11.5%
Concessions						
Car Rental	$8,440,253	$7,972,956	$9,123,370	$9,542,702	$9,764,370	3.7%
Gifts & Novelty	1,689,553	1,506,288	1,790,926	1,887,807	1,567,218	-1.9%
Food & Beverage	1,999,246	2,659,529	3,118,620	3,636,231	3,595,868	15.8%
Other [2]	1,357,324	1,408,909	1,366,666	5,435,653	5,245,576	40.2%
Public Parking	26,862,466	25,127,710	27,671,362	28,513,688	26,942,584	0.1%
Total Concessions	$40,348,842	$38,675,392	$43,070,944	$49,016,081	$47,115,616	4.0%
Total Terminal Revenues	$46,672,775	$42,357,518	$45,182,018	$53,281,409	$50,999,466	2.2%
Apron						
Signatory Apron Fees	$1,146,840	$1,260,482	$1,258,665	$1,283,439	$1,224,395	1.6%
Non - Signatory Apron Fees	17,106	60,802	63,556	108,996	88,205	50.7%
Total Apron Revenues	$1,163,945	$1,321,284	$1,322,221	$1,392,435	$1,312,600	3.1%
Other						
Flexible Response Security	$1,823,294	$1,946,189	$2,653,686	$2,122,181	$1,924,623	1.4%
MKE Regional Business Park	-	-	-	629,735	529,296	n/a
Other Revenues/Services [2]	3,925,952	3,938,008	3,135,804	-	-	n/a
PFC Revenues [3]	6,950,332	6,540,033	6,767,538	8,294,412	8,130,831	4.0%
Total Other Revenues	$12,699,578	$12,424,230	$12,557,028	$11,046,328	$10,584,750	-4.5%
TOTAL AIRPORT REVENUES	$75,642,748	$72,121,389	$79,805,838	$87,230,764	$83,891,630	2.6%

[1] Based on schedules prepared from Airport System records, certain amounts can be referenced to the County CAFR's audited statement of Revenues, Expenses and Changes in Retained Earnings.

[2] Beginning in 2011, various miscellaneous revenue accounts were reclassified from Other Revenues/Services.

[3] Portion of PFC Revenues approved by the FAA for the payment of PFC eligible costs.

OPERATION AND MAINTENANCE EXPENSES

Airport System O&M Expenses are incurred in the operation and maintenance of the Airport System. As described in "SECURITY FOR THE 2013 BONDS – Flow of Funds" herein, Airport System Revenues are first applied to the O&M Fund for the payment of current O&M Expenses. These expenses are categorized as follows: Salaries and Fringe Benefits; Contractual Services (Utilities, Repairs/Maintenance, Professional Services/Administration and Other); Intra-County Services (Sheriff, Fleet Maintenance, Professional Services, Insurance and Other); Commodities; Major Maintenance; and Other.

Salaries and Benefits

Salaries and Fringe Benefits are the largest expense for the Airport System. This expense category is related to the compensation of personnel. During the historical period 2008 to 2012, Salaries and Fringe Benefits increased from approximately $20.9 million to approximately $24.1 million, or by an average annual growth rate of 3.7 percent. The increase in Salaries and Fringe Benefits during this period is primarily the result of additional positions and County cost of living adjustments. Fringe Benefits increased by approximately $1 million over the period due to the increased contribution requirements for the County's pension plan. Fringe benefit costs include the Airport's proportional share of retired employees receiving health care and pension benefits.

Contractual Services

Contractual Services includes expenses incurred for services provided to the Airport System, as follows:

- Utilities – electricity, natural gas, sewage, telephone, and water.
- Repair and Maintenance – expenses incurred for the repair and maintenance of facilities and equipment.
- Professional Services and Administration – expenses for contracts for professional services, the largest of which is the contract for the public parking management services.
- Other Contractual Services – expenses for other types of contractual services not mentioned above including waste removal expenses, bank fees, advertising fees and other miscellaneous expenses.

Intra-County Services

Intra-County Services consist of costs charged to the Airport System by other County departments, including Sheriff, Professional Services, Insurance, and Other expenses. Expenses for Intra-County Services decreased from approximately $10.7 million in 2008 to $9.3 million in 2012, representing an average annual decrease of 3.3 percent.

Commodities

Commodities include building, plumbing, roadway, and other materials and supplies, including technological supplies. This category increased from approximately $3.2 million in 2008 to approximately $4.9 million in 2012 for an average annual growth rate of 11.5 percent. Costs increased during the period resulting from the purchase and build-up of repair parts beginning in 2009. In 2011, there were significant increases in chemicals and industrial gases purchased by the Airport, increasing from $1.1 million in 2010 to $1.9 million in 2011. During 2012, Commodities and related expenses decreased from $5.1 million in 2011 to $4.9 million.

Major Maintenance

Major Maintenance expenses consist of expenditures for major repairs and maintenance of facilities and equipment, land improvements, and utility relocation. Major Maintenance expenses fluctuated during the historical period, based on the number and type of major maintenance projects conducted. This line item increased from approximately $439,000 in 2008 to approximately $1.6 million in 2010. Major Maintenance expenses decreased to approximately $1.2 million and $649,000 in 2011 and 2012, respectively.

Other

Other expenses include interest and penalties, bad debt expense, and other miscellaneous charges. This expense category decreased from approximately $578,000 in 2008 to approximately $127,000 in 2012. As historical numbers indicate, expenses in this line item are highly variable and difficult to forecast.

The table below presents O&M Expenses for fiscal years 2008 through 2012. Total O&M Expenses increased from approximately $54.3 million in 2008 to approximately $58.7 million in 2012, averaging an annual growth rate of 2.0 percent. The largest increases in O&M Expenses during the historical period occurred in Salaries and Fringe Benefits, which increased approximately $3.2 million or an average annual growth rate of 3.7 percent and Commodities by approximately $1.7 million or an average annual growth rate of 11.5 percent.

MILWAUKEE COUNTY AIRPORT SYSTEM
TOTAL AIRPORT SYSTEM O&M EXPENSES
FOR YEARS 2008-2012

	Actual [1]					Avg. Annual Growth Rate
Airport Expenses	**2008**	**2009**	**2010**	**2011**	**2012**	**2008-2012**
BY EXPENSE CATEGORY						
Salaries and Fringe Benefits	$20,894,000	$20,367,529	$23,991,103	$25,299,745	$24,117,710	3.7%
Contractual Services						
Utilities	$4,758,954	$3,992,418	$4,939,750	$4,768,800	$5,176,168	2.1%
Repairs/Maintenance	3,489,495	3,197,910	3,498,775	4,485,800	4,186,493	4.7%
Prof. Services/Admin	7,306,053	6,381,621	6,549,900	7,954,442	7,374,375	0.2%
Other	2,917,302	2,778,495	1,858,236	2,280,523	2,765,662	-1.3%
Subtotal	$18,471,804	$16,350,444	$16,846,661	$19,489,565	$19,502,698	1.4%
Intra-County Services						
Sheriff	$6,547,463	$6,697,277	$8,040,178	$7,560,633	$6,732,907	0.7%
Fleet Maintenance	1,056,631	10,120	10,000	-	-	n/a
Prof. Service	329,082	363,842	245,000	295,000	470,403	9.3%
Insurance	667,164	475,618	604,510	621,334	863,326	6.7%
Other	2,099,981	1,807,188	698,316	1,500,407	1,279,775	-11.6%
Subtotal	$10,700,321	$9,354,045	$9,598,004	$9,977,374	$9,346,411	-3.3%
Commodities	$3,182,811	$4,073,014	$4,018,420	$5,093,686	$4,917,386	11.5%
Major Maintenance	438,760	481,247	1,599,657	1,182,304	649,263	10.3%
MKE Regional Business Park	-	-	788,694	-	-	n/a
Other	577,879	387,522	1,108,054	31,261	126,674	-31.6%
Total O & M Expenses	**$54,265,575**	**$51,013,801**	**$57,950,592**	**$61,073,935**	**$58,660,142**	2.0%
BY COST CENTER						
Terminal	$33,556,484	$30,051,439	$33,268,210	$35,238,821	$33,686,328	0.1%
Airfield	17,166,225	16,646,223	20,556,352	20,480,368	19,714,176	3.5%
Apron	1,371,560	2,028,769	1,179,481	1,270,504	1,245,314	-2.4%
Flexible Response Security	2,171,306	2,031,086	2,157,854	2,154,715	2,040,655	-1.5%
MKE Regional Business Park	-	256,284	788,694	1,929,527	1,973,669	n/a
Total O & M Expenses	**$54,265,575**	**$51,013,801**	**$57,950,592**	**$61,073,935**	**$58,660,142**	2.0%

[1] Based on schedules prepared from Airport System records, certain amounts can be referenced to the County CAFR's audited statement of Revenues, Expenses and Changes in Retained Earnings.

HISTORICAL AND FORECAST ENPLANEMENTS

Between 2003 and 2012, enplaned passengers at the Airport increased at an average annual rate of 2.3 percent.

- Total enplanements at the Airport increased from approximately 3.07 million in 2003 to 4.93 million in 2010. The Airport's annual enplanements grew steadily from 2003 through 2008, when the U.S. economy entered a long period of deep recession lasting through mid-2009. In 2008, Airport enplanements increased 3.4 percent, while U.S. total enplanements decreased 3.4 percent. In 2009, Airport enplanements declined only 0.3 percent, while total U.S. enplanements declined 5.3 percent. In 2010, Southwest's first full year of service at the Airport enplanements increased 24 percent at the Airport, as traffic was just beginning to recover at other U.S. airports.
- Facing continued financial weakness, increased costs and increased competition, Frontier began to reduce service and discontinue its hubbing activity at the Airport in September 2010. Frontier continued to reduce flights by 22 percent in 2011 and by another 77 percent in 2012 from an average 86 flights per day during its peak level of operations at the Airport in 2010 to an average 15 flights per day in 2012. Other airlines expanded service at the Airport in 2011 and 2012, although not enough to compensate for Frontier's service cuts. As a result, the Airport's enplanements declined 3.4 percent in 2011 and 20.6 percent in 2012. The Airport's total enplanements were down to 3.8 million in 2012, 23 percent lower than the 2010 peak enplanement level and in line with the Airport's annual enplanement levels prior to 2010.
- Through 2010, on average, the Airport's enplanements grew faster than U.S. total enplanements, resulting in an increase in the Airport's share of U.S. total system revenue enplanements from 0.47 percent in 2003 to 0.68 percent in 2010. The Airport's market share had since decreased to 0.51 percent in 2012 because of declining traffic during the past two years.
- Despite recent traffic declines, the Airport achieved a higher average annual enplanement growth rate (2.3 percent) than the U.S. system as a whole (1.3 percent) between 2003 and 2012.
- Frontier has continued to reduce service and hubbing activity in 2013. As of April 2013, Frontier operated only three flights a day from the Airport. The integration of AirTran into Southwest has also resulted in a decrease in their combined flights at the Airport from a peak of 62 flights per day in 2010 to 47 flights per day in April 2013. Total Airport enplanements for first quarter 2013 shows a 19.8 percent decrease from first quarter 2012.

AIRPORT AND U.S. ENPLANEMENTS
2003-2012

Year	GMIA Enplanements [1]	U.S. Enplanements [2]	GMIA's Market Share
2003	3,074,422	656,726,000	0.47%
2004	3,331,255	714,014,000	0.47%
2005	3,629,554	747,171,000	0.49%
2006	3,641,503	750,791,000	0.49%
2007	3,868,098	775,989,000	0.50%
2008	4,000,765	749,242,000	0.53%
2009	3,987,607	709,290,000	0.56%
2010	4,927,558	726,545,000	0.68%
2011	4,760,952	737,392,000	0.65%
2012	3,780,315	738,142,000	0.51%
	Average Annual Growth Rate		
2003-2012	2.3%	1.3%	-

[1] Source: Airport System Management records.
[2] Source: Bureau of Transportation Statistics, U.S. system revenue passenger enplanements.

The below table shows that the large majority of the Airport's passengers are bound for U.S. destinations. In 2012 domestic enplanements accounted for nearly 99 percent of annual enplanements. International traffic is very small, but it increased at a higher average annual rate than domestic traffic from 2003 through 2012.

DOMESTIC AND INTERNATIONAL ENPLANEMENTS
2003-2012 and January-March 2013

	Domestic[1]		International[2]		Total
Year	Enplanements	Share	Enplanements	Share	Enplanements
2003	3,046,301	99.1%	28,121	0.9%	3,074,422
2004	3,303,947	99.2%	27,308	0.8%	3,331,255
2005	3,601,657	99.2%	27,898	0.8%	3,629,554
2006	3,614,863	99.3%	26,640	0.7%	3,641,503
2007	3,839,368	99.3%	28,731	0.7%	3,868,098
2008	3,973,739	99.3%	27,027	0.7%	4,000,765
2009	3,963,619	99.4%	23,989	0.6%	3,987,607
2010	4,896,990	99.4%	30,568	0.6%	4,927,558
2011	4,712,624	99.0%	48,329	1.0%	4,760,952
2012	3,737,482	98.9%	42,833	1.1%	3,780,315
Jan-Mar 2012	959,817	97.6%	23,941	2.4%	983,758
Jan-Mar 2013	759,585	96.3%	29,590	3.7%	789,175
	Average Annual Growth Rates				
2003-2012	2.3%	-	4.8%	-	2.3%
Jan-Mar 2013	-20.9%	-	23.6%	-	-19.8%

[1] Includes enplanements by Air Canada Jazz.
[2] Estimated as one half of total international passengers.
Source: Airport System Management records.

Origin and destination ("O&D") traffic, which accounted for approximately 87 percent of the Airport's 2012 enplanements, provides a strong and stable market base for air travel demand. O&D enplanements increased an average 2 percent annually from 2.7 million in 2003 to 3.3 million in 2012.

Annual connecting enplanements at the Airport increased from approximately 335,000 in 2003 to approximately 1 million in 2010 and 2011, and then decreased to roughly 499,000 in 2012. Connecting traffic continued declining during the first quarter of 2013; for the entire year 2013, connecting enplanements are projected to decrease 32 percent to approximately 159,000. The following table presents the distribution of enplanements at the Airport by type of service:

O&D AND CONNECTING ENPLANEMENTS
2003-2012 and January-March 2013

	O&D		Connecting		Total
Year	Enplanements	Share	Actual	Share	Enplanements
2003	2,739,291	89.1%	335,132	10.9%	3,074,422
2004	2,901,637	87.1%	429,619	12.9%	3,331,255
2005	3,017,230	83.1%	612,324	16.9%	3,629,554
2006	3,041,268	83.5%	600,236	16.5%	3,641,503
2007	3,223,998	83.3%	644,101	16.7%	3,868,098
2008	3,263,527	81.6%	737,239	18.4%	4,000,765
2009	3,199,198	80.2%	788,410	19.8%	3,987,607
2010	3,866,789	78.5%	1,060,770	21.5%	4,927,558
2011	3,754,817	78.9%	1,006,136	21.1%	4,760,952
2012	3,281,412	86.8%	498,904	13.2%	3,780,315
Jan-Mar 2012	817,455	83.1%	166,304	16.9%	983,758
Jan-Mar 2013	750,537	95.1%	38,638	4.9%	789,175
	Average Annual Growth Rate				
2003-2012	2.0%	-	4.5%	-	2.3%
Jan-Mar 2013	-8.2%	-	-76.8%	-	-19.8%

Source: Airport System Management records.

The following table shows the trends in airline market shares at the Airport for the years 2009 through 2012, and the first quarter of 2013. Airline market share is discussed in detail in APPENDIX A "FINANCIAL FEASIBILITY REPORT," Section IV – Airline Market Shares.

GENERAL MITCHELL INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENTS AND MARKET SHARES
2009-2012 and January-March 2013

	Enplanements					Market Share				
Airline	**2009**	**2010**	**2011**	**2012**	**2013 YTD Mar**	**2009**	**2010**	**2011**	**2012**	**2013 YTD Mar**
Mainline Carrier										
AirTran	930,278	1,339,492	1,522,118	1,204,978	145,782	23.3%	27.2%	32.0%	31.9%	18.5%
American			78,866	57,922	19,861	0.0%	0.0%	1.7%	1.5%	2.5%
Continental	732					0.0%	0.0%	0.0%	0.0%	0.0%
Delta	86,514	596,414	591,351	586,161	152,655	2.2%	12.1%	12.4%	15.5%	19.3%
Frontier	128,706	559,148	1,373,437	384,677	32,724	3.2%	11.3%	28.8%	10.2%	4.1%
Midwest	513,715	701,331				12.9%	14.2%	0.0%	0.0%	0.0%
Northwest	509,675					12.8%	0.0%	0.0%	0.0%	0.0%
Southwest	63,245	392,068	425,535	679,351	232,233	1.6%	8.0%	8.9%	18.0%	29.4%
United				111,305	27,625	0.0%	0.0%	0.0%	2.9%	3.5%
USA 3000	21,170					0.5%	0.0%	0.0%	0.0%	0.0%
US Airways	87,736	87,054	81,587	82,647	21,159	2.2%	1.8%	1.7%	2.2%	2.7%
Subtotal - Mainline	**2,341,771**	**3,675,507**	**4,072,894**	**3,107,041**	**632,039**	**58.7%**	**74.6%**	**85.5%**	**82.2%**	**80.1%**
Regional/Commuter Carrier										
Air Canada Jazz	12,701	13,252	13,789	11,748	2,229	0.3%	0.3%	0.3%	0.3%	0.3%
SkyWest (AirTran Connection)	5,736	135,411				0.1%	2.7%	0.0%	0.0%	0.0%
American Eagle (American Connection)	119,955	111,320	32,868	57,990	13,986	3.0%	2.3%	0.7%	1.5%	1.8%
Chautauqua (American Connection)	22,357	47,213	55,229	36,419	5,363	0.6%	1.0%	1.2%	1.0%	0.7%
Express Jet (American Connection)					2,031	0.0%	0.0%	0.0%	0.0%	0.3%
Subtotal-American Connection	142,312	158,533	88,097	94,409	21,380	3.6%	3.2%	1.9%	2.5%	2.7%
Continental Express (ExpressJet)	160,593	762				4.0%	0.0%	0.0%	0.0%	0.0%
Atlantic Coast (Delta Connection)						0.0%	0.0%	0.0%	0.0%	0.0%
Atlantic Southeast (Delta Connection)	51,737	25,269	20,037	1,525		1.3%	0.5%	0.4%	0.0%	0.0%
Chautauqua (Delta Connection)	36,231	594	1,362	2,350	2,976	0.9%	0.0%	0.0%	0.1%	0.4%
Comair (Delta Connection)	17,162	11,228	48,948	14,242		0.4%	0.2%	1.0%	0.4%	0.0%
Compass (Delta Connection)		5,098	18,471	23,272	2,268	0.0%	0.1%	0.4%	0.6%	0.3%
Express Jet (Delta Connection)		157,132	30,260	17,011	7,180	0.0%	3.2%	0.6%	0.4%	0.9%
Freedom (Delta Connection)		716				0.0%	0.0%	0.0%	0.0%	0.0%
Go Jet (Delta Connection)				30,692	6,952	0.0%	0.0%	0.0%	0.8%	0.9%
Mesaba (Delta Connection)		6,693	9,473	75		0.0%	0.1%	0.2%	0.0%	0.0%
Pinnacle (Delta Connection)	25,525	47,037	28,762	50,075	9,866	0.6%	1.0%	0.6%	1.3%	1.3%
Shuttle America (Delta Connection)	1,735	29,901	3,534	18,895	8,689	0.0%	0.6%	0.1%	0.5%	1.1%
SkyWest (Delta Connection)	48,208	32,875	39,437	77,296	10,822	1.2%	0.7%	0.8%	2.0%	1.4%
Subtotal-Delta Connection	180,598	316,543	200,284	235,433	48,753	4.5%	6.4%	4.2%	6.2%	6.2%
Great Lakes Airlines	5,468	6,008	1,444			0.1%	0.1%	0.0%	0.0%	0.0%
Chautauqua (Mid/Front Connect)	78,957	386,487				2.0%	7.8%	0.0%	0.0%	0.0%
Republic (Mid/Front Connect)	398,804					10.0%	0.0%	0.0%	0.0%	0.0%
SkyWest (Midwest Connect)	380,373					9.5%	0.0%	0.0%	0.0%	0.0%
Subtotal-Midwest Connect	858,134	386,487	0	0	0	21.5%	7.8%	0.0%	0.0%	0.0%
Compass (NW Airlink)	9,916					0.2%	0.0%	0.0%	0.0%	0.0%
Mesaba (NW Airlink)	24,327					0.6%	0.0%	0.0%	0.0%	0.0%
Pinnacle (NW Airlink)	14,908					0.4%	0.0%	0.0%	0.0%	0.0%
Subtotal-Northwest Airlink	49,151					1.2%	0.0%	0.0%	0.0%	0.0%
Express Jet (United(CO) Express)			103,182			0.0%	0.0%	2.2%	0.0%	0.0%
Mesa (United Express)	20,451					0.5%	0.0%	0.0%	0.0%	0.0%
SkyWest (United Express)	108,441	136,177	170,777	199,782	48,005	2.7%	2.8%	3.6%	5.3%	6.1%
Trans States (United Express)	2,925					0.1%	0.0%	0.0%	0.0%	0.0%
Subtotal-United Express	131,817	136,177	273,959	199,782	48,005	3.3%	2.8%	5.8%	5.3%	6.1%
Air Wisconsin (US Airways Express)	77,797	89,780	85,091	111,962	32,172	2.0%	1.8%	1.8%	3.0%	4.1%
PSA (US Airways Express)	15,295	2,051	19,078	13,177	2,926	0.4%	0.0%	0.4%	0.3%	0.4%
Republic (US Airways Express)	257					0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal-US Airways Express	93,349	91,831	104,169	125,139	35,098	2.3%	1.9%	2.2%	3.3%	4.4%
Subtotal - Regional/Commuter	**1,639,859**	**1,245,004**	**681,742**	**666,511**	**155,465**	**41.1%**	**25.3%**	**14.3%**	**17.6%**	19.7%
Subtotal - Charter	**5,977**	**7,047**	**6,316**	**6,763**	**1,671**	**0.1%**	**0.1%**	**0.1%**	**0.2%**	0.2%
TOTAL - ALL AIRLINES	**3,987,607**	**4,927,558**	**4,760,952**	**3,780,315**	**789,175**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	100.0%

Source: Airport System Management records.

AIRPORT SYSTEM INDEBTEDNESS

Airport Revenue Debt

The County has issued general airport revenue bonds, which are paid from Airport System Revenues. The following two tables provide the Airport revenue debt by issue and by payment source respectively.

Airport Revenue Debt by Issue

Date of Issue	GARB Issue	Amount Issued	Final Maturity	Interest Rates Outstanding	Principal Outstanding
01/01/2003	Airport Revenue, Series 2003A*	$ 7,125,000	12/01/2022	4.625% - 5.50%	--
03/31/2004	Airport Revenue, Series 2004A	37,360,000	12/01/2029	4.50% - 5.00%	$ 29,545,000
12/22/2005	Airport Revenue, Series 2005A	29,010,000	12/01/2030	4.00% - 5.25%	28,240,000
12/22/2005	Airport Revenue Ref., Series 2005B	7,755,000	12/01/2014	4.00%	1,970,000
11/16/2006	Airport Revenue, Series 2006A	25,665,000	12/01/2031	4.00% - 5.00%	22,300,000
11/16/2006	Airport Revenue Ref., Series 2006B	5,020,000	12/01/2015	5.00%	1,065,000
11/15/2007	Airport Revenue, Series 2007A	13,445,000	12/01/2032	4.125% - 5.00%	11,875,000
12/10/2009	Airport Revenue, Series 2009A	12,690,000	12/01/2032	3.00% - 5.125%	12,690,000
12/10/2009	Airport Revenue Ref., Series 2009B	2,350,000	12/01/2014	3.00% - 4.00%	915,000
10/14/2010	Airport Revenue, Series 2010A	31,570,000	12/01/2034	3.00% - 5.00%	31,570,000
10/14/2010	Airport Revenue Ref., Series 2010B	51,590,000	12/01/2023	4.00% - 5.00%	43,600,000
	Subtotal - Existing Debt				$183,770,000
08/14/2013	Airport Revenue, Series 2013A	$ 47,095,000	12/01/2038	5.00% - 5.25%	$ 47,095,000
08/14/2013	Airport Revenue Ref., Series 2013B	3,330,000	12/01/2022	2.25% - 4.00%	3,330,000
	Subtotal - The 2013 Bonds				$ 50,425,000
	Total GARBS				$ 234,195,000

* Principal Outstanding reflects refunding by the Series 2013B Bonds.

Airport Revenue Debt by Payment Source

GARB Issue	Airfield	Terminal	Apron	PFC	Total
Airport Revenue, Series 2004A	--	11.1%	--	88.9%	100.0%
Airport Revenue, Series 2005A	--	8.3%	--	91.7%	100.0%
Airport Revenue Ref., Series 2005B	--	69.5%	2.1%	28.4%	100.0%
Airport Revenue, Series 2006A	--	11.8%	1.2%	87.0%	100.0%
Airport Revenue Ref., Series 2006B	--	26.0%	--	74.0%	100.0%
Airport Revenue, Series 2007A	6.9%	14.0%	--	79.1%	100.0%
Airport Revenue, Series 2009A	--	75.0%	--	25.0%	100.0%
Airport Revenue Ref., Series 2009B	10.2%	83.3%	6.5%	--	100.0%
Airport Revenue, Series 2010A	--	50.7%	--	49.3%	100.0%
Airport Revenue Ref., Series 2010B	--	100.0%	--	--	100.0%
Airport Revenue, Series 2013A	3.8%	74.8%	--	24.5%	100.0%
Airport Revenue Ref., Series 2013B	--	100.0%	--	--	100.0%

General Obligation Debt Paid From Airport Revenues

The County has issued general obligation bonds, which are paid from Airport System Revenues. The debt service on these general obligation bonds will be paid from the General Obligation Bond Fund described in "APPENDIX C-Summary of Certain Provisions of Resolution – Creation of Funds; Flow of Funds."

Outstanding Airport Debt Service

	General Obligation Airport Bonds			Outstanding Airport Revenue Bonds [1]			2013 Bonds			
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total D.S.
2013	$1,099,579	$107,616	$1,207,195	$8,255,000	$8,776,665	$17,031,665	-	$757,842	$757,842	$18,996,703
2014	1,103,156	71,330	1,174,487	8,375,000	8,391,415	16,766,415	$390,000	2,549,750	2,939,750	20,880,652
2015	301,836	33,823	335,659	9,565,000	7,996,265	17,561,265	1,435,000	2,534,150	3,969,150	21,866,074
2016	298,706	22,957	321,663	9,415,000	7,553,403	16,968,403	1,480,000	2,466,300	3,946,300	21,236,366
2017	297,588	11,606	309,194	9,645,000	7,107,378	16,752,378	1,535,000	2,396,150	3,931,150	20,992,722
2018	-	-	-	9,900,000	6,629,703	16,529,703	1,590,000	2,323,250	3,913,250	20,442,953
2019	-	-	-	10,170,000	6,143,634	16,313,634	1,635,000	2,254,200	3,889,200	20,202,834
2020	-	-	-	10,445,000	5,642,990	16,087,990	1,685,000	2,181,575	3,866,575	19,954,565
2021	-	-	-	10,730,000	5,132,009	15,862,009	1,745,000	2,104,425	3,849,425	19,711,434
2022	-	-	-	11,010,000	4,645,559	15,655,559	1,805,000	2,022,781	3,827,781	19,483,340
2023	-	-	-	11,325,000	4,119,678	15,444,678	1,540,000	1,937,138	3,477,138	18,921,815
2024	-	-	-	7,845,000	3,576,709	11,421,709	1,625,000	1,856,288	3,481,288	14,902,996
2025	-	-	-	8,205,000	3,208,684	11,413,684	1,710,000	1,770,975	3,480,975	14,894,659
2026	-	-	-	8,600,000	2,822,584	11,422,584	1,795,000	1,681,200	3,476,200	14,898,784
2027	-	-	-	9,010,000	2,409,140	11,419,140	1,890,000	1,586,963	3,476,963	14,896,103
2028	-	-	-	9,430,000	1,992,996	11,422,996	1,990,000	1,487,738	3,477,738	14,900,734
2029	-	-	-	9,870,000	1,555,403	11,425,403	2,095,000	1,383,263	3,478,263	14,903,665
2030	-	-	-	7,785,000	1,094,993	8,879,993	2,205,000	1,273,275	3,478,275	12,358,268
2031	-	-	-	5,585,000	711,988	6,296,988	2,315,000	1,163,025	3,478,025	9,775,013
2032	-	-	-	4,035,000	431,525	4,466,525	2,435,000	1,041,488	3,476,488	7,943,013
2033	-	-	-	2,230,000	228,500	2,458,500	2,565,000	913,650	3,478,650	5,937,150
2034	-	-	-	2,340,000	117,000	2,457,000	2,695,000	785,400	3,480,400	5,937,400
2035	-	-	-	-	-	-	2,835,000	643,913	3,478,913	3,478,913
2036	-	-	-	-	-	-	2,985,000	495,075	3,480,075	3,480,075
2037	-	-	-	-	-	-	3,140,000	338,363	3,478,363	3,478,363
2038	-	-	-	-	-	-	3,305,000	173,513	3,478,513	3,478,513
2039	-	-	-	-	-	-	-	-	-	-
Total	3,100,866	247,332	3,348,199	183,770,000	90,288,217	274,058,217	50,425,000	40,121,686	90,546,686	367,953,101

1. Includes Series 2004A, 2005A, 2005B, 2006A, 2006B, 2007A, 2009A, 2009B, 2010A and 2010B

REPORT OF THE AIRPORT CONSULTANT

The County has retained the Airport Consultant to prepare the report attached hereto as APPENDIX A "FINANCIAL FEASIBILITY REPORT," which describes, among other matters, the County's capital plans for the Airport System, an analysis of the Airport's service area and economic base, a summary of historical and projected air traffic at the Airport, and a financial analysis, including estimates of revenues, operation and maintenance expenses and annual debt service coverage following the issuance of the 2013 Bonds (the "Financial Feasibility Report"). The Financial Feasibility Report should be read in its entirety for an explanation of the assumptions and forecasts used therein.

The conclusions, forecasts, and much of the other information included in the Financial Feasibility Report are based on the assumptions stated therein. Such assumptions are based on present circumstances and information currently available, which was furnished by the County and other sources. The Airport Consultant expresses no opinion as to the accuracy of the financial source data or other materials utilized in preparing the Financial Feasibility Report. Prospective purchasers should be aware that there might be differences between the projected and actual results, because events and circumstances may not occur as expected and those differences may be material. The achievement of any financial forecast is dependent upon future events that cannot be assured.

The assumptions described above and the analyses contained in the attached report have resulted in the findings described below:

- The local demographic and economic trends reflect a diverse and growing socio-economic base that will continue to support growth in air travel demand.

- The Airport's enplanements are projected to significantly decline in 2013, continue declining in 2014, and return to an upward trend beginning in 2015. Under the base scenario, the Airport's enplanements decrease to 3.16 million in 2014 and then increase to 3.68 million in 2018, representing a 0.5 percent average annual rate of decline between 2012 and 2018. Under the alternate scenario, the Airport's enplanements decrease to 3.03 million in 2014 and then increase to 3.36 million in 2018, representing a 0.5 percent average annual rate of decline between 2012 and 2018.

- Total Airport System Revenues, based on the base enplanement forecast, are projected to increase from approximately \$83.9 million in 2012 to approximately \$107.2 million in 2018.

- The airline cost per enplaned passenger, under the base enplanement forecast, is projected to increase to a high of \$9.63 in 2015 before declining to \$7.37 in 2018.

- Annual net discretionary cash flow is projected to fluctuate from approximately \$3.4 million in 2012 to approximately \$7.6 million in 2018.

- Debt service coverage, assuming the base enplanement forecast, is projected to fluctuate from 1.66 in 2012 to 1.67 in 2018, and is projected to remain above the 1.25 debt service coverage minimum requirement throughout the forecast period.

The financial projections presented in the Financial Feasibility Report are based on information and assumptions that have been provided by Airport System Management, or developed by the Airport Consultant and reviewed with and confirmed by Airport System Management. Based upon their review, the Airport Consultant believes that the information is accurate and that the assumptions provide a reasonable basis for the forecast. However, some variations may be material. The Financial Feasibility Report should be considered in its entirety for an understanding of the forecast and the underlying assumptions.

MILWAUKEE COUNTY AIRPORT SYSTEM
CASH FLOW AND DEBT SERVICE COVERAGE
FOR YEARS 2012 – 2018
BASE CASE

Cash Flow and	ACTUAL	BUDGET	ESTIMATE	PROJECTED				
Debt Service Coverage	**2012**	**2013**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
AIRPORT SYSTEM REVENUES								
TOTAL REVENUES	$83,891,630	$89,327,332	$87,012,397	$88,298,102	$94,128,447	$99,289,576	$103,431,605	$107,152,843
O&M EXPENSES	58,660,142	63,280,478	60,208,131	62,419,700	64,506,598	66,751,765	69,157,722	71,620,610
NET REVENUES	$25,231,488	$26,046,854	$26,804,266	$25,878,402	$29,621,850	$32,537,811	$34,273,882	$35,532,233
NET DISCRETIONARY CASH FLOW								
Net Revenues	$25,231,488	$26,046,854	$26,804,266	$25,878,402	$29,621,850	$32,537,811	$34,273,882	$35,532,233
Less: Debt Service								
G.O. Bonds	$183,456	$133,285	$133,285	$133,719	$36,587	$36,208	$36,072	$0
Series 2003A Bonds	586,406	569,531	569,531	-	-	-	-	-
Series 2004A Bonds	2,542,150	2,541,650	2,541,650	2,538,400	2,542,400	2,543,150	2,540,650	2,539,900
Series 2005A Bonds	1,534,390	1,535,190	1,535,190	1,535,790	2,581,190	2,580,028	2,580,715	2,577,990
Series 2005B Bonds	1,046,000	1,043,800	1,043,800	1,045,200	-	-	-	-
Series 2006A Bonds	1,836,900	1,837,900	1,837,900	1,837,700	1,841,300	1,838,500	1,839,500	1,840,250
Series 2006B Bonds	436,500	413,250	413,250	390,250	367,500	-	-	-
Series 2007A Bonds	932,363	934,863	934,863	931,363	932,113	931,863	935,613	933,113
Series 2009A Bonds	579,669	579,669	579,669	579,669	1,069,669	1,069,969	1,068,556	1,070,356
Series 2009B Bonds	513,275	492,000	492,000	473,200	-	-	-	-
Series 2010A Bonds	1,442,343	1,442,343	1,442,343	1,442,343	2,457,343	2,456,894	2,460,094	2,460,594
Series 2010B Bonds	6,430,250	6,211,000	6,211,000	5,992,500	5,769,750	5,548,000	5,327,250	5,107,500
Series 2013A Bonds [1]	-	-	177,507	597,218	3,480,638	3,478,388	3,478,638	3,481,138
Series 2013B Bonds	-	-	33,917	504,113	488,513	467,913	452,513	432,113
Future Bonds [1]	-	-	-	-	-	1,940,557	4,562,996	4,562,996
Less: Deposits to Coverage Fund	-	-	622,512	-	-	1,140,749	-	-
Less: Depreciation	3,725,576	3,751,618	3,751,618	3,564,037	3,385,835	3,216,543	3,055,716	2,902,930
Less: Reimbursement of Tax Levy	-	-	-	-	-	-	-	-
Net Discretionary Cash Flow	$3,442,210	$4,560,755	$4,484,232	$4,312,900	$4,669,013	$5,289,051	$5,935,570	$7,623,353
COVERAGE CALCULATION								
Net Revenues	$25,231,488	$26,046,854	$26,804,266	$25,878,402	$29,621,850	$32,537,811	$34,273,882	$35,532,233
Add Other Available Funds:								
Series 2003A Bonds Coverage	$146,602	$142,383	$142,383	$0	$0	$0	$0	$0
Series 2004A Bonds Coverage	635,538	635,413	635,413	634,600	635,600	635,788	635,163	634,975
Series 2005A Bonds Coverage	383,598	383,798	383,798	383,948	645,298	645,007	645,179	644,498
Series 2005B Bonds Coverage	261,500	260,950	260,950	261,300	-	-	-	-
Series 2006A Bonds Coverage	459,225	459,475	459,475	459,425	460,325	459,625	459,875	460,063
Series 2006B Bonds Coverage	109,125	103,313	103,313	97,563	91,875	-	-	-
Series 2007A Bonds Coverage	233,091	233,716	233,716	232,841	233,028	232,966	233,903	233,278
Series 2009A Bonds Coverage	144,917	144,917	144,917	144,917	267,417	267,492	267,139	267,589
Series 2009B Bonds Coverage	128,319	123,000	123,000	118,300	-	-	-	-
Series 2010A Bonds Coverage	360,586	360,586	360,586	360,586	614,336	614,223	615,023	615,149
Series 2010B Bonds Coverage	1,607,563	1,552,750	1,552,750	1,498,125	1,442,438	1,387,000	1,331,813	1,276,875
Series 2013A Bonds Coverage	-	-	44,377	149,305	870,159	869,597	869,659	870,284
Series 2013B Bonds Coverage	-	-	8,479	126,028	122,128	116,978	113,128	108,028
Future Bonds Coverage	-	-	-	-	-	485,139	1,140,749	1,140,749
Net Revenues plus Other Available Funds	$29,701,550	$30,447,153	$31,257,421	$30,345,339	$35,004,453	$38,251,626	$40,585,513	$41,783,720
Debt Service:								
Series 2003A Bonds	586,406	569,531	569,531	-	-	-	-	-
Series 2004A Bonds	2,542,150	2,541,650	2,541,650	2,538,400	2,542,400	2,543,150	2,540,650	2,539,900
Series 2005A Bonds	1,534,390	1,535,190	1,535,190	1,535,790	2,581,190	2,580,028	2,580,715	2,577,990
Series 2005B Bonds	1,046,000	1,043,800	1,043,800	1,045,200	-	-	-	-
Series 2006A Bonds	1,836,900	1,837,900	1,837,900	1,837,700	1,841,300	1,838,500	1,839,500	1,840,250
Series 2006B Bonds	436,500	413,250	413,250	390,250	367,500	-	-	-
Series 2007A Bonds	932,363	934,863	934,863	931,363	932,113	931,863	935,613	933,113
Series 2009A Bonds	579,669	579,669	579,669	579,669	1,069,669	1,069,969	1,068,556	1,070,356
Series 2009B Bonds	513,275	492,000	492,000	473,200	-	-	-	-
Series 2010A Bonds	1,442,343	1,442,343	1,442,343	1,442,343	2,457,343	2,456,894	2,460,094	2,460,594
Series 2010B Bonds	6,430,250	6,211,000	6,211,000	5,992,500	5,769,750	5,548,000	5,327,250	5,107,500
Series 2013A Bonds	-	-	177,507	597,218	3,480,638	3,478,388	3,478,638	3,481,138
Series 2013B Bonds	-	-	33,917	504,113	488,513	467,913	452,513	432,113
Future Bonds	-	-	-	-	-	1,940,557	4,562,996	4,562,996
Total GARB Debt Service	$17,880,246	$17,601,196	$17,812,619	$17,867,746	$21,530,415	$22,855,259	$25,246,523	$25,005,949
DEBT SERVICE COVERAGE	**1.66**	**1.73**	**1.75**	**1.70**	**1.63**	**1.67**	**1.61**	**1.67**

[1] Net of capitalized interest.

MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED AIRLINE COST PER ENPLANED PASSENGER
For Years 2012 – 2018
BASE CASE

Year	Landing Fees [1]	Terminal Rents & Charges	Apron Fees	Total Airline Payments	Enplaned Passengers	Cost Per Enplaned Passenger
2012 act.	$18,045,646	$3,883,850	$1,264,831	$23,194,327	3,780,315	$6.14
2013 bud.	$21,499,827	$8,783,541	$1,218,778	$31,502,147	3,850,200	$8.18
2013 est.	$19,970,330	$7,717,582	$1,158,946	$28,846,858	3,240,900	$8.90
2014	$20,586,353	$8,468,674	$1,199,046	$30,254,073	3,155,800	$9.59
2015	$21,351,874	$9,296,691	$1,185,648	$31,834,212	3,305,657	$9.63
2016	$22,081,744	$5,206,242	$1,228,265	$28,516,251	3,469,089	$8.22
2017	$22,865,965	$2,378,538	$1,274,124	$26,518,627	3,601,771	$7.36
2018	$23,669,451	$2,112,733	$1,321,075	$27,103,259	3,677,437	$7.37

[1] Excludes landing fees paid by cargo carriers and military aircraft.

The above table presents the projected airline cost per enplanement ("CPE") for the years 2013 – 2018. The CPE is derived from dividing the amount charged to the airlines for use of the airport by the estimated total enplanements. As indicated, the CPE is projected to increase to a high of $9.63 in 2014 before decreasing to $7.37 in 2018. CPEs from similar airports were obtained by the Airport Consultant through a survey which was supported by telephone conversations with staff to clarify the responses received. Although widely used for the purpose of comparing the cost of one airport to another, information at one airport may not be comparable to another airport without recognizing and accounting for differences as discussed below:

1. The Airport's costs are forecast while the comparison costs are most often historical.

2. The Airport's CPE forecast includes the costs of the total 2013 – 2017 CIP, while the comparative airports included only historic costs. Most mid-sized airports have ongoing capital improvement plans that will likely impact future costs for the comparable airports.

The survey results identified a range of CPEs beginning with a low of $2.76 to a high of $15.74. The Airport's projected CPE appears reasonable when compared to similar type airports after taking into account the concerns discussed above; and the 2013 – 2017 CIP is completed in accordance with the current funding plan.

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INVESTMENT CONSIDERATIONS

Purchase of the 2013 Bonds is subject to certain risks. Prospective purchasers of the 2013 Bonds are urged to read this Official Statement, including all of the Appendices, in its entirety, giving particular attention to the following matters:

Under the General Bond Resolution the County has covenanted to establish and impose a schedule of rates and charges for the use of the Airport System so that in each fiscal year the Revenues will be sufficient to pay operation and maintenance expenses of the Airport System, to pay debt service on the 2013 Bonds and the Outstanding Bonds and to make the required deposits to the other funds established under the Resolution. See “SECURITY FOR THE 2013 BONDS – Rate Covenant.”

Use of Financial Assumptions by the County

Operations of the Airport System and the setting of rates and charges by the County with respect to the Airport System are based on a number of assumptions, which the County believes are reasonable, although one or more of these assumptions may prove incorrect. Such assumptions include, among others, that (a) there will not be significant reductions in the level of aviation activity at the Airport, or if there are, that rates and charges to airlines operating at the Airport can be adjusted upward to offset any such reduction, (b) airlines operating at the Airport will remain able to pay amounts owing under the AUA, (c) various federal airport funding programs (including Airport Improvement Programs and Passenger Facility Charges) will continue, (d) projections of operations and maintenance expenses and non-airline revenues for the Airport System are reasonably accurate and (e) there are not significant changes in the airline industry generally which adversely affect the Airport System. Any significant variation in any of these and other assumptions could have a material adverse effect on the Airport System, the financial condition of the Airport System and the forecasts contained in APPENDIX A hereto.

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See “REPORT OF THE AIRPORT CONSULTANT” and APPENDIX A “FINANCIAL FEASIBILITY REPORT.”

Forecast Uncertainty and Risk Factors

The forecasts of aviation activity have been developed based on specific assumptions about the availability and characteristics of airline service at the Airport, key measurable factors that drive demand for air travel, and information available at the time of the analysis. There are broader factors affecting the entire aviation industry and introduce risk and uncertainty into the forecasts. Some of these factors are discussed below.

National Economic Conditions

The demand for air travel and related services is affected by prevailing economic conditions. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand. The U.S. economy peaked in December 2007 and entered a period of recession. Compared to the 2001 recession, which was mild and brief, the 2008-2009 recession had a strong and long-lasting effect on the economy. U.S. real GDP declined from the first quarter of 2008 through the second quarter of 2009. The deepest decline occurred during fourth quarter 2008. The recession ended in second quarter 2009, but subsequent real GDP growth rates reflect an abnormally weak recovery. Various economic sources expect this recovery to continue below historical patterns.

Overall Financial Health of the U.S. Airline Industry

Within the past decade, a number of factors combined to weaken U.S. airlines' financial results. Passenger and air cargo demand declined after the 2001 and 2008-2009 recessions. Air traffic recovery after the 2009 economic trough has been very slow. Fuel prices spiked and remain at record high levels.

U.S. airlines reported net losses for five consecutive years (from 2001 through 2005), with cumulative losses totaling \$57.7 billion. The industry began to see positive results in 2006, and continued to improve in 2007 despite record high oil prices. U.S. airlines earned a net profit of \$18.2 billion in 2006 and \$7.7 billion in 2007. Jet fuel prices, however, continued to rise through July 2008. The increase in fuel cost, combined with the severe recession, pushed some airlines into bankruptcy and liquidation. Other airlines reacted by reducing staff and seat capacity. The industry also offered multiple fare sales to stimulate demand, but these depressed revenues instead. As a result, U.S. airlines incurred net losses totaling \$23.7 billion in 2008. As jet fuel prices decreased in 2009, net losses reported by the U.S. airlines decreased to \$2.6 billion. With demand rebounding in 2010, fuel prices began to increase again. Airlines responded to this increase in fuel price with significant capacity cuts and fleet adjustments, retiring small regional aircraft and older mainline aircraft. They also introduced service charges for check-in baggage, priority seating, and on-board food. The industry began to see net profits in 2010 that have continued through 2013. See also "INFORMATION ABOUT CERTAIN AIRLINES SERVING THE AIRPORT – Airline Information" herein.

Airline Economics, Competition, and Airfares.

Airfares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. Future passenger numbers, both nationwide and at the Airport will depend on the level of airfares.

Airline Mergers

To respond to competitive, cost and regulatory pressures, the airline industry has been consolidating. The most recent examples of large mergers include Delta and Northwest in 2009, United and Continental in 2010, and Southwest and AirTran in 2011. In February 2013, American and US Airways announced a merger that is currently being negotiated and reviewed. Airline mergers affect service and traffic at airports, when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports is often immediate. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at the Airport and whether they carry significant connecting traffic through the Airport.

The Airport has begun to experience the effects of the Southwest and AirTran merger, as Southwest has begun consolidating airport facilities and adjusting flight offerings. At the Airport, Southwest's integration of AirTran and network optimization resulted in a decrease in combined flights from an average of 62 flights per day in 2010 (the highest level) to an average of 55 flights per day in 2012. As of April 2013, Southwest and AirTran combined flights at the Airport average 47 per day. These decreases in the combined Southwest and AirTran flights have been considered in the activity forecasts. The forecasts, however, assume no further reduction in the combined Southwest and AirTran service beyond the reduction in the 2013 flight schedules, published as of April 2013.

Together American Airlines, US Airways, and their regional affiliates accounted for 9.5 percent of total Airport enplanements in 2012. This merger is not expected to have a significant impact on the Airport, because the two airlines account for a relatively small share of total Airport enplanements and do not carry connecting traffic through the Airport.

Price of Jet Fuel

The financial health of the airline industry is affected by the price of jet fuel. From 2000 to 2012, the price of jet fuel increased 258 percent, while the U.S. Consumer Price Index – the price of a representative basket of U.S. goods and services – increased only 33.0 percent. As a result, fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, rose to over 35 percent, according to Airlines For America. Fuel prices have fallen dramatically since July 2008, but they are beginning to rise again.

U.S. AVERAGE JET FUEL PRICE AND THE U.S. CONSUMER PRICE INDEX
2000-2012

Year	U.S. Jet Fuel Price (Dollars per gallon)	U.S. CPI (1982-84=100)
2000	$0.80	172.2
2001	$0.78	177.1
2002	$0.71	179.9
2003	$0.84	184.0
2004	$1.15	188.9
2005	$1.65	195.3
2006	$1.95	201.6
2007	$2.09	207.3
2008	$3.06	215.3
2009	$1.89	214.5
2010	$2.23	218.1
2011	$2.86	224.9
2012	$2.96	229.6
	Percent Change	
2000-2012	258.0%	33.3%
2011-2012	3.4%	2.1%

Sources: U.S. Bureau of Transportation Statistics and U.S. Bureau of Labor Statistics.

Impact of Federal Sequestration

The full impact of the implementation of the sequestration provisions of the Budget Control Act of 2011 on the aviation industry is still unknown at this time. Airports could be affected by reductions in FAA and Department of Homeland Security ("DHS") budgets.

FAA furloughs of its employees, including air traffic controllers, on April 22, 2013 immediately resulted in flight delays and flight cancellations nationwide. This prompted the enactment of the Reducing Flight Delays Act of 2013 on May 1, 2013, ending furloughs of air traffic controllers by allowing the FAA to transfer funds into its operating budget. The bill, however, does not end the sequestration cuts and could result in a reduction in grant funds for airport capital projects under the Airport Improvement Program.

The DHS budget cut resulted in a hiring freeze for TSA. It could also limit TSA's ability to allow overtime work for existing employees performing airport security screening.

National Security and Threat of Terrorism

Terrorism remains a threat to the aviation industry. Even with tightened security measures implemented by the Department of Homeland Security, terrorists may still disrupt economic and social activities, including air travel. The U.S. Department of Homeland Security periodically updates its assessment of potential threats against the United States, including threats that may target the national aviation system. Travel restrictions imposed pursuant to increased airport security dampen travel demand.

FAA and TSA Budget Cuts

The FAA and TSA budget cuts may affect FAA and TSA operations at U.S. airports. FAA budget cuts may result in a reduction in grant funds for airport capital projects under the Airport Improvement Program. The TSA budget cuts could limit TSA's ability to hire new employees and allow overtime work for existing employees performing airport security screening.

Loss of PFCs

The FAA has the power to terminate the authority to impose PFCs if the County's PFCs are not used for approved projects, if project implementation does not commence within the time period specified in the FAA's regulations or if the County otherwise violates FAA regulations. The County's plan of funding for the Bond Projects is premised on certain assumptions with respect to the timing and amounts of the County's PFC applications, and the availability of PFCs to fund the Bond Projects. If PFCs are lower than those expected or certain portions of the Bond Projects are not determined to be PFC-eligible, the County may elect to delay certain projects or seek alternative sources of funding, including the possible issuance of additional bonds. See "SECURITY FOR THE 2013 BONDS – Additional Bonds." It is not possible to predict whether future restrictions or limitations on airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC Revenue collections for capital projects for the Airport or whether such restrictions or legislation or regulations would adversely affect Gross Revenues.

Additional Funding Needs of the Airport System

The estimated costs of, and the projected schedule for, the Bond Projects, including improvements to the passenger terminal complex, depend on various sources of funding, including federal and state grants, and are subject to a number of uncertainties. The ability of the County to complete the various Bond Projects may be adversely affected by various factors including (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and/or (xi) environmental issues, including environmental approvals that the County has not obtained at this time. A delay in the completion of certain projects could delay the collection of revenues in respect of such projects, increase the costs for such projects, and may cause the rescheduling of other projects. There can be no assurance that the cost of the Bond Projects will not exceed the currently projected dollar amount or that the completion of the Bond Projects will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue additional bonds and may result in increased costs per enplaned passenger to the airlines, which may place the Airport at a competitive disadvantage to other airports.

Presence of Other Airports in the Airport's Primary Service Area

The Airport is the major commercial airport in Wisconsin. The Airport's air service area covers the southeastern region of Wisconsin. The Airport's strategic location within 95 miles of Chicago O'Hare International Airport and Chicago Midway Airport makes it an accessible alternative airport for northern Illinois residents. According to the Airport System Management, the Airport captures some traffic from markets served by the small local airports, because the Airport offers lower fares and more flights. The Airport, however, loses traffic, particularly international passengers, to Chicago O'Hare. There is currently no empirical data to quantify passenger leakage to and from the Airport.

Other airports in the Airport's air service area include Austin-Straubel International Airport (127 miles north of the Airport in Green Bay), Outagamie County Airport in Appleton (113 miles north of the Airport), Chicago O'Hare and Midway (95 miles south of the Airport), and Dane County Regional Airport in Madison (83 miles west of the Airport).

Forward-Looking Statements

This Official Statement and APPENDIX A "FINANCIAL FEASIBILITY REPORT," contain statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "projection," "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. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake the timing or the costs of certain projects.

INFORMATION ABOUT CERTAIN AIRLINES SERVING THE AIRPORT

The information provided below regarding the financial condition of certain airlines serving the Airport has been obtained from publicly available information as of the date hereof, including information publicly filed by such airlines or their parent corporations with the Securities and Exchange Commission. The information below, however, is not a complete summary of such publicly filed information. Information publicly filed by the airlines or their parent corporations may be examined and copies may be obtained at the places and in the manner set forth in the section captioned "Airline Information" below. Neither the County nor the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of such information or undertake any obligation to update such information, whether as a result of new information, future events or otherwise.

General

The County derives a substantial portion of its operating revenues from landing and facility rental fees paid by airlines using the Airport System. The financial strength and stability of these airlines, together with numerous other factors, influence the level of aviation activity within the Airport System and revenues, including PFCs, realized by the County. Individual airline decisions regarding level of service, particularly hubbing activity at the Airport, also affect total enplanements.

Performance of Major Airlines at the Airport

Among major airlines at the Airport, AirTran held the largest share of 31.9 percent of enplanements in 2012. Delta and its affiliates held the second largest share with 21.7 percent. Southwest, the leading low-cost airline, began serving the Airport on November 1, 2009, joining Frontier and AirTran as a low-fare alternative for Airport passengers. In 2012, Southwest held a share of 18.0 percent of enplanements, the third largest share behind Delta. Southwest closed its merger with AirTran Airways on May 2, 2011. The two airlines continue to operate separately at the Airport, and have a combined market share of 49.9 percent. The future operational and financial performances of these airlines will likely influence the activity level at the Airport. Recent developments at these mainline carriers are presented below.

AirTran Airways

AirTran, a wholly owned subsidiary of Southwest Airlines, has been ranked the number one low-cost carrier in the Airline Quality Rating study for the past three years. Most of AirTran's flights originate or terminate in Atlanta, its largest hub. Since 2001, the airline has diversified its network by increasing operations in various markets, including the Airport, Baltimore-Washington, Las Vegas, Minneapolis, New York LaGuardia, Chicago Midway, and Washington National, to protect operations against potential risks that threaten individual markets.

In recent years, AirTran has increased its operations at the Airport and achieved the largest market share of 31.9 percent in 2012, up from 23.3 percent in 2009. This year, as part of the integration of AirTran and Southwest, AirTran's flight schedules show significant cuts in seats that are not fully compensated for by increases in Southwest seats.

Delta Airlines

On May 31, 2007, Northwest Airlines emerged from Chapter 11 bankruptcy protection, which it filed for in September 2005. On October 29, 2008, Delta Air Lines completed its merger with Northwest Airlines, making Delta the largest commercial air carrier in the world. In January 2010, Delta and Northwest finished consolidating their gates and ticket counters.

The combined market share of Delta and Northwest at the Airport fell from 20.7 percent of total Airport enplanements in 2009 to 15.3 percent in 2010, following the merger. Since then Delta's share of Airport enplanements has increased to 21.7 percent in 2012. Delta's flight schedules during the first half of 2013 indicate a 15 percent increase in scheduled seats.

Delta reported a 2012 net income of $1.55 billion, an improvement from its 2011 net income of $1.19 billion, excluding special items, in 2011. The 2012 financial results were the best in a decade.

Southwest Airlines

In 2011, Southwest Airlines celebrated its 40th year of low-cost air service. Southwest announced the closing of the merger with AirTran in May 2011. The merger expanded Southwest's service to Mexico and the Caribbean.

Southwest acquired AirTran in May 2011 and began integrating AirTran into its operations. Southwest still operates AirTran as a separate airline brand. The integration of AirTran is expected to take 3-5 years. During 2012, Southwest received a single operating certificate from the FAA, and has made progress in integrating AirTran operations, fleet, network, and airport facilities. Integrating and optimizing AirTran's route network has involved ending service at certain airports and routes, redeploying aircraft in other markets, and transferring service from AirTran to Southwest. At the Airport, Southwest has begun switching certain AirTran flights to Southwest. Southwest has maintained service to all cities served by AirTran from the Airport, but the flight substitutions have not been one for one.

Southwest Airlines is among the few U.S. airlines that remained profitable through the difficult business environment since the U.S. economic recession of 2001 and the terrorist attacks of September 11, 2001. In January 2013, Southwest Airlines reported a net profit for the 40th consecutive year. For the full year of 2012, net income (including special items) was $421 million, significantly higher than the 2011 net income (including special items) of $178 million. Southwest believes that integrating AirTran, modernizing the fleet, and updating the reservation system will increase revenues and lower expenses.

The combined market share of Southwest and AirTran at the Airport has increased through the merger, reaching 49.9 percent in 2012. Flight schedules for the first half of 2013 show Southwest and AirTran accounting for 52 percent of total seats at the Airport.

Frontier Airlines

Republic Airways Holdings, Inc. acquired both Midwest and Frontier in 2009 and merged the two airlines' operations into Frontier in 2010. In November 2011, Republic Airways Holdings Inc. announced plans to look into the sale of its Frontier Airlines business. Soaring fuel costs and intense competition in Denver, notably from Southwest and United, forced Republic to restructure Frontier and consider cutting its stake to a minority share by 2014 after exchanging equity for employee concessions. To date, Republic has found no buyer for Frontier and continues to operate the airline.

Following the integration of Midwest and Frontier's services, Frontier's share of Airport enplanements initially increased from 16 percent (Midwest and Frontier combined) in 2009 to 29 percent in 2011. Frontier's financial difficulties continued after the merger, prompting significant service cuts at the Airport. In 2012, Frontier's share of Airport enplanements decreased to 10.2 percent.

In recent months, Frontier has announced reduced service at the Airport and has eliminated its hub activity at Milwaukee. In 2012, Frontier had an average of 15 flights per day at the Airport, which was a significant reduction to the average number of flights per day of 86 in 2010. Current OAG schedules suggest a drop to 3 per day for the first half of 2013.

Airline Information

AirTran, Delta, and Southwest Airlines, the airlines with the highest market shares at the Airport, along with certain other major and national airlines serving the Airport or their respective parent corporations are subject to the periodic reporting requirements of the Exchange Act and, in accordance therewith, file reports and other information with the Securities and Exchange Commission. Certain information, including financial information, as of particular dates concerning such airlines or their respective parent corporations is disclosed in certain reports and statements filed with the Commission. Such reports and statements can be inspected in the Public Reference Room of the Commission at 450 Fifth St., N.W., Washington, D.C. 20549, and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and copies of such reports and statements can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Additional information with respect to the filings of the airlines may be retrieved at the SEC.gov site using EDGAR. In addition, each airline is required to file periodic reports of financial and operating statistics with the Department of Transportation. Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590.

Neither the County nor the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the Securities and Exchange Commission or the U.S. Department of Transportation as discussed in the preceding paragraph, including, but not limited to, updates of such information or links to other internet sites accessed through the Commission's website.

LITIGATION

In the opinion of the Milwaukee County Corporation Counsel, there is no litigation of any nature, either pending or, to the best of the Corporation Counsel's knowledge, threatened, which would affect the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal and interest thereon, and neither the corporate existence nor the boundaries of the County nor the title of its present or former officers to their respective offices is being contested.

There are lawsuits pending before the Federal District Court, the Seventh Circuit Court, the federal court of appeals and state courts of Wisconsin involving the County, as a body corporate, or naming officers of the County as defendants. Based upon past experience, the Milwaukee County Corporation Counsel does not believe that such litigation will be determined so as to result individually or in the aggregate in a final judgment against the County, which would materially affect the County's financial position; however, as with all litigation, it is difficult to give a comprehensive prediction of exposure until a case is prepared for trial.

As a result of recent legislation, the County has implemented a number of changes to its pension and retiree healthcare benefits, resulting in economic savings to the County. Legal challenges have been brought against the County regarding the healthcare plan design changes imposed on retirees, the elimination of the Medicare Part B premium reimbursement for future retirees, the reduction in the pension multiplier from 2.0 percent to 1.6 percent for most employees and the modification of the backdrop pension benefit. With the exception of the case related to the backdrop benefit, the cases on these matters have made it through the lower courts, which have ruled in favor of the claimants on Medicare Part B reimbursement and the pension multiplier and in favor of the County on retiree healthcare plan design. All of these rulings are currently on appeal. If the County loses the appeals, there will be a financial impact; however, these impacts have not yet been determined. The case related to the backdrop benefit was just recently filed and no decision has been rendered. The financial consequences of a final decision adverse to the County in either of these cases is unknown as of the date hereof.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2013 Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, and Emile Banks & Associates, LLC, Milwaukee, Wisconsin, Co-Bond Counsel (the "Co-Bond Counsel"), who have been retained by, and act as, Co-Bond Counsel to the County. Certain legal matters in connection therewith will be passed upon for the County by the Milwaukee County Corporation Counsel and for the Underwriters by their counsel, Gonzalez Saggio & Harlan LLP.

Co-Bond Counsel have not been retained or consulted on disclosure matters, and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the 2013 Bonds, and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in their capacity as Co-Bond Counsel, Chapman and Cutler LLP and Emile Banks & Associates, LLC, have, at the request of the County, supplied the information under the heading " TAX EXEMPTION."

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the 2013 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States of America, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted to comply with all requirements that must be satisfied in order for the interest on the 2013 Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause the interest on the 2013 Bonds to become includible in gross income for federal income tax purposes retroactively to the date of the issuance of the 2013 Bonds.

Subject to the compliance by the County with the above-referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the 2013 Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, except for interest on any 2013 Bonds for any period during which such 2013 Bonds are owned by a person who is a substantial user of the Project or the Prior Project or any person considered to be related to such person (within the meaning of Section 147(a) of the Code). Interest on the 2013 Bonds is included, however, as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations.

In rendering their opinions, Co-Bond Counsel will rely upon certifications of the County with respect to certain material facts within the knowledge of the County relating to the application of the proceeds of the 2013 Bonds. The opinions of Co-Bond Counsel represent their respective legal judgment based upon their respective review of the law and the facts that they each deem relevant to render such opinions, and are not a guarantee of result.

Ownership of the 2013 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2013 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the 2013 Bonds is the price at which a substantial amount of such maturity of the 2013 Bonds is first sold to the public. The Issue Price of a maturity of the 2013 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page of this Official Statement.

If the Issue Price of a maturity of the 2013 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2013 Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity, and who holds such OID Bond to its stated maturity, subject to the condition that the County complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludible from the gross income of the owner thereof for federal income tax purposes (except an owner who is a substantial user of the Project or the Prior Project or any person considered to be related to such person within the meaning of Section 147(a) of the Code); (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue is included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of the 2013 Bonds who dispose of 2013 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2013 Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2013 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2013 Bond is purchased at any time for a price that is less than the stated redemption price of such 2013 Bond at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a 2013 Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income, and is recognized when a 2013 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the election of the purchaser, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2013 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2013 Bonds.

An investor may purchase a 2013 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium," and must be amortized by an investor on a constant yield basis over the remaining term of the 2013 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt obligation. As bond premium is amortized, it reduces the basis of the investor in the 2013 Bond. Investors who purchase a 2013 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the basis of the 2013 Bond for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2013 Bond.

There are or may be pending in the Congress of the United States of America legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the 2013 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations issued prior to enactment. Prospective purchasers of the 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2013 Bonds. If an audit is commenced, under current procedures the Service may treat the County as a taxpayer, and the owners of the 2013 Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2013 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the 2013 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner of a 2013 Bond who fails to provide an accurate Form W-9 Request for

Taxpayer Identification Number and Certification, or a substantially identical form, or to any owner of a 2013 Bond who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

NOT BANK-QUALIFIED OBLIGATIONS

The 2013 Bonds will not be designated "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

UNDERWRITING

The 2013 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") on behalf of the group of Merrill Lynch and Siebert Brandford Shank & Co., L.L.C. (the "Underwriters"), subject to certain terms and conditions set forth in the Bond Purchase Agreement between the County and Merrill Lynch, including the approval of certain legal matters by Co-Bond Counsel and the existence of no material adverse change in the condition of the Airport System's finances from that set forth in this Official Statement.

The aggregate purchase price payable by the Underwriters for the 2013 Bonds is $52,058,286.60 which takes into account a net original issue premium of $1,838,751.50 and Underwriters' discount of $205,464.90. The 2013 Bonds are offered for sale to the public at the prices producing the yields set forth on the inside cover page of this Official Statement. The 2013 Bonds may be offered and sold to certain dealers at prices lower than such public offering prices, and the Underwriters may change such offering prices, from time to time. The County has been advised that one or more of the Underwriters expect to make a market in the 2013 Bonds. The making of a market may be discontinued at any time.

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

The County intends to use a portion of the proceeds from this offering to redeem the Refunded Obligations. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Obligations, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2013B Bonds contemplated herein in connection with such Refunded Obligations being redeemed by the County.

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

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISORS

The County has retained Public Financial Management Inc. and Peralta Garcia Solutions as co-financial advisor (the "Financial Advisors") in conjunction with the issuance of the 2013 Bonds. The Financial Advisors have relied upon governmental officials, and other sources, which have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisors have not been engaged, nor have they undertaken, to independently verify the accuracy of such information. The Financial Advisors are not public accounting firms and have not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisors will not participate in the underwriting of the 2013 Bonds.

Requests for information concerning the County may be addressed to Public Financial Management Inc., 115 South 84th Street, Suite 315, Milwaukee, WI 53214, (414/771-2700).

RATINGS

The 2013 Bonds have been assigned the municipal bond ratings of "A2" by Moody's Investors Service, Inc. ("Moody's"), 99 Church Street, New York, New York and "A+" by Fitch Ratings ("Fitch"), One State Street Plaza, New York, New York. The respective rating outlook for the 2013 Bonds from Moody's and Fitch is "stable" and "negative", respectively.

The ratings do not constitute a recommendation by the rating agencies to buy, sell or hold the 2013 Bonds. A further explanation of the significance of the ratings must be obtained from the rating agencies. The ratings are subject to revision or withdrawal at any time by the respective rating agency, and there is no assurance that a rating will continue for any period of time or that it will not be revised or withdrawn. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2013 Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended, as authorized by the respective Bond Resolutions authorizing the issuance of the 2013 Bonds, the County will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") for the benefit of the owners of the 2013 Bonds to provide certain financial information and operating data relating to the County to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access system ("EMMA"), and to provide notices to EMMA of the occurrence of certain events enumerated in the Rule. The terms and conditions of the Continuing Disclosure Certificate, as well as the information to be contained in the annual report or the notices of certain enumerated events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the County at the time the 2013 Bonds are delivered. The Continuing Disclosure Certificate will be in substantially the form attached hereto as Appendix C.

During the past five years, the County has failed to file its annual financial information as required in accordance with the Rule. Specifically, under previously executed continuing disclosure certificates, the County was and is obligated to file annual reports containing financial information and operating data no later than 270 days after the end of each fiscal year, as well as notice of any inability or failure to file such annual reports by the required date. For years ended December 31, 2008, 2009 and 2010, not all of the required information was filed within the 270-day period and no notice of any such failure to file on time was sent to EMMA, as further described below:

1. **For Year Ended December 31, 2008**: The operating data portion of the annual report was subsequently filed by the County on EMMA on December 15, 2009. The financial information portion (the County's Comprehensive Annual Financial Report ("CAFR")) of the annual report was filed by the County on EMMA on December 15, 2009 for the County's general obligation bonds, but inadvertently not filed for the County's GARBs. The omission was not realized until July 2013. The 2008 CAFR was subsequently filed by the County on EMMA for the County's GARBs on July 20, 2013.

2. **For Year Ended December 31, 2009**: The operating data portion of the annual report was subsequently filed by the County on EMMA on November 21, 2011. The 2009 CAFR was subsequently filed by the County on EMMA on December 4, 2012.
3. **For Year Ended December 31, 2010**: The operating data portion of the annual report was subsequently filed by the County on EMMA on November 21, 2011. The 2010 CAFR was filed within the 270-day period by the County on EMMA on August 23, 2011.

As such, for each of these years, the County was late in filing all or a portion of the County's annual report on EMMA, no notices of failure to file on time were sent to EMMA, and all required information was subsequently filed.

In recognition of the importance of complying with its obligations under the County's continuing disclosure certificates, the County implemented procedures in early 2013 to help ensure future compliance. The County has strengthened its internal controls by placing debt issuance and the associated disclosure requirements under the direct supervision of the Office of the Comptroller of the County.

A failure by the County to comply with the Continuing Disclosure Certificate will not constitute an event of default on the 2013 Bonds or under the respective Bond Resolutions (although owners of the 2013 Bonds will have the right to obtain specific performance under the Continuing Disclosure Certificate). Nevertheless, such a failure must be reported in accordance with the Rule.

CERTIFICATION

As of the date of the settlement of the 2013 Bonds, the Underwriter will be furnished with a certificate signed by the Comptroller, or his designee. The certificate will state that, as of the date of this Official Statement, this Official Statement did not and does not, as of the date of the certificate, contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

* * * * *

APPENDIX A

FINANCIAL FEASIBILITY REPORT

UNISON Consulting, Inc.
Solution-Based Airport Consulting

Chicago, Illinois
Orange County, California
St. Louis, Missouri

409 West Huron, Suite 400
Chicago, Illinois 60654
p. (312) 988-3360
f. (312) 988-3370

August 1, 2013

Ms. Marina Dimitrijevic, Chairwoman
Milwaukee County Board of Supervisors
901 North Ninth Street
Milwaukee, Wisconsin 53233

Re: Report of the Airport Consultant
Financial Feasibility of the Milwaukee County Airport Revenue Bonds

Dear Ms. Dimitrijevic:

UNISON-CONSULTING, INC. ("Unison") is pleased to submit this Report of the Airport Consultant (the "Report") in support of the intent of Milwaukee County (the "County") to issue the Airport Revenue Bonds, Series 2013A AMT (the "Series 2013A Bonds") and the Airport Revenue Refunding Bonds, Series 2013B AMT (the "Series 2013B Bonds") (collectively the "Series 2013 Bonds") in the approximate aggregate principal amount of \$50.4 million. The Series 2013A Bonds are being issued to finance a portion of the construction and renovation of various terminal capital improvements and other airport facilities (the "Series 2013A Bond Projects") at General Mitchell International Airport (the "Airport"). The Series 2013B Bonds are being issued to refund a portion of the Airport Revenue Bonds, Series 2003A (the "Prior Bonds") that were issued to finance various improvements at the Airport.

The Series 2013 Bonds are being issued pursuant to a General Bond Resolution adopted by the County Board of Supervisors on June 22, 2000, which established an airport revenue bond program (the "General Resolution"), and supplemental resolutions, adopted on February 7, 2013 (the "2013 Supplemental Resolutions" and together with the General Resolution, the "Bond Resolutions").

The Series 2013 Bonds are special obligations of the County, payable solely from the Net Revenues of the Milwaukee County Airport System (the "Airport System"), and amounts on deposit in certain funds and accounts established under the Bond Resolutions. The 2013 Supplemental Resolutions include pledged Passenger Facility Charge ("PFC") Revenues as Airport System Revenues to the extent that the projects funded with the proceeds of those bonds are approved for PFC funding.

Airport System Management anticipates using PFC Revenues to pay a portion of the debt service for the Series 2013 Bonds (corresponding to the costs of the Series 2013A Bond Projects that are PFC-eligible). The Series 2013 Bonds are being issued on a parity with the currently outstanding Series 2003A, Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, Series 2009B, Series 2010A and Series 2010B Bonds.

The County owns and operates the Airport and Lawrence J. Timmerman Airport ("Timmerman Airport"), which together comprise the Airport System. The Airport is the major commercial service airport in the state of Wisconsin, serving the Milwaukee-Waukesha-West Allis, WI, Metropolitan Statistical Area ("MSA") of approximately 1.6 million people in 2012. The Airport handled approximately 3.8 million enplanements in 2012.

The Airport has a broad base of airlines, including low-cost carriers such as AirTran, Southwest, and Frontier airlines. AirTran and Frontier held the two largest shares of the Airport's annual enplanements from 2009 through 2012. Southwest Airlines began serving the Airport in November 2009. As Southwest increased service at the Airport in 2010, AirTran also expanded service. The Airport's total enplanements reached 4.9 million in 2010, an increase of 24 percent from the previous year due largely to the expansion of Southwest and AirTran service. Unlike most U.S. airports, the Airport was largely unaffected by the last U.S. economic recession and the subsequent weak recovery.

Continuing financial weakness, along with increased competition and increased costs, forced Frontier Airlines to reduce its flights and discontinue its hubbing activity at the Airport beginning in September 2010. Frontier continued to reduce flights by 22 percent in 2011 and by another 77 percent in 2012. Frontier's service at the Airport decreased from an average 86 flights per day during its peak level of operations at the Airport in 2010 to an average 15 flights per day in 2012. Published flight schedules show further cuts in Frontier's service at the Airport during 2013. As of April 2013, Frontier operated an average of three flights a day from the Airport.

Other airlines expanded service in 2011 and 2012, although not enough to compensate for Frontier's service cuts. As a result, enplanements declined 3.4 percent in 2011 and 20.6 percent in 2012. The Airport's total enplanements were 3.8 million in 2012, 23 percent lower than the 2010 peak enplanement level and in line with the Airport's annual enplanement levels prior to 2010.

Southwest, together with AirTran, now holds the largest market share at the Airport, approximately 50 percent of the Airport's total enplanements in 2012. Southwest acquired AirTran in May 2011 and began integrating AirTran into its operations. Southwest still operates AirTran as a separate airline brand, although it has begun switching some AirTran flights to Southwest.

The integration of AirTran is expected to take three to five years. During 2012, Southwest received a single operating certificate from the FAA, and has made progress in integrating AirTran operations, fleet, network and airport facilities.

Integrating and optimizing AirTran's route network has involved ending service at certain airports and routes, redeploying aircraft in other markets, and transferring service from AirTran to Southwest.[1] At the Airport, Southwest's integration of AirTran and network optimization resulted in a decrease in combined flights from an average of 62 flights per day in 2010 (the highest level) to an average of 55 flights per day in 2012. As of April 2013, Southwest and AirTran combined flights at the Airport averaged 30 per day.

Delta, together with its regional affiliates, held the second largest share of 22 percent of the Airport's 2012 enplanements. Delta's service at the Airport has ranged from a high of 27 flights per day in 2009 to a low of 24 flights per day in 2010. Delta operated 26 flights per day in 2012. Published flight schedules show Delta operating 26 flights per day in the first half of 2013, increasing to 28 flights per day in the second half of the year.

Together American Airlines and US Airways accounted for 9.5 percent of total Airport enplanements in 2012. On February 14, 2013, American Airlines and U.S. Airways announced that they had entered into an agreement to merge pending government approval. Airport System Management does not expect the merger to have a significant impact on the Airport, considering that the two airlines account for a relatively small share of total Airport enplanements. The two airlines do not carry connecting traffic through the Airport, and there is no duplication in the two airlines' service at the Airport.

The Series 2013A Bond Projects

The Series 2013A Bond Projects consist of the following capital improvements for various parts of the Airport, which are described in more detail in the Report:

- *Baggage Claim Area Expansion - Construction*
- *In-line Baggage Security - Construction-Phase 2*
- *Parking Structure Repairs*
- *Redundant Main Electric Service Feed - Construction*
- *Training Center – Design & Construction*
- *Purchase and Installation of Narrow Band Radio System*

[1] Southwest Airlines Company 10-K, February 2013 and Southwest web site.

Airline-Airport Use and Lease Agreement ("AUA")

The major provisions of the AUA are:

- Term
  - October 1, 2010 to December 31, 2015.
  - Option to extend for five additional years to December 31, 2020 upon mutual agreement that includes a new five-year capital improvement plan and Net (Airline) Financing Requirement Cap, as described below.

- A residual rate methodology with deposits to the Surplus Fund [2]
  - Airport System Management deposits an amount equivalent to 10 percent of Airport concession revenues into the Airport Development Fund Account ("ADFA").
    - Monies can be used for capital improvements or any lawful airport system purpose, subject to certain limitations.
    - Projects funded with the ADFA will not be depreciated or amortized and will not affect airline rates and charges.
  - Airport System Management can transfer up to $4 million over the term of the AUA from the ADFA to the ADF Depreciation Account.
    - Monies can be used for capital improvements or any lawful airport system purpose, subject to certain limitations.
    - Projects funded from the ADF Depreciation Account will be depreciated or amortized and will affect airline rates and charges.

- Five Year Capital Improvement Plan ("Five Year CIP")
  - The Five Year CIP was approved by the airlines in accordance with the AUA.
  - The Five Year CIP project costs to be included in the calculation of airline rates and charges are limited to a Net (Airline) Financing Requirement Cap of $59 million. The Five Year CIP anticipates using approximately $47.3 million of the Net (Airline) Financing Requirement Cap. This amount is comprised of approximately $34.0 million from the proceeds of the Series 2013A Bonds and the $13.3 million of unused proceeds of the Series 2010A Bonds. No additional bonds are scheduled to be issued during the remainder of the term of the AUA.
  - The Airport can add or modify projects without Majority-In-Interest ("MII") approval provided that the Net (Airline) Financing Requirement Cap is not exceeded.
  - The airline MII process continues to apply for additional capital projects not covered above.

[2] Refer to Figure V-1 for a listing of all deposits into funds established by the AUA.

- Other
    - Established the MKE Regional Business Park, recently conveyed to the County, as a new cost center with the total net requirement allocated to the Airfield cost center.
    - Signatory Airlines report passengers of their affiliates (code share partners & subsidiaries, parent companies or contract airlines) combined with their own passengers and pay their affiliates' landing fees and rents.
    - Non-Signatory Airlines pay 125 percent of the rates paid by Signatory Airlines.
    - Two differential Terminal Rental rate classifications replace 12 prior classifications. Airline Public-Access Space will be at the base rate and Airline Non-Public Access Space is at 75 percent of the base rate.
    - All airline gates are preferential use with a utilization standard for each gate and also new entrant and expanding carrier accommodation language. Reassignment of gates by the Airport is allowed if the utilization standard has not been met over a 12-month look back period should such gate be required by another airline.

Rate Covenant

Pursuant to the Bond Resolutions, the County covenants to establish and maintain rental rates, fees, and charges for the use of the facilities and for the commodities furnished by the Airport System, so that Net Revenues in each year are equal to at least 125 percent of the annual Debt Service on the currently outstanding General Airport Revenue Bonds ("GARBs"), the Series 2013 Bonds, and any additional bonds issued on a parity with the current outstanding GARBs.

This requirement is known as the Rate Covenant. Net Revenues are defined in the Bond Resolutions to equal Airport System Revenues less O&M Expenses, which do not include depreciation or bond principal and interest payments. One of the objectives of the attached Report is to determine the County's ability to fulfill the Rate Covenant during the forecast period 2013 through 2018.

Additional Bonds Test

The Bond Resolutions permits the issuance of additional series of bonds ("Additional Bonds") on a parity with GARBs that are currently outstanding (the "Outstanding Bonds"), provided that certain conditions are met (the "Additional Bonds Test").

To meet the Additional Bonds Test, the County can provide a certificate, executed on its behalf by an Authorized Officer, can be delivered, setting forth (i) the Net Revenues for the last audited Fiscal Year and (ii) the maximum Debt Service (including without duplication, related Credit Facility Obligations) on all Outstanding Bonds and the Bonds to be issued in any Fiscal Year; demonstrating that such Net Revenues, together with Other Available Funds, equal an amount not less than 125% of such Debt Service (including, without duplication related Credit Facility Obligations). Alternatively, the County can provide a certificate prepared by the Airport Consultant, can be delivered, setting forth for each of the three Fiscal Years commencing with the Fiscal Year following that in which Projects financed with Additional Bonds are estimated to be completed, the projected Net Revenues, the projected Other Available Funds, and the maximum Debt Service on all Outstanding Bonds and the Additional Bonds to be issued in any Fiscal Year; and demonstrating that for each such Fiscal Year the projected Net Revenues, together with the projected Other Available Funds, will be an amount not less than 125% of such Debt Service (including without duplication, related Credit Facility Obligations).

Report Organization

Unison has conducted this Report to evaluate the ability of the Airport System to generate sufficient Net Revenues and meet the financial requirements established by the Bond Resolutions, including the Rate Covenant and the Additional Bonds Test. In conducting the study, we analyzed the relevant aspects of the Airport System's operations, as well as various other factors that can affect the Airport System operations. The summary of the components of the report below provides an overview of the comprehensive analysis performed for this Report:

Section I: Introduction. Section I provides background information regarding the Airport System and its facilities, the County and its officials, and the key Airport System Management.

Section II: The Airport System's Capital Improvement Program. Section II describes the sources of funding, followed by a summary of the Airport System's 2013 – 2017 CIP costs and sources of funding, and finally a review of the Series 2013A Bond Projects.

Section III: Local Economic Base of the Airport. Section III defines the Airport's air service area and discusses the relevant local demographic and economic trends. The assessment of the local economic base provides the context for the analysis and forecast of air traffic activity in Section IV.

Section IV: Aviation Activity Analysis and Forecast. Section IV reviews the Airport's historical aviation activity and presents forecasts of commercial air carrier activity in terms of enplanements, aircraft departures, and landed weight for calendar years 2013-2018. In developing the forecasts, we used a hybrid modeling framework that considers both supply and demand drivers. Estimates of 2013 activity are based on scheduled airline service at the Airport. Multivariate regression analysis links the 2014-2018 forecasts to projected trends in key demand drivers such as the U.S. economy, the price of air travel, and Southwest's low-cost, low-fare service. We also performed Monte Carlo simulation to comprehensively assess the effects of uncertainty in U.S. economic growth and passenger yield trends.

By supplementing regression analysis with Monte Carlo simulation, we were able to consider a wider range of possible future values for key market factors, generate a range of results for forecast commercial aviation activity, and estimate the likelihood of each resulting forecast. We presented a range of forecasts and recommended two, called base and alternate forecast scenarios, for the base financial analysis and sensitivity analysis in Section V.

Section V: Financial Analysis. Section V describes the framework for the financial operation of the Airport System, including the estimated impact of the AUA. It analyzes the Airport System's historical revenue and expenses and presents forecasts of revenues, O&M Expenses, Debt Service, Net Revenues, and Debt Service Coverage for the Airport System through 2018.

Assumptions

In developing the aviation activity forecasts and financial projections, we have made a number of assumptions regarding the following: the financing structure of the Series 2013 Bonds; future trends and factors that influence aviation activity; Airport System operating plans; and general price inflation. The assumptions used in each component of the study are explained in the Report, and the major assumptions are listed below:

1. The Series 2013 Bonds will be issued in the aggregate principal amount of approximately $50.4 million.
2. The AUA will be extended at the end of 2015 for an additional five years based on essentially the same agreement and with the current Signatory Airlines except Frontier Airlines.
3. The Series 2013 Bonds will fully mature no later than year 2038.
4. To forecast passenger enplanements, Unison used a combination of a capacity-based forecasting approach for the near-term (using the latest published airline schedules as of May 2013) and a demand-based multivariate regression modeling approach for the long-term.

The following growth trends were assumed for the regression model explanatory variables: The real passenger yield[3] at the Airport decreased at an average annual rate of -2.6 percent between 1981 and 2012, and thereafter is projected to increase at an average annual rate of 0.1 percent through 2018. The real U.S. per capita Gross Domestic Product ("GDP") increased at an average annual rate of 1.6 percent between 1981 and 2012, and thereafter is projected to increase at an average annual rate of 2.2 percent through 2018.

5. All PFC projects and amendments will receive Federal Aviation Administration ("FAA") approval upon submission.
6. Annual inflation is assumed at approximately 2.1 percent over the forecast period.
7. Parking rate increase effective in years 2016 and 2017 of $1.00 per day for the parking garage and other lots.

This Report presents base and alternate forecast scenarios, which present different growth paths for aviation activity at the Airport:

- *Base forecast.* The base forecast reflects the cuts in the published airline flight schedules at the Airport for 2013. Annual growth after 2013 is driven by projected trends in the passenger yields at the Airport and the U.S. economy. The base forecast assumes slow U.S. economic growth that reflects the impact of the recently mandated federal spending cuts. Under the base forecast, the Airport enplanements would decrease 14.3 percent this year, from 3.78 million in 2012 to 3.24 million in 2013, reflecting cuts in scheduled flights and seats at the Airport in 2013. The Airport's enplanements would decrease further to 3.16 million in 2014, increase to 3.31 million in 2015 and continue to increase thereafter, reaching 3.68 million in 2018.

- *Alternate forecast.* This scenario simulates what might happen to air traffic at the Airport if the U.S. economy grew more slowly than projected under the base scenario. In addition, the alternate scenario assumes that Frontier Airlines would discontinue its remaining limited service at the Airport effective January 2014. As a result, the Airport would lose Frontier's remaining share of enplanements. Under the alternate forecast, the Airport's enplanements would decrease 14.3 percent to 3.24 million in 2013 as in the base case, decrease further to 3.03 million in 2014, increase to 3.09 million in 2015, and continue increasing thereafter, reaching 3.36 million in 2018.

[3] The real passenger yield represents total airline revenues divided by the revenue passenger miles, adjusted for inflation.

The analysis and forecasts contained in the attached Report are based upon certain data, estimates and assumptions that were provided by the County, and certain data and projections from other independent sources. The attached Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the attached report are reliable and provide a reasonable basis for our forecast. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results may vary from the forecasts and the variations could be material.

Findings

The assumptions described above and the analyses contained in the attached Report have resulted in the findings described below.

- The local demographic and economic trends reflect a diverse and growing socio-economic base that will continue to support growth in air travel demand.

- The Airport's enplanements are projected to significantly decline in 2013, continue declining in 2014, and return to an upward trend beginning in 2015. Under the base scenario, the Airport's enplanements decrease to 3.16 million in 2014 and then increase to 3.68 million in 2018, representing a 0.5 percent average annual rate of decline between 2012 and 2018. Under the alternate scenario, the Airport's enplanements decrease to 3.03 million in 2014 and then increase to 3.36 million in 2018, representing a 0.5 percent average annual rate of decline between 2012 and 2018.

- Total Airport System Revenues, based on the base enplanement forecast, are projected to increase from approximately $83.9 million in 2012 to approximately $107.2 million in 2018.

- The airline cost per enplaned passenger, under the base enplanement forecast, is projected to increase to a high of $9.63 in 2015 before declining to $7.37 in 2018.

- Annual net discretionary cash flow is projected to fluctuate from approximately $3.4 million in 2012 to approximately $7.6 million in 2018.

- Debt service coverage, assuming the base enplanement forecast, is projected to fluctuate from 1.66 in 2012 to 1.67 in 2018, and is projected to remain above the 1.25 debt service coverage minimum requirement throughout the forecast period.

Conclusion

The financial projections presented in the Report are based on information and assumptions that have been provided by Airport System Management, or developed by us and reviewed with and confirmed by Airport System Management. Based upon our review, we believe that the information is accurate and that the assumptions provide a reasonable basis for the forecast. However, some variations may be material. This Report should be considered in its entirety for an understanding of the forecast and the underlying assumptions.

Sincerely,

UNISON CONSULTING, INC.

Unison Consulting, Inc.

GENERAL MITCHELL INTERNATIONAL AIRPORT
Financial Feasibility Report

August 1, 2013

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SECTION I
INTRODUCTION

The purpose of this Report is to evaluate the financial feasibility of issuing the proposed Airport Revenue Bonds, Series 2013A AMT (the "Series 2013A Bonds") and the Airport Revenue Refunding Bonds, Series 2013B AMT (the "Series 2013B Bonds") (collectively the Series "2013 Bonds") by Milwaukee County, Wisconsin (the "County"). The Series 2013A Bonds are being issued to finance the construction and renovation of various terminal capital improvements and other airport facilities (the "2013A Bond Projects") at General Mitchell International Airport (the "Airport"). The Series 2013B Bonds are being issued to refund a portion of the Airport Revenue Bonds, Series 2003A (the "Prior Bonds").

The County owns and operates the Airport and Lawrence J. Timmerman Airport ("Timmerman Airport"), which together comprise the Milwaukee County Airport System (the "Airport System"). The Series 2013A Bond Projects, and their estimated capital costs and funding sources, are described in Section II of this Report.

This section provides background information regarding the Airport System and its facilities, the County and its officials, and the key Airport System Management. Following are brief descriptions of the remaining sections of the Report:

Section II: The Airport System's Capital Improvement Program. Section II describes the sources of funding, followed by a summary of the Airport System's 2013 – 2017 Capital Improvement Program (the "2013 – 2017 CIP") costs and sources of funding, and finally provides a description of the Series 2013A Bond Projects.

Section III: Local Economic Base of the Airport. Section III defines the Airport's air service area and discusses the relevant local demographic and economic trends. The assessment of the local economic base provides the context for the analysis and forecast of air traffic activity in Section IV.

Section IV: Aviation Activity Analysis and Forecast. Section IV reviews the historical aviation activity at the Airport by examining passenger traffic, aircraft operations, and air cargo data from calendar years ("CY") 2003 through 2012. It presents forecasts of aviation activity for the period CYs 2013 through 2018, and explains the factors underlying historical and forecast aviation activity trends. This section presents two forecast scenarios: base and alternate. The base and alternate forecasts are used as input to the financial analysis in Section V.

Section V: Financial Analysis. Section V describes the framework for the financial operation of the Airport System, including a summary of the Airport Use and Lease Agreement ("AUA"). It analyzes the Airport System's historical revenues and expenses and presents forecasts of Revenues, Operation and Maintenance Expenses (O&M), Debt Service, Net Revenues, and Debt Service Coverage through 2018. The financial projections presented in this section are developed using the "base" enplanement forecast developed in Section IV. In addition, a sensitivity analysis is also discussed at the end of this section, which presents the results of the financial projections based on the alternate forecast. Both financial forecasts are based on the terms of the AUA, which became effective October 1, 2010 and expires December 31, 2015.

A. THE MILWAUKEE COUNTY AIRPORT SYSTEM

The Airport is located approximately six miles south of Milwaukee's downtown area and one mile east of Interstate 94, which connects to the Airport via a spur freeway, and encompasses approximately 2,331 acres, including the MKE Regional Business Park[1]. The Airport is the major air carrier airport in the state of Wisconsin, serving the Milwaukee-Waukesha-West Allis, WI, Metropolitan Statistical Area (the "Milwaukee MSA") that has a population of approximately 1.6 million people.[2] As of December 2012, the Airport was served by seven major/national air carriers and fourteen regional/commuter air carriers. In 2012, the Airport accommodated approximately 3.8 million enplanements, which represents a decline of approximately 20.6 percent from 2011. The decline is primarily the result of continued financial weakness of Frontier Airlines and on-going competition from the remaining airlines, which has led to a reduction in Frontier Airlines flights to the Airport of approximately 77 percent in 2012. The Airport is ranked 47th in the United States in terms of total passengers based on the preliminary 2012 count.[3]

Timmerman Airport is a general aviation reliever airport for the Airport, containing two paved runways and three instrument approaches. For financial statement purposes, and in the calculation of airline rates and charges, the County combines the financial operations of the Airport and Timmerman Airport.

The County began operating its first airport in 1919. In 1926 the County started airmail service and also purchased a new airport facility, and the next year the Airport opened its first terminal with Northwest Airlines offering flights from Milwaukee to Chicago and to Minneapolis. In 1940, the Airport constructed a new two-story terminal building.

[1] This site was vacated by the Air Force Reserve in February 2008 and final conveyance was completed in July 2010 through a Public Benefit Conveyance with the Federal Aviation Administration ("FAA") as the County's sponsor and was formerly known as the Former 440th Military Base.
[2] U.S. Bureau of the Census.
[3] FAA Air Carrier Activity Information System ("ACAIS") and Bureau of Transportation Statistics T-100 Data

The following year, the Airport was officially named General Mitchell Field, in honor of General William Mitchell who served in the U.S. armed services during the World War I era. Air flight operations increased significantly after the completion of the first terminal and ultimately led to the construction of a new, two-level concourse with 23 gates in 1955. In 1985, the Airport completely renovated the terminal building with new concession, ticketing, and baggage claim areas. In 1990, 16 additional gates were added to Concourse D and a moving walkway to transport travelers to the new gate areas was installed. In early 2000, the Airport began several terminal concourse improvement projects, which included improvements for Concourses C, D and E that started in 2005 and are complete. In addition to terminal improvements, the parking garage that initially contained a 4,440-space parking garage was subsequently expanded to approximately 5,900 by 1990. By late 2002, due to increased demand, Phase I of the parking garage expansion was completed, which increased the supply to approximately 7,800 spaces.

The FAA classifies the Airport as a medium hub airport. A medium hub airport is defined as an airport that enplanes between 0.25 percent and one percent of the total U.S. enplaned revenue passengers on certificated route air carriers.

1. Terminal Facilities

The Airport's main terminal complex contains an estimated 810,000 square feet and is comprised of a central terminal building and three passenger concourses with 48 gates and corresponding hold-room areas. The terminal building has the capacity to expand to a total of 80 gates. Bridge structures connect the main level of the central terminal building to the three concourses. The central terminal building consists of four levels. The basement level contains the inbound baggage delivery system, mechanical and utility equipment rooms, concession and Airport storage rooms, and a tornado shelter. The ground or lower level contains ticketing operations, airline offices, outbound baggage and support systems, baggage claim, and baggage service offices. The second level contains concessions, the hold-room areas located in the three concourses, administrative offices, a first aid center, and an aviation museum. The Airport operations offices and the control center room are located on the mezzanine level. Located west of Concourse C is a separate 15,100 square-foot International Arrivals Terminal.

Two pedestrian bridges connect the main level of the central terminal building to the existing six-level automobile parking structure. The Airport has separate enplaning and deplaning roadways, which provide curbside access to the main terminal complex. A spur roadway off the main terminal departure road provides access to the International Arrivals Terminal.

2. Airfield and Aircraft Parking Aprons

The Airport's existing airfield configuration consists of two air carrier runways and three other runways, as follows:

TABLE I-1
RUNWAY DESCRIPTIONS

	Runway 1L-19R	Runway 7R-25L	Runway 1R-19L	Runway 7L-25R	Runway 13-31
Length (ft)	9,690	8,010	4,182	4,800	5,868
Width (ft)	200	150	150	150	150
Instrumentation	CAT I	CAT I	CAT II	CAT II	NONE
Pavement Material	Concrete	Concrete	Concrete	Concrete	Concrete w/ Asphalt overlay

Runways 1L-19R and 7R-25L accommodate all air carrier operations, while Runways 1R-19L and 7L-25R serve smaller jet aircraft and general aviation propeller aircraft. Runway 13-31 is available for smaller jet aircraft and general aviation aircraft under specific wind conditions. The taxiway system provides access between all runway ends. In addition, Runways 1L-19R and 7R-25L are serviced by partial parallel taxiways and the other runways are served by either crossing runways or taxiways. All of the taxiways are 75 feet wide, except one, which is 50 feet wide. The terminal apron area surrounds all three concourses and totals approximately 70 acres.

3. Public Parking

The Airport currently has approximately 11,000 public parking spaces, consisting of approximately 7,800 spaces in the parking garage (short-term and long-term) and approximately 3,400 surface spaces. Of the spaces in the surface lots, 528 spaces are located in a lot near the terminal complex with the remainder located in remote lots served by parking shuttle buses. The Airport's current 2013 – 2017 CIP includes the expansion of remote Lot B, adding approximately 500 spaces. However, this project will be undertaken only if future parking demand requires.

4. Amtrak Station

An Amtrak station, which opened in January 2005, is located on the western edge of the Airport along the Canadian Pacific Railway lines. The station serves rail passengers using the Airport for travel, along with rail-only passengers using Amtrak's Hiawatha Service that provides seven daily round trips between Milwaukee and Chicago. The County and the Airport provide a free shuttle bus connection between the Airport and the Amtrak station, which includes a vehicle parking facility.

5. <u>Other Facilities</u>

Other facilities located at the Airport include rental car, general aviation, air cargo, and aviation support facilities. The Airport has six on-Airport rental car companies that lease rental car parking spaces in the parking garage. General aviation facilities include corporate hangars, a maintenance building and office buildings. Air cargo facilities include a building and apron facilities. Aviation support facilities include an aircraft rescue and fire fighting ("ARFF") facility, a hydrant fuel service system and underground storage tanks, and an air traffic control tower. Midwest Airlines and Air Wisconsin occupy maintenance hangars at the Airport. Air Wisconsin continues to operate a maintenance facility at its hangar. Midwest Airlines, however, was acquired by Frontier Airlines in 2009 and neither airline currently operates the hangars as maintenance facilities. Also located within the Airport's perimeter fence is the MKE Regional Business Park, which is land that was previously used by the 440th Air Force Reserve Station, which closed in February 2008. The site contains approximately 175,000 square feet of building space, which can accommodate wide range of uses as long as revenues are retained by the Airport.

B. MILWAUKEE COUNTY

Located in southeastern Wisconsin on the Lake Michigan shoreline, Milwaukee County occupies approximately 242 square miles and contains 10 cities and nine villages. The County's population estimate for 2012 was approximately 955,000[4]. Interstate Highway 94 links Milwaukee County with Chicago to the south, Madison to the west, and other cities. Interstate Highway 43 and U.S. Highways 41 and 45 also provide access to the County from the north.

The County is governed by a County Executive and an 18-member Board of Supervisors (the "Board"). The County Executive and the Board are elected on a non-partisan basis every four years.[5] The most recent elections for the Board were held during April 2013, which resulted in the election of two new supervisors to fill open seats.

The Board is primarily responsible for legislating County policy and directing the activities of the County government by adopting ordinances and resolutions, under the authority vested in it by state statutes. A Chairperson is elected by fellow Board members to: preside over Board meetings; rule on procedural matters; make appointments to Board committees; represent the Board at official functions; and make appointments to Board committees, special subcommittees, boards, and commissions. The Board receives policy recommendations from various standing committees comprised of members of the Board. The Board formally approves, modifies, or disapproves the recommendations of the standing committees. Airport System policy is

[4] Source: U.S. Bureau of the Census
[5] Chris Abele is the County Executive and Marina Dimitrijevic is the Chairwoman of the Board.

determined and adopted by the Board after reviewing recommendations from the Transportation, Public Works and Transit Committees.

The County Executive is responsible for the coordination and direction of the administrative and management functions of the County not otherwise vested by law in boards, commissions, or other elected officers; appointment of department heads, except where statute provides otherwise, and members of boards and commissions, subject to confirmation by the Board; preparation and submission of an annual County budget to the Board; submission of an annual message to the Board; and review for approval or veto of all resolutions and ordinances enacted by the Board. The Airport System is a division within the County's Department of Transportation. The County Executive appoints the Director of Transportation, who appoints an Airport Director, who is responsible for managing the day-to-day operations of the Airport System.

C. AIRPORT SYSTEM KEY MANAGEMENT

The Airport Director has an experienced staff to aid him in carrying out the responsibilities of his position. Key members of the Airport System Management include the Airport Director; the Deputy Airport Director of Finance and Administration; the Deputy Airport Director of Operations and Maintenance, and the Airport Engineer.

Airport Director

C. Barry Bateman was appointed Airport Director in 1982. Prior to his appointment as Airport Director, he served as the Assistant Director of Aviation at Las Vegas McCarran International Airport for eight years and also as an Administrative Assistant at Blue Grass Airport in Lexington, Kentucky. He is currently a member of the American Association of Airport Executives, and he also holds a commercial pilot certificate and is a certified Flight Instructor. Mr. Bateman is a graduate of the University of Kentucky, holds an M.B.A. from Cardinal Stritch University, and is an Accredited Airport Executive.

Deputy Airport Director, Finance and Administration

Patricia M. Walslager was appointed Deputy Airport Director, Finance and Administration in 2011. Ms. Walslager served in various fiscal management positions in Milwaukee County from 1996 to 2011 in the following departments; Department of Health and Human Services, Behavioral Health Division, which consisted of a 2007 appointment to Associate Administrator, BHD – Fiscal. Ms. Walslager who is a Certified Public Accountant ("CPA") is a graduate of the University of Wisconsin – Milwaukee, with a BS in Secondary Education Mathematics and Economics and advanced studies in accounting. She has been a practicing CPA for over 30 years.

Deputy Airport Director, Operations and Maintenance

Terry Blue was appointed Deputy Airport Director in 2008, following 10 years of experience at various levels in the Airport Operations Division at Denver International Airport. His last position was Aviation Operation Manager, which he held for two years before leaving for his current position. Mr. Blue earned a BS in Aviation Management at Southern Illinois University and a Masters Degree in Public Administration from the University of Illinois.

Airport Engineer

Ed Baisch was appointed Airport Engineer in 2007 after serving as Acting Airport Engineer since 2004. Mr. Baisch previously served Milwaukee County as a Civil Engineer for the previous 13 years. Mr. Baisch holds a BS degree in Engineering from Michigan State University and a Master of Science in Civil Engineering from Marquette University. He has been a practicing engineer for over 31 years.

SECTION II
THE AIRPORT SYSTEM'S CAPITAL IMPROVEMENT PROGRAM

This section discusses the financing plan for the Airport System's 2013 – 2017 CIP. It describes the funding sources that are anticipated to fund the 2013 – 2017 CIP and provides an overview of the specific projects being financed with the Series 2013A Bonds.

A. FUNDING SOURCES

The financing plan for the 2013 – 2017 CIP anticipates using the following funding sources:

1. **Capital Improvement Reserve Fund ("CIRF")**
2. **Surplus Funds**
3. **Passenger Facility Charges ("PFCs")**
4. **General Airport Revenue Bonds ("GARBs")**
5. **Federal Grants**
    a) Airport Improvement Program ("AIP")
    b) General Aviation ("GA")
    c) Transportation Security Administration ("TSA") Grants
6. **State Grants**

1. Capital Improvement Reserve Fund ("CIRF")

The CIRF represents an amount equal to the depreciation payments received pursuant to the AUA less other deposits, if required, as further defined in the Bond Resolutions. Moneys in this fund can be used for Airport System capital projects or to pay debt service on subordinate airport obligations.

2. Surplus Funds

The Surplus Fund consists of moneys that are unused after all funding requirements have been satisfied as further depicted in Figure V-1 in Section V of this Report. The Surplus Fund is comprised of the Airport Development Fund Account ("ADFA"), the ADF Depreciation Account, and available moneys from other Airport sources.

3. Passenger Facility Charges ("PFCs")

Section 40117 of Title 49 of the United States Code allows public agencies controlling commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a $1, $2, $3, $4 or $4.50 charge, referred to as a PFC.

The purpose of the charge is to provide additional capital funding for the expansion of the national airport system. The proceeds generated from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

The PFC proceeds and the interest earned thereon (collectively referred to as PFC Revenues) may be used in two ways: 1) to pay direct costs of FAA-approved projects (referred to as “pay-as-you-go” (“PAYGO”) revenues) and 2) to pay debt service on bonds issued for approved PFC projects (referred to as “leveraging” the PFC Revenue stream.) A portion of the 2013 – 2017 CIP contains eligible PFC projects that are planned to be funded on a PAYGO and leverage basis.

The 2013 – 2017 CIP anticipates the use of approximately $70.0 million of PFC Revenues consisting of $36.3 million of PFC PAYGO funding and $33.7 million of Series 2013A Bond and future bond proceeds. Airport System Management has obtained the approvals required to use the PFC Revenues as indicated above.[1] The Series 2013A Bond proceeds will fund approximately $3.6 million of the Baggage Claim Area Expansion Construction project and approximately $3.7 million for the Redundant Main Electric Service Feed – Construction. The remainder of the PFC PAYGO funding and the future PFC bond proceeds is detailed on **Table II-2**.

Prior to November 2012, the Airport had the authority to collect PFCs at a rate of $3.00 per eligible enplanement. However, on August 14, 2012 the Airport submitted to the FAA PFC amendment applications 6 and 7 requesting to increase the PFC collection rate to $4.50 per eligible enplanement. The amendments were approved November 1, 2012 granting the Airport the authority to collect PFCs at the rate of $4.50. Airport System Management is currently reviewing other PFC amendments that will further extend the $4.50 collection period beyond the current expiration date of December 2015.

Table II-1 summarizes the sources and uses of PFC funds for the current forecast period ending in 2017. Total sources for the period 2013 to 2017 are projected to be approximately $122.3 million, which consists of a beginning balance of $22.3 million, net PFC Revenues totaling $66.3 million, Series 2013A Bond proceeds equaling $11.7 million, future bond proceeds totaling $22.7 million and interest income equaling $0.3 million.

Total uses for the period 2013 to 2017 are estimated to be approximately $115.3 million, which includes approximately $36.3 million for PFC PAYGO projects, approximately $33.7 for PFC Bond-Funded project costs, approximately $44.6 million for PFC debt service and approximately $0.7 million for the PFC Bond Debt Service Coverage Fund. In 2017, there is a projected balance in the PFC fund of approximately $8.0 million. This fund balance plus future PFC collections will be utilized for PFC eligible debt service payments on the PFC-Backed Bonds.

[1] The Airport received the Final Agency Decision (“FAD”) dated June 13, 2013 for PFC 17 totaling $32,553,528.

Table II-1
General Mitchell International Airport
Sources and Uses of PFC Funds
For Calendar Years 2013-2017
(in $ 000s)

		2013	2014	2015	2016	2017	Total
PFC Beginning Balance [1]		$22,321	$6,127	$3,738	$2,315	$5,634	$22,321
PFC Sources :							
Enplaned Passengers [2]		3,064	3,005	3,148	3,303	3,430	--
Percentage Increase (Decrease)		-18.94%	-1.94%	4.75%	4.94%	3.82%	
Eligible Enplaned Passengers	94.7%	2,902	2,846	2,981	3,128	3,248	--
PFC Collections [3]		$13,059	$12,805	$13,414	$14,077	$14,615	$67,969
Less : Airline Collection Fee	$0.11	(319)	(313)	(328)	(344)	(357)	($1,661)
PFC Revenues [3]		$12,739	$12,492	$13,086	$13,733	$14,258	$66,308
2013A PFC Bond [4]		11,701					$11,701
Future PFC Bonds		0	0	0	8,900	13,750	$22,650
Interest Income [5]	1.00%	142	49	30	40	68	$330
Total Sources [6]		$46,904	$18,668	$16,854	$24,987	$33,710	$123,310
PFC Uses :							
Pay-As-You-Go [7]:							
Approved Projects		($1,609)	($3,789)	($3,067)	($63)	($63)	($8,590)
PFC 16 Projects		(4,014)	0	0	0	0	($4,014)
PFC 17 Projects		(16,236)	(36)	(37)	(38)	(39)	($16,385)
Future PFC Projects		0	(3,079)	(1,863)	(864)	(1,470)	($7,275)
PFC Bond-Funded Projects :							
PFC 17 Bond Projects		(7,257)	0	0	0	0	($7,257)
Prior Bond Projects [8]		(3,789)					($3,789)
Future Bond Projects		0	0	0	(8,900)	(13,750)	($22,650)
GARB Debt Service Paid with PFCs [9] :							
Series 2004A Bonds		(2,260)	(2,257)	(2,260)	(2,261)	(2,259)	($11,296)
Series 2005A Bonds		(1,407)	(1,408)	(2,366)	(2,365)	(2,366)	($9,912)
Series 2005B Bonds		(296)	(296)	0	0	0	($592)
Series 2006A Bonds		(1,600)	(1,599)	(1,602)	(1,600)	(1,601)	($8,002)
Series 2006B Bonds		(306)	(289)	(272)	0	0	($867)
Series 2007A Bonds		(740)	(737)	(738)	(738)	(741)	($3,694)
Series 2009A Bond		(145)	(145)	(268)	(268)	(267)	($1,093)
Series 2010A Bond		(711)	(711)	(1,211)	(1,211)	(1,213)	($5,058)
Series 2013A Bond		(195)	(584)	(854)	(854)	(854)	($3,340)
Future PFC Bonds		0	0	0	0	(772)	($772)
PFC Bond Debt Service Coverage Fund [10]:							
Series 2013A Bond		(214)	0	0	0	0	(214)
Future PFC Bonds		0	0	0	(193)	(298)	(491)
Total PFC Uses		($40,777)	($14,930)	($14,539)	($19,353)	($25,691)	($115,291)
PFC Ending Balance in PFC Fund		$6,127	$3,738	$2,315	$5,634	$8,019	$8,019

[1] Source: PFC Quarterly Report of 12/31/12 for 2013 beginning balance.
[2] Enplanements w ere taken from Unison's March 2013 Enplanement Forecast Update (Base Case).
[3] Assumes a $4.50 PFC collection rate throughout the forecast period.
[4] Comprised of the PFC project costs and other costs associated w ith the sell of the Series 2013A Bonds allocated by the proportion of PFC project costs.
[5] Calculated assuming 1% of average annual balance.
[6] Total sources include the PFC Beginning Balance in each year.
[7] Source: CIP.
[8] The prior PFC bond-funded amount in CY2013 is to fund the balance of PFC Project 16.07.
[9] Source: Debt service for existing PFC Backed Airport Bonds provided by Airport Management. Debt service for Future PFC Backed Bonds are projected by Unison and assumes 25-year Bonds, issued at the end of the year, at a 6.0% interest rate w ith 1-year debt service reserve.
[10] Coverage deposit for PFC debt service calculated based upon PFC eligible debt service multiplied by 25%.

4. General Airport Revenue Bonds

The GARBs (which includes the Series 2013 Bonds, future bonds and the unused portion of the Series 2010A Bonds) are revenue bonds issued by the County that are payable solely from the Net Revenues of the Airport System as further defined in the Bond Resolutions. The County can issue additional bonds for additional projects under the Bond Resolutions as long as the proposed bonds meet the Additional Bonds Test, upon filing the following with the Trustee: 1) a certificate of the County executed by an Authorized Officer that to the best of the knowledge and belief of the Authorized Officer no Event of Default exists, of which he has knowledge, 2) a certificate of the County executed by an Authorized Officer that: a) the Net Revenues for the last audited fiscal year and b) the maximum debt service (including related credit facility obligations) on all outstanding bonds and the bonds to be issued in any fiscal year, demonstrates that such Net Revenues, together with other available funds, equal an amount not less than 125% of such debt service, 3) a certified copy of the Supplemental Resolution providing for the issuance of additional bonds, and 4) an opinion of bond counsel that the conditions precedent to issuance of the additional bonds have been satisfied.

5. Federal Grants

The Airport has three types of federal grants to provide funding for the 2013 – 2017 CIP. Each is discussed below:

a) Airport Improvement Program Grants
The AIP was established by the Airport and Airway Improvement Act of 1982 ("AAIA"). This Act authorized funding from the AIP for airport development and planning and noise compatibility planning programs. An AIP grant is awarded to airports in two ways: 1) Entitlement grants, which are awarded annually based on a formula applied to the most recent calendar year enplanements reduced by 50 percent if the Airport collects a $3.00 PFC or 75 percent if the Airport collects a $4.50 PFC; 2) Discretionary grants, which are awarded on a competitive basis for capital projects that enhance safety, security and noise compatibility. While doing so, the Airport must preserve the existing infrastructure, meet critical expansion needs, and attain compatibility with neighboring communities.

b) General Aviation Grants
The GA grant program was established in 1989. States that participate in the State Block Grant Program assume responsibility for administering AIP grants at airports classified as "other than primary" airports — that is, non-primary commercial service, reliever, and general aviation airports.[2] The funds are used for airport development and airport planning, noise compatibility planning or to initiate noise compatibility programs, in accordance with the AAIA.[3]

[2] Per the FAA's website.
[3] Per Wisconsin Department of Transportation website.

In 2000, Congress created General Aviation Entitlement Grants to provide funding up to $150,000 per fiscal year to individual general aviation airports. These grants fund capital improvements and repair projects.[4]

c) Transportation Security Administration Grants
The TSA, following the tragic events of September 11, 2001, created new security initiatives that were established to improve the safety of the traveling public on airplanes flown from U.S. airports.

6. State Grants

This program from the Wisconsin Department of Transportation provides state funding to airports for capital improvement projects. For projects receiving AIP grants, the Wisconsin Department of Transportation will provide up to one-half of the local share. For projects not receiving federal monies, the state of Wisconsin typically pays 80 percent of the cost of airside development and 50 percent of costs associated with landside development projects.

B. OVERVIEW OF 2013 – 2017 CAPITAL IMPROVEMENT PROGRAM

The Airport System's 2013 – 2017 CIP total estimated cost is approximately $272.2 million, as summarized on Table II-2. The 2013 – 2017 CIP has received all of the required approvals for projects that will impact the airline rates and charges as specified in the AUA.[5] Projects that are funded with PFCs go through an airline consultation process and must be approved by the FAA.

[4] Per the FAA website, Title 14 Code of Federal Regulations Part 156.
[5] The AUA specifies that capital projects must be submitted to the Signatory Airlines for review. The projects being funded by the Series 2013A Bonds have been approved by the Signatory Airlines.

Table II-2
Milwaukee County Airport System
2013-2017 CIP
Estimated Project Costs and Funding Sources (000's)
For Years 2013 through 2017 [1]

Category	Estimated Costs	FAA Grants [2]	State Grants	PFC PAYGO	CIRF	Surplus Fund [3]	TSA Funds	2010A GARBs [4]	2013A Bonds		Future Bonds	
									GARBs	PFC [5]	GARBs	PFC [5]
Airfield:												
Purchase and Installation of Narrow Band Radio System	$1,776	$0	$0	$0	$0	$0	$0	$0	$1,776	$0	$0	$0
Other	$132,743	$77,587	$24,093	$22,500	$1,557	$855	$0	$0	$0	$0	$0	$6,150
Total	$134,519	$77,587	$24,093	$22,500	$1,557	$855	$0	$0	$1,776	$0	$0	$6,150
Terminal:												
Baggage Claim Area Expansion - Construction	$43,426	$0	$0	$1,446	$0	$0	$0	$13,272	$25,154	$3,554	$0	$0
Inline Baggage Security - Construction (Phase 2)	$12,795	$0	$0	$0	$0	$0	$9,006	$0	$0	$3,789	$0	$0
Training Center - Design & Construction	$2,415	$0	$0	$0	$0	$0	$0	$0	$2,415	$0	$0	$0
Other	$48,284	$0	$0	$4,750	$780	$9,154	$0	$0	$0	$0	$17,100	$16,500
Total	$106,920	$0	$0	$6,196	$780	$9,154	$9,006	$13,272	$27,569	$7,343	$17,100	$16,500
Landside & Parking:												
Parking Structure Capital Repairs	$1,717	$0	$0	$0	$0	$0	$0	$0	$959	$0	$758	$0
Redundant Main Electric Service Feed - Construction	$7,405	$0	$0	$0	$0	$0	$0	$0	$3,703	$3,703	$0	$0
Other	$18,265	$0	$0	$6,895	$854	$350	$0	$0	$0	$0	$10,166	$0
Total	$27,387	$0	$0	$6,895	$854	$350	$0	$0	$4,662	$3,703	$10,924	$0
Other [6]	$3,348	$608	$33	$673	$34	$2,001	$0	$0	$0	$0	$0	$0
TOTAL CIP	**$272,173**	**$78,195**	**$24,126**	**$36,264**	**$3,225**	**$12,360**	**$9,006**	**$13,272**	**$34,006**	**$11,046**	**$28,024**	**$22,650**

[1] Excludes financing and project costs from 2012 and prior.
[2] Includes Airport Improvement Program (AIP) Entitlement, Discretionary and Noise Discretionary grants, and General Aviation (GA) Entitlement and Block grants for general aviation projects.
[3] Includes ADF Account, ADF-Depreciation Account, and available moneys from other Airport sources.
[4] $13,272,000 of the 2010A Bond proceeds will be reallocated to fund a portion of the Baggage Claim Area Expansion project.
[5] PFCs are being used to pay for the debt service costs associated with PFC eligible project costs.
[6] "Other" includes projects classified as Cargo, Timmerman Airport, and Other.

Table II-2 shows the summary of the anticipated sources of funds that will be used to fund the 2013 – 2017 CIP. The total estimated project cost of approximately $272.2 million is comprised of the following funding sources; $78.2 million of FAA grants (AIP and GA), $24.1 million of state grants, $36.3 million of PFC PAYGO, $3.2 million of CIRF, $12.4 million of Surplus Funds, $9.0 million of TSA funds, $45.1 million from proceeds of the Series 2013A Bonds, $13.3 million from unused proceeds of the Series 2010A bonds, and $50.6 million of future bonds.

The funding plan for the 2013 – 2017 CIP was developed to: 1) place maximum reliance on PFCs, federal grants, and the Airport System's equity resources, and 2) minimize the issuance of bonds. The sources of funds identified in the financing plan are further described below:

1. <u>Capital Improvement Reserve Fund</u>

The Airport anticipates approximately $3.2 million from the CIRF will be used to fund a portion of the 2013 – 2017 CIP. This fund is primarily funded from depreciation charges paid by the Airlines through the annual rates and charges. These funds are earmarked to fund approximately $1.6 million of various airfield projects, $0.8 million of other terminal projects and $0.9 million of landside and parking, and other projects.

2. Surplus Fund

The Airport projects to spend approximately $12.4 million of the Surplus Fund for various other airfield projects totaling $0.9 million, other terminal projects totaling $9.2 million and for cargo and Timmerman Airport totaling $2.4 million. The Surplus Fund is comprised of the ADFA, the ADF Depreciation Account and available moneys from other Airport sources.

3. Passenger Facility Charges

The Airport estimates that a portion of the PFC Revenues will be used to fund $36.3 million of the 2013 – 2017 CIP as summarized on **Table II-2**. As previously discussed, PFCs will provide funding for $36.3 million on a PAYGO basis for various projects in the airfield, terminal, landside and parking, and other cost centers.

4. General Airport Revenue Bonds

The County plans to issue the Series 2013A Bonds, future GARBs and unused proceeds from the Series 2010A Bonds to generate approximately $109.0 million in project fund proceeds to finance a portion of the 2013 – 2017 CIP. Approximately $45.1 million is anticipated to be generated from the Series 2013A Bond proceeds and will fund all or a portion of several projects as further detailed on **Table II-2**. The County also plans to use the unused proceeds from the Series 2010A Bonds to fund a portion of the Baggage Claim Area Expansion – Construction totaling $13.3 million. Finally, the future bonds total approximately $50.7 million in proceeds and will go towards funding various other airfield, terminal and landside and parking projects.

5. Federal and TSA Grants

The County has estimated approximately $87.2 million of federal and TSA grants will be available to fund a portion of the 2013 – 2017 CIP, comprised of $78.2 million of AIP and GA grants and $9.0 million of TSA grants. The AIP and GA grants will fund a portion of various other airfield projects and other projects. The TSA grant portion totaling $9.0 million is planned to fund a portion of the In-Line Baggage Security – Construction Phase 2.

6. State Grants

The County anticipates approximately $24.1 million in state grants to fund a portion of the 2013 – 2017 CIP. The state grants are currently scheduled primarily to fund various other airfield projects.

C. 2013A BOND PROJECTS TO BE FUNDED WITH THE SERIES 2013A BOND PROCEEDS

The 2013A Bond Projects to be funded in part with the proceeds of the Series 2013A Bonds consist of the capital improvement projects described below.

1. Baggage Claim Area Expansion - Construction

Expand and renovate the existing baggage claim area capacity by approximately 1,600 square feet, which includes the heating, ventilation and air conditioning system. This project will also include the construction of a new roof, new lighting for the interior building and exterior roadway, new baggage conveyers and carrousels, other sidewalk improvements and replacement of the existing canopy to cover walkways and part of the road. Completion of this project will provide increased baggage claim capacity as well as improved efficiency through the replacement of existing carrousels with wider and faster baggage claim systems to support the increased number of gates at the Airport and future enplanement demand.

2. In-line Baggage Security – Construction Phase 2

This project constructs an elevated structure on the north side of the ticketing area to maintain the Electronic Detection System (“EDS”) machines. The completion of this project will address the TSA mandate to ensure all checked bags are screened by the operation of equipment within the ticketing lobby. Currently, the screening operation results in substantial congestion in the unsecured area of the lobby. This project is designed to alleviate that congestion and create better integration into the ticketing and bag check process for the benefit of the TSA and airlines’ operations.

3. Redundant Main Electrical Service Feed – Construction

This project will construct a new substation at the southwest corner of the parking structure that will house two transformers to supply additional capacity than provided by transformers at the existing substation. This will include; construction of additional bays, relocation of the existing service at the Howell Ave. station, installation of new duct banks and feed lines from the new substation to the terminal switchgear. The completion of this project will address the increase in electrical demand that has grown significantly over the past ten years (from 4,203 KVA to 6,027 KVA) resulting from terminal expansion and the installation of additional equipment.

4. Training Center – Design & Construction

This project consists of the relocation of airport security, operations and safety, and security training facilities to under-utilized space on the ground floor of the Administration Building. This space will provide adequate facilities to meet the FAA and TSA increased requirements for enhanced airfield driving and security training for all personnel requiring access to the airfield and other secured areas of the Airport. The construction will also include the addition of an elevator or ramp for ADA access between the ground level space to the Administration Building 2nd level and Concourse C Connector.

5. Parking Structure Repairs

This project was the result of a parking structure inspection initiated in 2011, which resulted in a Structural Evaluation Report (the Evaluation Report) published in December 2011 identifying annual and capital maintenance repairs that will be necessary over the next 20 years. The Evaluation Report identified various structural repairs needed including, approximately 2,000 linear feet of expansion joint replacement, water infiltration correction and repair, repainting of rusted framing members in the west tower stairs, replacement of approximately 75 stair tower cracked windows and rusted frames, replacement of approximately 10,000 linear feet of concrete sealant, and various other repairs.

6. Purchase and Installation of Narrow Band Radio System

This project replaces the Airport's current VHF based system with an industry standard narrowband compliant system, which is in accordance with 47 CFR 90.209. The current system is a narrowband compliant 800 MHz Motorola communication system that can function on the Airport's current communication platform. The system consists of: three dispatch consoles which include an equal number of consolettes and desks, twenty control base units, 157 mobile (vehicle based) units, and 221 portable (handheld) units, including the accessories and installation materials. Completion of this project will allow more effective communication throughout the Airport System and complements the national Telecommunications and Information Administration mandate for more rapid Federal agency migration to narrowband operation, which became effective January 1, 2008.

SECTION III
LOCAL ECONOMIC BASE

This section discusses the relevant local demographic and economic trends of the Airport's air service area. Classified as a medium hub airport by the FAA,[1] the Airport is ranked 47th in a preliminary count of U.S. enplanements in 2012, down from 35th in 2011.[2] Primarily an origin and destination ("O&D") airport, O&D traffic accounted for 87 percent of the Airport's annual total enplanements in 2012. The O&D traffic share is projected to increase to 93 percent in 2013, as AirTran and Frontier reduce flight connections through the Airport. O&D traffic depends on local factors such as population, labor market conditions, personal income, and business environment.

A. AIR SERVICE AREA

The Airport's primary and secondary air service areas ("ASAs") cover the southeastern region of Wisconsin shown in **Figure III-1**. The primary ASA is defined by the boundaries of the Milwaukee MSA, which includes the counties of Milwaukee (including West Allis City), Ozaukee, Washington, and Waukesha.[3] The secondary ASA includes the counties of Dodge, Fond du Lac, Jefferson, Kenosha, Racine, Sheboygan, and Walworth.

There are five other airports (**Table III-1**) within a two-hour drive to the Airport:

- Chicago O'Hare International Airport (ORD), the second largest U.S. large hub airport with 30.0 million enplanements in 2012, is located in Illinois, 74 miles southeast of the Airport.

- Chicago Midway International Airport (MDW), a large hub with 9.3 million enplanements in 2012, is located in Illinois, 95 miles southeast of the Airport.

- Dane County Regional-Truax Field Airport (MSN), a small hub with 0.8 million enplanements in 2012, is located in Madison, Wisconsin, 83 miles west of the Airport.

- Outagamie County Regional Airport (ATW), a non-hub with 0.2 million enplanements in 2012, is located in Appleton, Wisconsin, 113 miles northwest of the Airport.

[1] FAA classifies airports based on an airport's share of annual U.S. enplanements, as follows:
- A large hub airport handles 1 percent or more of annual U.S. enplanements.
- A medium hub airport handles at least 0.25 but less than one percent.
- A small hub airport handles between 0.05 and 0.25 percent.
- A non-hub airport handles more than 10,000 enplanements, but less than 0.05 percent of annual U.S. enplanements.

[2] FAA Air Carrier Activity Information System (ACAIS) and Bureau of Transportation Statistics T-100 Data
[3] Office of Management and Budget (OMB) MSA definition.

- Chicago/Rockford International Airport (RFD), a non-hub with 0.1 million enplanements in 2012, is located in Rockford Illinois, 98 miles south of the Airport.

FIGURE III-1
GENERAL MITCHELL INTERNATIONAL AIRPORT
AIR SERVICE AREA

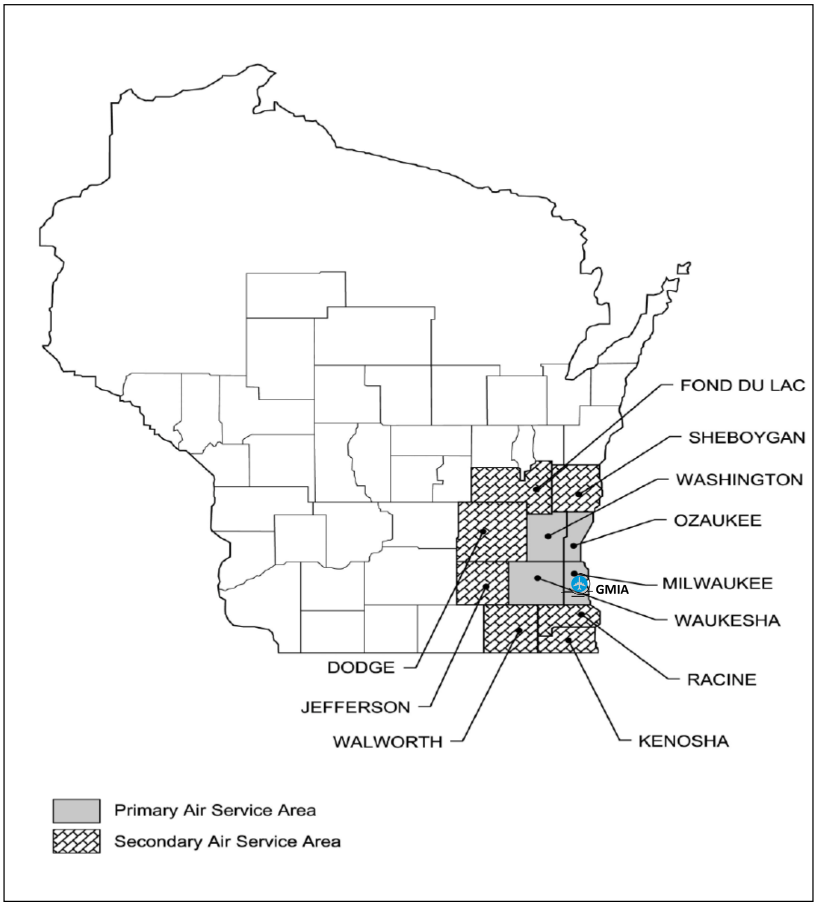


TABLE III-1
GENERAL MITCHELL INTERNATIONAL AIRPORT
LOCAL AREA COMMERCIAL SERVICE AIRPORTS

Location			CY 2012 Enplanements			Drive To GMIA	
City	State	Airport	Rank	Number	Change	Miles	Hours
Chicago	IL	Chicago O'Hare International	2	29,983,544	-6.8%	74	1.2
Chicago	IL	Chicago Midway International	25	9,264,895	8.8%	95	1.6
Milwaukee	**WI**	**General Mitchell International**	**47**	**3,698,097**	**-22.3%**		
Madison	WI	Dane County Regional-Truax Field	94	798,673	4.1%	83	1.3
Appleton	WI	Outagamie County Regional	167	229,231	-15.9%	113	1.8
Rockford	IL	Chicago/Rockford International	213	106,201	9.5%	98	1.5

Sources: BTS T-100(T3) Data April 29, 2013 and Google Maps

Public transportation in the area includes bus service to all major cities and train service between Chicago and Milwaukee seven times per day (six times on Sunday).

B. POPULATION

Population growth contributes to growth in air travel demand. Population trends in the Milwaukee MSA from 2000 through 2012 show steady growth:

- In 2012, Milwaukee MSA's population stood at 1.6 million, accounting for 27 percent of Wisconsin's population. Since 2000, the Milwaukee MSA population has grown slowly and steadily by an average 0.4 percent per year—slow compared to Wisconsin's population growth rate of 0.5 percent and the U.S. population growth rate of 0.9 percent (**Table III-2** and **Figure III-2**). The Southeastern Regional Planning Commission projects population growth in the Milwaukee MSA to continue at 0.3 percent per year through 2020 under its intermediate scenario.[4]

- Population growth was uneven among the Milwaukee MSA's four counties. Waukesha County had the greatest increase in physical population, while Washington County had the highest rate of population growth (**Table III-2**).

- Milwaukee County, home of the Airport, accounts for the largest population share in the MSA—61 percent in 2012 **(Figure III-3**). Its population growth, however, was the slowest among the four counties comprising the Milwaukee MSA (**Table III-2**).

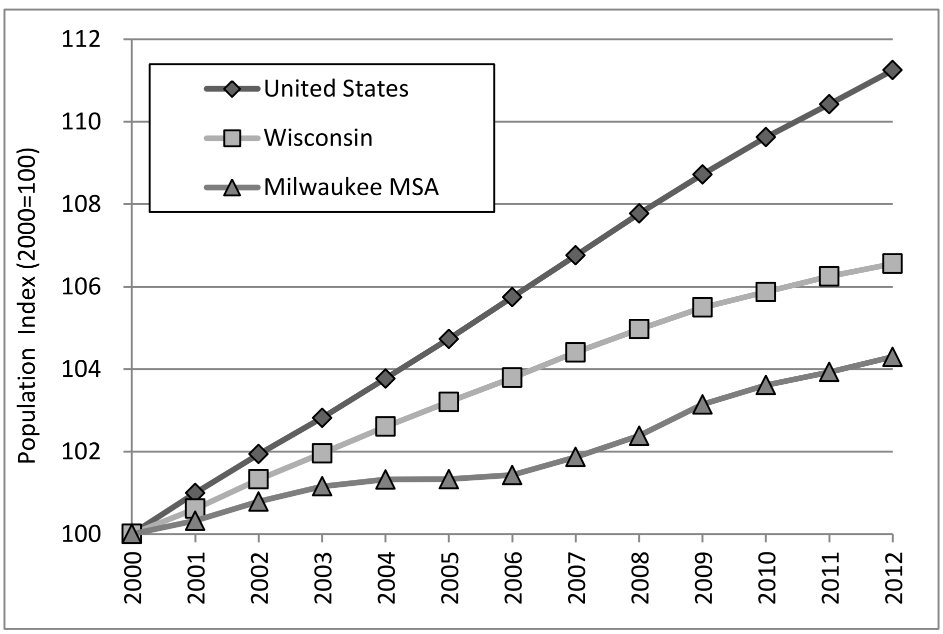
[4] Southeastern Regional Planning Commission, *The Population of Southeastern Wisconsin*, Preliminary Draft, December 2012.

TABLE III-2
MILWAUKEE MSA, WISCONSIN AND THE UNITED STATES
POPULATION
2000 and 2012

County/Area	Population 2000	Population 2012	AAGR 2000-2012
Milwaukee MSA			
Milwaukee County	939,769	955,205	0.1%
Ozaukee County	82,515	86,823	0.4%
Washington County	117,967	132,661	1.0%
Waukesha County	362,169	392,292	0.7%
Total-Milwaukee MSA	**1,502,420**	**1,566,981**	**0.4%**
Wisconsin	**5,373,999**	**5,726,398**	**0.5%**
United States	**282,162,411**	**313,914,040**	**0.9%**

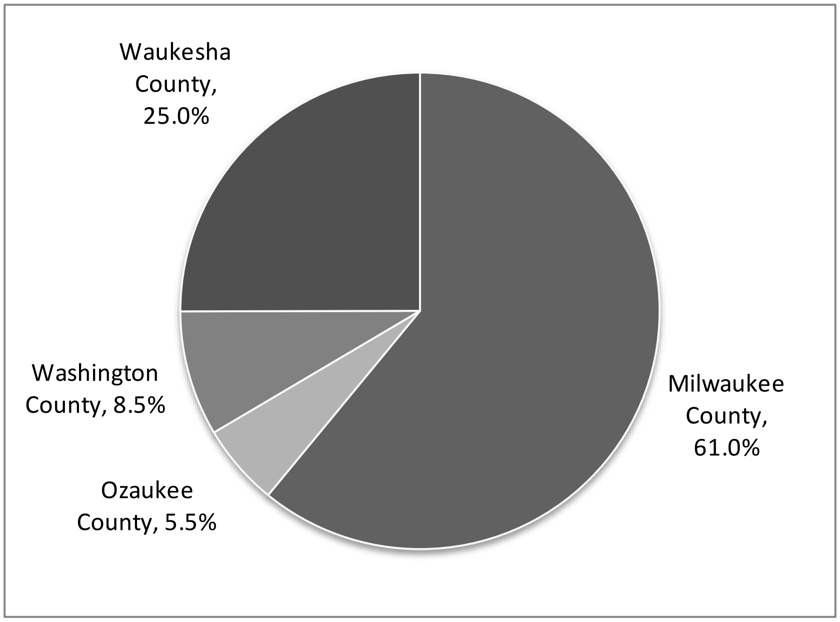
AAGR – Average annual growth rate.
Source: Calculated from U.S. Bureau of Census population estimates.

FIGURE III-2
MILWAUKEE MSA, WISCONSIN AND THE UNITED STATES
POPULATION GROWTH TRENDS
2000-2012



Source: Calculated from U.S. Bureau of Census population estimates.

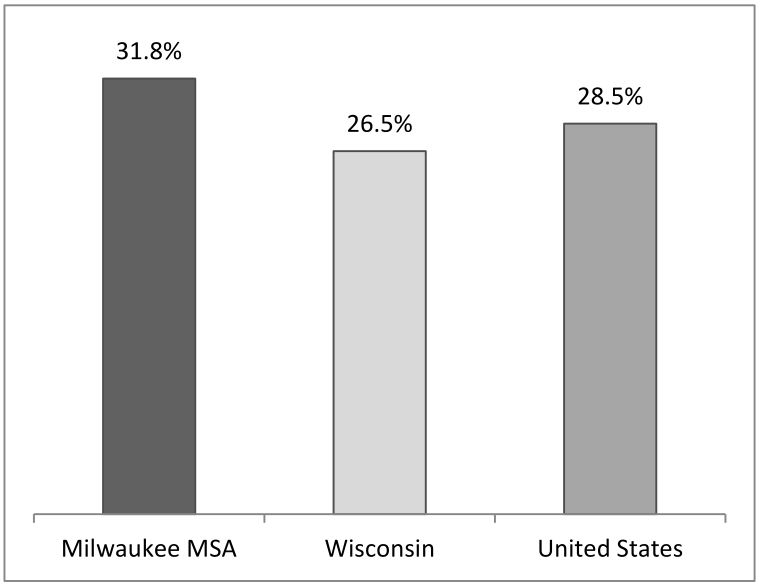
FIGURE III-3
MILWAUKEE MSA
POPULATION DISTRIBUTION BY COUNTY
2012



See data in **Table III-2**.

Market research shows that those who hold a Bachelor's degree or higher tend to make more air trips than those who do not have a Bachelor's degree. The Milwaukee MSA has a greater proportion of residents who hold a Bachelor's degree or higher than both Wisconsin and the United States as a whole (**Figure III-4**).

FIGURE III-4
MILWAUKEE MSA, WISCONSIN AND THE UNITED STATES
PERCENT OF POPULATION 25 YEARS AND OLDER WITH A BACHELOR'S DEGREE OR HIGHER
2011



Source: U.S. Bureau of Census 2011 American Community Survey.

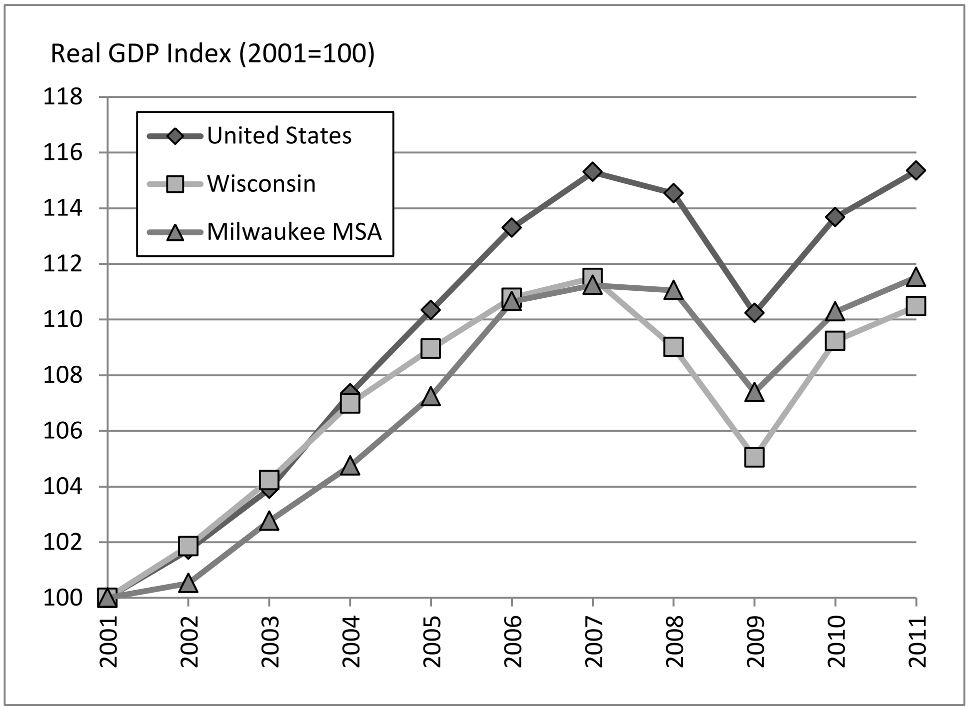
C. ECONOMIC GROWTH

Economic growth, both at the national and local levels, drives growth in air travel demand. Economic growth is typically measured by gross domestic product ("GDP") trends. GDP measures the value of all goods and services produced in a geographic area.[5] In **Figure III-5**, annual GDP estimates for the Milwaukee MSA, Wisconsin, and the United States (adjusted for inflation) are indexed to a 2001 base year to compare economic growth trends. **Figure III-5** shows that the national economy generally outperformed the state and Milwaukee MSA in output production through 2011. Continuing competitive and regulatory pressures in the manufacturing sector have hampered growth in the area.

[5] The term "gross area product" is used for regional or MSA output, the term "gross state product" is used for state output; and the term "gross domestic product" is used for national output. For ease of discussion, we use "gross domestic product" as a general term to refer to economic output for any geographic level.

Cyclical changes in the Milwaukee MSA economy follow national trends. The Milwaukee MSA economy contracted along with the national economy during the recent recession.

FIGURE III-5
MILWAUKEE MSA, WISCONSIN AND THE UNITED STATES
REAL GROSS DOMESTIC PRODUCT GROWTH TRENDS
2001-2011



Source: Calculated using real GDP estimates from the U.S. Bureau of Economic Analysis.

Various industry sectors contribute to local economic output. The top three contributors are financial activities, manufacturing, and professional and business services.

Financial Activities – This sector makes up the largest portion of real gross area product for the Milwaukee MSA, accounting for 26.3 percent of the total in 2011. It consists of the real estate, finance and insurance industries, which in total have grown at an average 1.8 percent per year over the 2001 to 2011 period. The real estate component grew at an average 1.2 percent annual rate for the period and is expected to show increasing growth in the coming years[6].

Manufacturing – This sector makes the second largest contribution to the Milwaukee MSA's economy. Its share of the Milwaukee MSA's gross area product in 2011 was 19.2 percent. The manufacturing sector grew at an average annual rate of 1.7 percent over the 2001 to 2011 period.

[6] The PNC Financial Services Group, *Milwaukee Market Outlook*, 1st Quarter 2013.

Professional and Business Services – This sector made up 12.7 percent of the Milwaukee MSA's gross area product in 2011. Annual growth in the sector averaged 1.3 percent for the 2001 to 2011 period. Professional, scientific and technical services accounted for 49 percent of the sector's output in 2011 and grew at an annual average rate of 1.6 percent over the 2001 to 2011 period.

D. INCOME

Higher incomes generate higher demand for air travel. Because of higher-paying manufacturing jobs, residents of the Milwaukee MSA continue to earn a higher level of personal income per capita than the average person in Wisconsin and the United States despite slightly slower income growth in the Milwaukee MSA (**Table III-3)**. Diversification toward service-providing industries has also brought higher-paying jobs in financial activities, professional and business services, education and health services. As a result, the Milwaukee MSA proportion of households with incomes and benefits in the $75,000 and above category is slightly higher than the proportion in Wisconsin and similar to the national proportion in 2011(**Figure III-6**).[7]

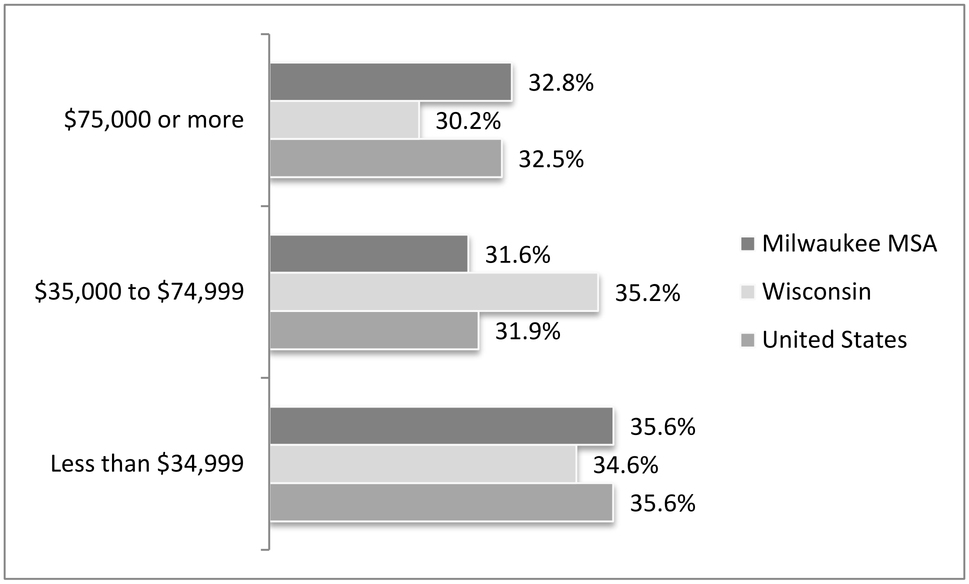
TABLE III-3
MILWAUKEE MSA, WISCONSIN, AND THE UNITED STATES
PER CAPITA PERSONAL INCOME TRENDS
2000-2011

Year	Milwaukee MSA	Wisconsin	United States
2000	$33,242	$29,141	$30,319
2001	$34,313	$30,105	$31,157
2002	$35,029	$30,799	$31,481
2003	$35,682	$31,619	$32,295
2004	$36,957	$32,699	$33,909
2005	$38,263	$33,635	$35,452
2006	$41,162	$35,598	$37,725
2007	$42,231	$36,831	$39,506
2008	$43,506	$38,172	$40,947
2009	$41,881	$36,859	$38,637
2010	$42,986	$38,010	$39,791
2011	$44,610	$39,575	$41,560
Average Annual Growth Rate			
2000-2011	3.0%	3.1%	3.2%

Source: U.S. Bureau of Economic Analysis.

[7] U.S. Bureau of Census, *2011 American Community Survey 1-Year Estimates*.

FIGURE III-6
MILWAUKEE MSA, WISCONSIN, AND THE UNITED STATES
HOUSEHOLD INCOME DISTRIBUTION
2011



Source: U.S. Bureau of Census 2011 American Community Survey.

E. LABOR MARKET

The labor market trends in the Milwaukee MSA over the past 13 years show neither growth nor dramatic declines (**Table III-4**). From 2000 through 2012, the total labor force decreased an average 0.1 percent annually, the number employed decreased 0.5 percent annually, and the number unemployed increased 6.1 percent annually. These trends in the Milwaukee MSA do not necessarily show a weaker labor market compared to the state and the nation (**Figure III-7**). Milwaukee MSA's labor force grew more slowly than Wisconsin's and the nation's labor force due to slower population growth. The number of unemployed increased less sharply in the Milwaukee MSA, compared to the state and the nation.

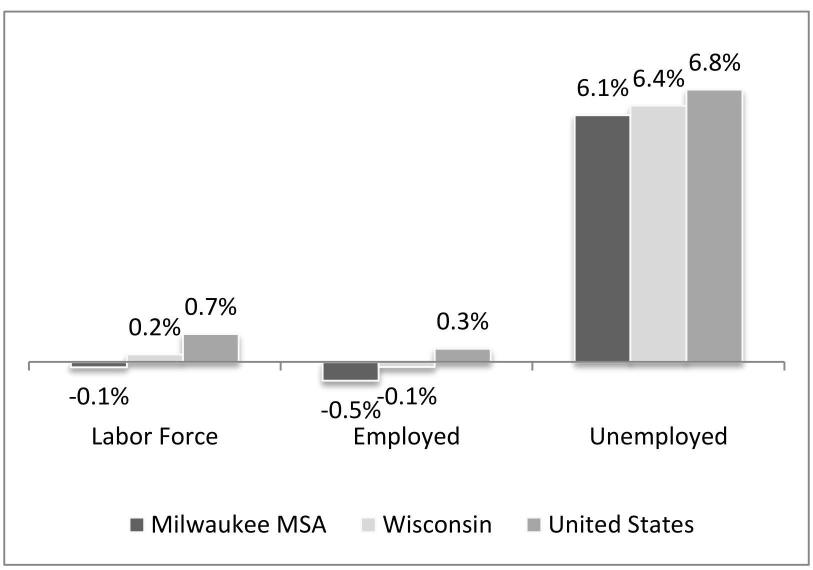
Following trends nationwide, the unemployment rate in the Milwaukee MSA rose sharply during the recent recession, from 3.6 percent in 2000 to 8.9 percent in 2009 and 2010 (**Figure III-8**). Since then, the unemployment rate has been going down gradually with the economic recovery. The unemployment rate in the Milwaukee MSA has been lower than the U.S. unemployment rate since 2008. In 2012, the local unemployment rate was 7.5 percent, compared to 8.1 percent in the nation.

TABLE III-4
MILWAUKEE MSA
LABOR MARKET TRENDS
2000-2012 and January-March 2013

Year	Labor Force			Unemployment
	Total	Employed	Unemployed	Rate
2000	807,508	778,443	29,065	3.6%
2001	807,197	769,926	37,271	4.6%
2002	796,950	751,062	45,888	5.8%
2003	792,980	744,303	48,677	6.1%
2004	786,460	743,732	42,728	5.4%
2005	786,658	747,150	39,508	5.0%
2006	798,347	759,498	38,849	4.9%
2007	807,976	767,933	40,043	5.0%
2008	805,859	766,061	39,798	4.9%
2009	807,297	735,317	71,980	8.9%
2010	797,700	726,751	70,949	8.9%
2011	798,103	734,319	63,784	8.0%
2012	795,350	736,284	59,066	7.4%
Jan-Mar 2012	793,160	730,150	63,009	7.9%
Jan-Mar 2013	793,003	728,866	64,137	8.1%
Average Annual Growth Rate				
2000-2012	-0.1%	-0.5%	6.1%	
Jan-Mar 2013	0.0%	-0.2%	1.8%	

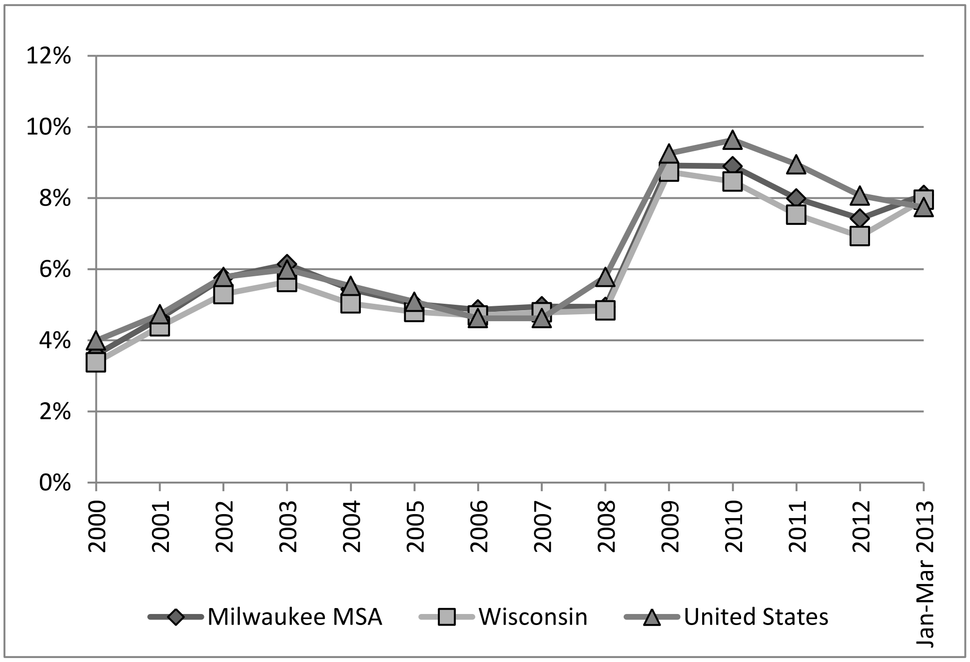
Source: U.S. Bureau of Labor Statistics.

FIGURE III-7
MILWAUKEE MSA, WISCONSIN, AND THE UNITED STATES
AVERAGE ANNUAL CHANGE IN TOTAL, EMPLOYED AND UNEMPLOYED LABOR FORCE
2000-2012



Source: U.S. Bureau of Labor Statistics.

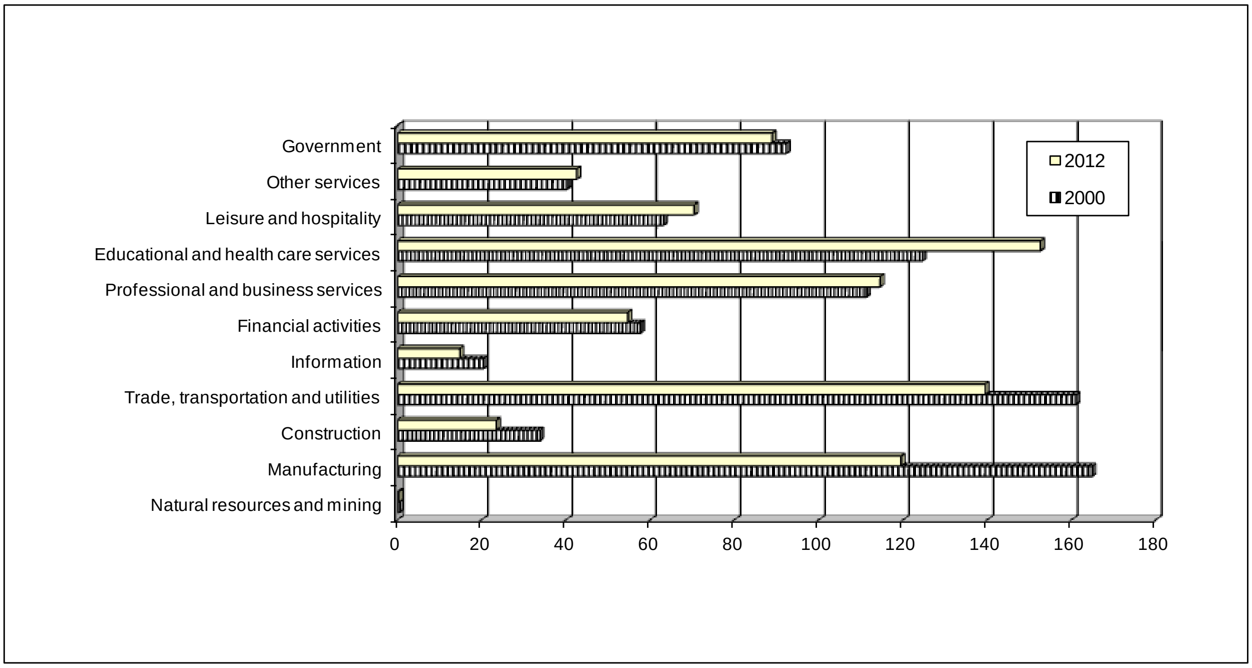
FIGURE III-8
MILWAUKEE MSA, WISCONSIN, AND THE UNITED STATES
UNEMPLOYMENT RATES
2000-2012 and January-March 2013



Source: U.S. Bureau of Labor Statistics.

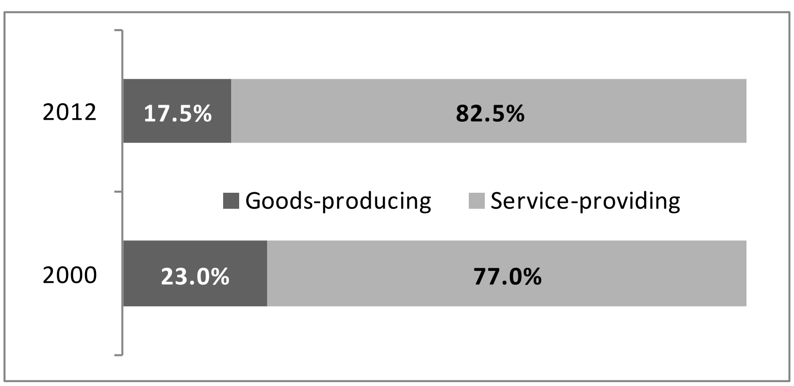
The economy of the Milwaukee MSA has been evolving from a goods-producing employment base to a service-providing employment base. As **Figure III-9** illustrates, employment gains in educational and health care services, leisure and hospitality, professional and business services, and other services partially offset employment losses in manufacturing and trade, transportation, and utilities between 2000 and 2012. In 2000, the goods-producing sector—which includes manufacturing, construction, mining and logging—employed 23 percent of the Milwaukee MSA's workforce (**Figure III-10**). By 2012, it employed only 17.5 percent. Within the same period, the service-providing sector's job share rose from 77.0 percent to 82.5 percent, due largely to employment gains in higher-paying service industries. The diversification of the local employment base makes the Milwaukee MSA economy less sensitive and more resilient to business cycle fluctuations.

FIGURE III-9
MILWAUKEE MSA
NON-FARM EMPLOYMENT BY SECTOR (Thousands)
2000 and 2012



Source: U.S. Bureau of Labor Statistics Current Employment Survey.

FIGURE III-10
MILWAUKEE MSA
NON-FARM EMPLOYMENT DISTRIBUTION BETWEEN GOODS-PRODUCING AND SERVICE-PROVIDING SECTORS
2000 and 2012



Source: U.S. Bureau of Labor Statistics Current Employment Survey.

In 2012, education and health care held the largest share (18.6 percent) of nonfarm jobs in the Milwaukee MSA (**Table III-5**). Trade, transportation and utilities held the second largest share (17 percent), and manufacturing held the third largest share (14.5 percent).

The share of manufacturing jobs in the Milwaukee MSA (14.5 percent) remains significantly greater than the share of manufacturing jobs across the nation (8.9 percent). Of the nation's largest metropolitan areas, Milwaukee has the second-largest percentage of its workforce in manufacturing. Compared to service industries, manufacturing industries are generally more sensitive to cyclical fluctuations. Milwaukee's manufacturing jobs, however, are concentrated in more stable, higher-paying industrial equipment manufacturing industries—not in the more cyclical auto-related industries prominent in neighboring upper-Midwest economies.[8]

Compared to the nation, the Milwaukee MSA also has greater percentages of its non-farm jobs in financial activities, professional and business services, education and health services, and other services. These private service-providing sectors have higher-paying jobs than the other private service-providing sectors that have smaller job shares in Milwaukee than in the nation, like trade, transportation and utilities, and leisure and hospitality.

TABLE III-5
MILWAUKEE MSA, WISCONSIN, AND THE UNITED STATES
NON-FARM EMPLOYMENT SHARES BY INDUSTRY
2012

Major Industry Classification	Milwaukee MSA	Wisconsin	United States
Private sector: goods-producing			
Natural resources and mining	0.0%	0.1%	0.6%
Manufacturing	14.5%	16.3%	8.9%
Construction	2.9%	3.3%	4.2%
Subtotal	**17.5%**	**19.8%**	**13.8%**
Private sector: service-providing			
Trade, transportation and utilities	17.0%	18.4%	19.1%
Information	1.8%	1.7%	2.0%
Financial activities	6.7%	5.8%	5.8%
Professional and business services	14.0%	10.4%	13.4%
Education and health care	18.6%	15.0%	15.2%
Leisure and hospitality	8.6%	9.2%	10.3%
Other services	5.2%	4.9%	4.1%
Subtotal	**71.7%**	**65.4%**	**69.8%**
Government	**10.8%**	**14.7%**	**16.4%**
Total	**100.0%**	**100.0%**	**100.0%**

Source: U.S. Bureau of Labor Statistics Current Employment Survey.

[8] The PNC Financial Services Group, *Milwaukee Market Outlook*, 1st Quarter 2013.

F. MAJOR EMPLOYERS AND CORPORATE HEADQUARTERS

Table III-6 lists the 10 largest public and private employers in each of the four counties comprising the Milwaukee MSA, based on third quarter 2012 data from the Wisconsin Department of Workforce Development ("WDWD"). The table ranks the companies by the number of employees located in each respective county.

TABLE III-6
MILWAUKEE MSA
MAJOR EMPLOYERS BY COUNTY
Third Quarter 2012

Rank	County/Employer	Industry	Rank	County/Employer	Industry
	Milwaukee County:			**Washington County:**	
1	Milwaukee Public School	Services (education)	1	Quad/Graphics Inc.	Services
2	City of Milwaukee	Government	2	Wal-Mart	Retail Trade
3	Aurora Health Care Metro	Services (healthcare)	3	West Bend Joint School District #1	Services (education)
4	Froedtert Hospital	Services (healthcare)	4	County of Washington	Government
5	County of Milwaukee	Government	5	West Bend Mutual Insurance Co.	Services
6	Medical College of Wisconsin	Services (education/healthcare)	6	Cedar Community	Services
7	Northwestern Mutual Life Insurance	Financial (insurance)	7	Signicast	Manufacturing
8	Aurora Health Care	Services (healthcare)	8	Broan-Nutone	Manufacturing
9	U. of Wisconsin, Milwaukee	Services (higher education)	9	Germantown Public School	Services (education)
10	Children's Health System Group	Services (healthcare)	10	Saint Joseph's Community Hospital	Services (healthcare)
	Ozaukee County:			**Waukesha County:**	
1	Columbia St. Mary's Group	Services (healthcare)	1	Kohl's Department Stores	Retail Trade
2	Concordia University Wisconsin	Services (higher education)	2	Quad/Graphics, Inc.	Services (business)
3	Rockwell Automation Inc.	Manufacturing (machinery)	3	Waukesha Memorial Hospital	Services (healthcare)
4	Aurora Medical Center Grafton	Services (healthcare)	4	County of Waukesha	Government
5	County of Ozaukee	Government	5	School District of Waukesha	Service (education)
6	Charter Manufacturing Company	Manufacturing	6	Wal-Mart	Retail Trade
7	Kleen Test Products	Manufacturing (paper products)	7	Target Corporation	Retail Trade
8	Aurora Advanced Healthcare	Services (healthcare)	8	GE Medical Systems	Manufacturing
9	Doral Dental USA	Services (healthcare)	9	Nissen & Associates Staffing	Services (business)
10	Cedarburg School District	Services (education)	10	Memorial Hospital of Menomone	Services (healthcare)

Source: Wisconsin Department of Workforce Development, March 2013.

In 2012, 22 companies with more than 5,000 employees maintain their corporate headquarters in the seven-county Milwaukee region (**Table III-7**). Of these, six are Fortune 500 companies.

TABLE III-7
MILWAUKEE MSA
CORPORATE HEADQUARTERS
January 2013

Company	Product/Service	Worldwide Employees	Headquarters Location
A.O. Smith	Electrical motors, water heaters and boilers	16,800	Milwaukee
Actuant Corp.	Industrial products and systems	7,400	Butler
Brady Corp.	Identification materials	8,600	Milwaukee
Briggs & Stratton	Air-cooled engines	8,000	Wauwatosa
Diversey	Commercial cleaning, sanitation and hygiene solutions	11,500	Sturtevant
Everett Smith Group	Automotive leather, sheet metal, rubber, thermoplastics, urethanes and electronic assemblies	6,000	Milwaukee
Fiserv	Transaction and information management tools	25,000	Brookfield
GE Healthcare Technologies	Medical imaging, information and diagnostic technologies	46,000	Waukesha
Harley-Davidson*	Motorcycles and accessories	9,800	Milwaukee
Jockey International	Sports wear and underwear	5,100	Kenosha
Johnson Controls*	Automotive seating, batteries and industrial controls	136,000	Glendale
Joy Global	Mining equipment and services	9,200	Milwaukee
Kohl's Department Stores*	Discount stores	26,000	Menomonee Falls
ManpowerGroup*	Contract employment	33,000	Milwaukee
Metavante	Banking and payment technologies	5,700	Brown Deer
Modine Manufacturing	Radiators and heat transfer devices	7,900	Racine
Northwestern Mutual*	Insurance, financial services	8,000	Milwaukee
Quad/Graphics	Printing	10,000	Sussex
Rockwell Automation*	Industrial controls and software	20,000	Milwaukee
Roundy's Supermarkets	Retail supermarkets	20,000	Milwaukee
S.C. Johnson	Household products	12,000	Racine
Snap-on Inc.	Tools and equipment	11,600	Kenosha

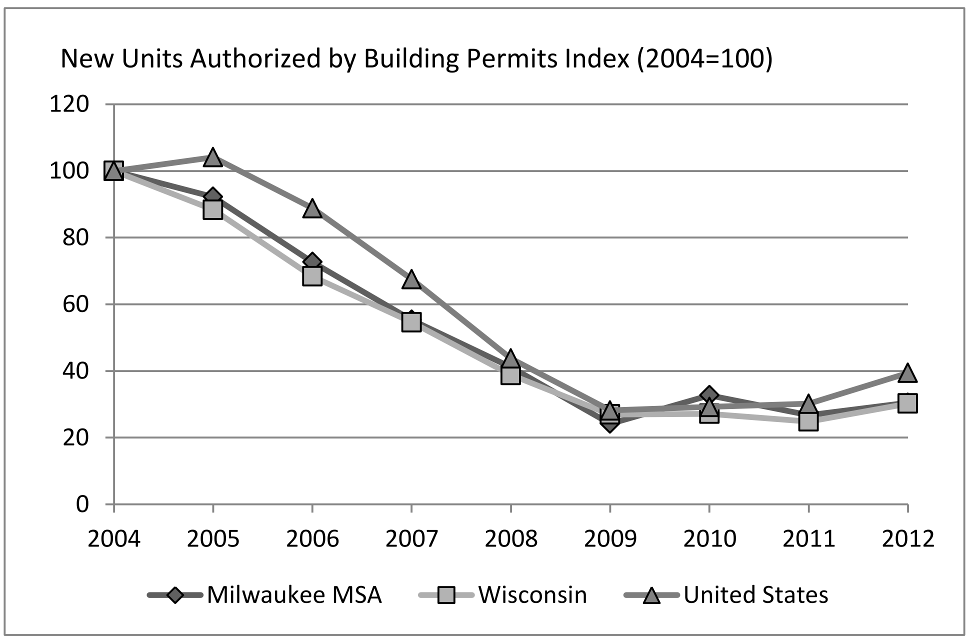
* 2012 Fortune 500 company. Other companies in region include Oshkosh, American Family Insurance Group, and Bemis.
Source: Milwaukee 7 website, January 14, 2013.

G. HOUSING

Trends in the national housing market have been a key factor driving economic trends since the mid-2000s. The housing market crash was a central factor in the 2008-2009 recession. Continued weakness in the housing market after the end of the recession inhibited economic recovery. Recent data suggest that the housing market had reached a trough and has begun to recover in certain parts of the country.

Figure III-11 shows the indexed trends in building permits issued each year for new privately owned housing units—an indicator of housing market activity—in the Milwaukee MSA, Wisconsin and the United States. The number of building permits dropped sharply from 2004 to 2009. Recent data show a slight upturn nationally. The relatively flat trends in the Milwaukee MSA and Wisconsin suggest that new housing construction activity remains subdued locally.

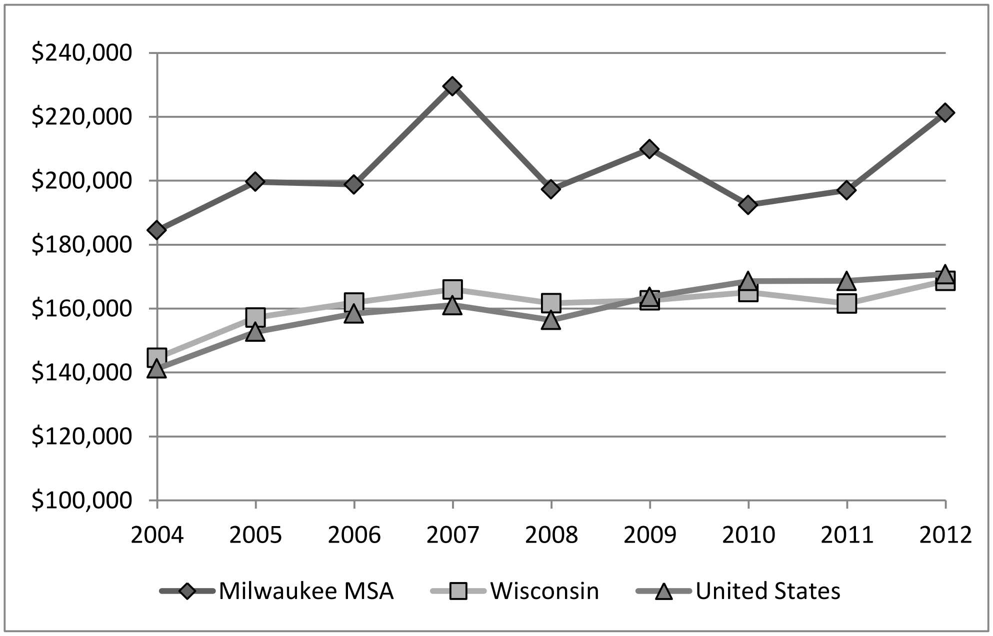
FIGURE III-11
MILWAUKEE MSA, WISCONSIN, AND THE UNITED STATES
NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
2004-2012



Source: U.S. Bureau of Census Building Permits Survey.

Average valuations for authorized new privately owned housing units for the 2004–2012 period (**Figure III-12**) show that the Milwaukee MSA has maintained higher housing values than the U.S. average. In 2012, the average value of new housing units increased more sharply for the Milwaukee MSA than for the state or the nation as a whole, showing some recovery in the local market.

FIGURE III-12
MILWAUKEE MSA, WISCONSIN, AND THE UNITED STATES
NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED AVERAGE VALUATION
2004-2012



Source: U.S. Bureau of Census Building Permits Survey.

H. TOURISM

The Milwaukee MSA offers year-round tourist attractions and leisure activities that draw visitors to the area. Visitors contribute to the demand for air service at the Airport, and visitor spending generates jobs and business revenues in the local economy.

According to the Wisconsin Department of Tourism's tourism impact report,[9] Wisconsin visitors spent nearly $10.4 billion in the state in 2012, up 4.7 percent from 2011 (**Table III-8**). Of the total amount, 0.7 percent was spent on air travel and the remainder on lodging, food, retail purchases, recreation, and local transportation. These visitor expenditures generated 184,000 full-time equivalent jobs and $1.3 billion in state and local tax revenues.

Visitor spending in the Milwaukee MSA in 2012 amounted to $2.4 billion, 3.7 percent greater than in 2011 (**Table III-9**). In Milwaukee County alone, travelers spent approximately $1.6 billion. Milwaukee County ranked first in the state in terms of visitor spending in 2012. Washington County ranked third in terms of spending and posted the largest percentage increase in visitor spending in the Milwaukee MSA.

[9] Wisconsin Department of Tourism, *Tourism Economic Impact Study*, April 2012.

TABLE III-8
WISCONSIN VISITOR SPENDING (Millions)
2011-2012

Account	2011	2012	2011-2012 % Change
Lodging	$2,564	$2,664	3.9%
Air	$405	$408	0.7%
Other Transportation	$1,057	$1,194	13.0%
Food & Beverage	$2,447	$2,569	5.0%
Retail	$2,200	$2,221	1.0%
Recreation	$1,225	$1,311	7.0%
Total Wisconsin	**$9,898**	**$10,367**	**4.7%**

Source: Wisconsin Department of Tourism Economic Impact Study, April 2013.

TABLE III-9
MILWAUKEE MSA VISITOR SPENDING BY COUNTY (Millions)
2011-2012

Geography	2011	2012	2011-2012 % Change
Milwaukee MSA			
Milwaukee County	$1,561.3	$1,636.2	4.8%
Waukesha County	$617.5	$630.9	2.2%
Washington County	$92.8	$100.3	8.1%
Ozaukee County	$74.3	$79.3	6.8%
Total - Milwaukee MSA	**$2,358.5**	**$2,446.7**	**3.7%**
Total Wisconsin	**$9,899.2**	**$10,395.4**	**5.0%**

Source: Wisconsin Department of Tourism Economic Impact Study, April 2013.

Major cultural attractions, including museums and performing arts events, cater to visitors' diverse interests. Metro area museums include: The Betty Brinn Children's Museum, The Charles Allis Art Museums, The Milwaukee Art Museum, The Milwaukee Public Museum, The Mitchell Gallery of Flight located at the Airport, The Harley-Davidson Museum, and The Waukesha County Historical Museum. The area also has a number of entertainment venues, including: The Delta Center Convention Center, The Milwaukee Theater, The U.S. Cellular Area, The Marcus Center for the Performing Arts, The Milwaukee Repertory Theater, The BMO Harris Bradley Center, The Washington County Fair Park and Conference Center, and The Waukesha County Exposition Center.

Tourist attractions have emerged around the Milwaukee metro area's points of interest. Brewery and winery tours, which include the area's famous Lakefront Brewery and Miller Brewing Company, are popular group events. Other places of interest include

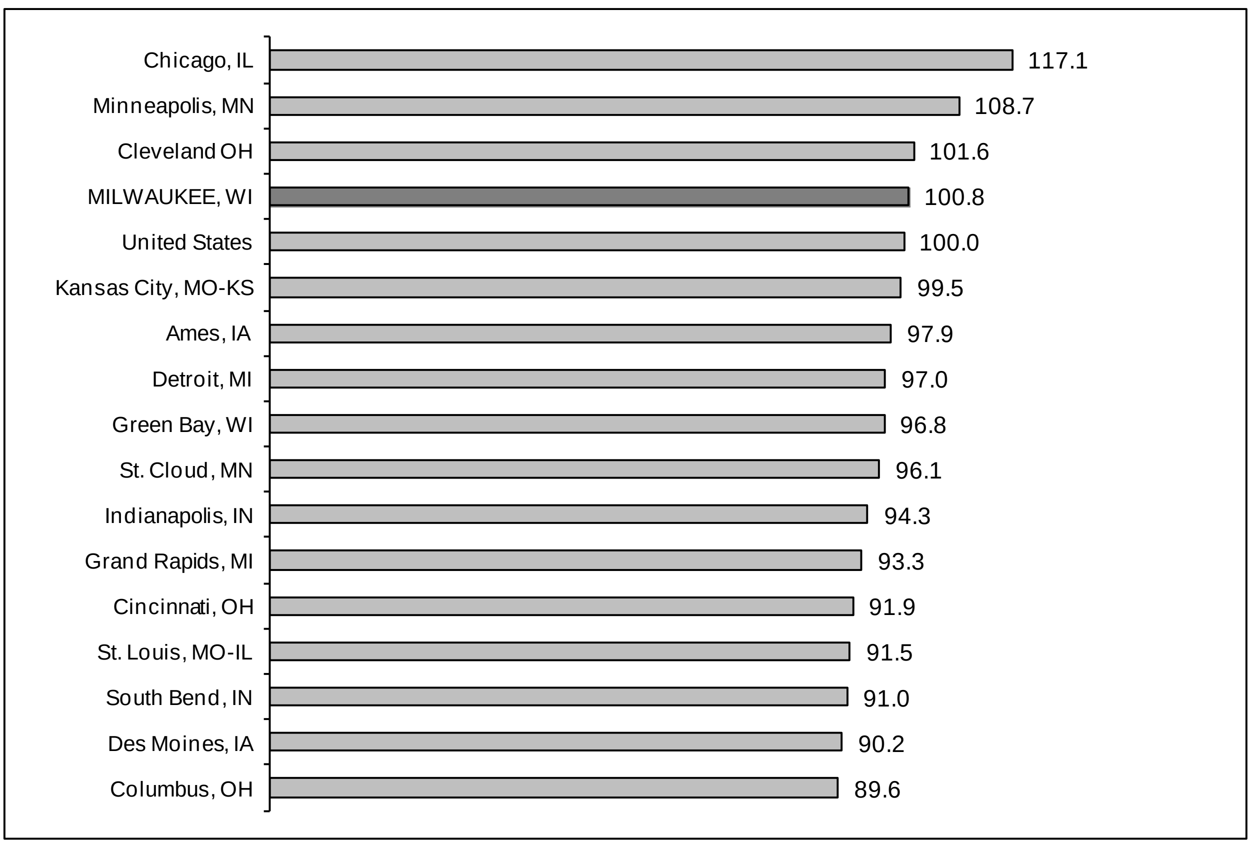
The Harley-Davidson Plant, The Milwaukee County Zoo, The Mitchell Park Horticultural Conservatory, The Wehr Nature Center, and Miller Park home of the Milwaukee Brewers.

Professional and recreational sports offer a variety of outdoor and indoor events. There are various year-round festivals celebrating the diverse ethnic heritage of Milwaukee residents.

I. COST OF LIVING

During 2012, the cost of living in the Milwaukee area was less than 1 percent above the national average, based on the Cost of Living Index published by the Center for Regional Economic Competitiveness (**Figure III-13**). The Milwaukee MSA, however, has the fourth highest cost of living among the comparable metropolitan areas in the Mid-West**.**

FIGURE III-13
SELECTED MIDWEST METROPOLITAN AREAS*
COST OF LIVING INDEX COMPARISON
2012



* The Cost of Living Index measures the relative price levels of consumer goods and services in participating areas. The national average is set at 100.
Source: Center for Regional Economic Competitiveness.

J. OUTLOOK

The 2008-2009 U.S. economic recession exceeded previous economic declines from the 1940s and resulted in a severe downturn in the economy. With the official end of the recession in June 2009,[10] economic growth resumed but has progressed much slower than experienced during previous recoveries. According to the University of California Los Angeles (UCLA) Anderson Forecast, in each of the previous 10 recessions, real GDP returned to its previous peak within two years. Recovery from the recent recession took almost four years—real GDP regained the pre-recession peak in the third quarter of 2011. Employment typically recovered to previous peak within two to two and a half years. This time it could take seven to eight years.[11]

As the U.S. economy has pulled out of the recession, sovereign debt issues in Europe and political unrest in the Middle East have clouded the global outlook. Much of Europe is in economic recession. China, India, Japan, Brazil, Mexico, and other countries in Asia and South America are showing weakness as well.

Global weakness is hampering growth in U.S. exports, business investment and consumer spending. High fuel prices remain a drag on the U.S. economy. The recently mandated federal spending cuts are expected to slow down U.S. economic growth in the short term. The prospect of tighter U.S. monetary policy is also raising concerns globally. See **Section IV** for more details about the economic forecast scenarios.

The Milwaukee area economy has successfully diversified over the recent past. Its cyclical industrial equipment manufacturing sector is increasingly balanced by the more stable healthcare, education, business services and finance sectors. The local economy, however, relies to a large degree on the strength of the national economy to generate demand for its manufacturing goods and services. Weak national demand has caused the Milwaukee area's recovery to lag behind the national recovery. The County's gross area product returned to its pre-recession peak in 2011 but stayed flat in 2012, according to the PNC Financial Services Group. As recent history has shown, the national economy is a major driver to the Milwaukee area economy. Risks to the national outlook could also hamper growth in the Milwaukee area economy. Recent history, however, has also shown resilience in the local economy owing to increasing diversification toward service-providing industries.

[10] National Bureau of Economic Research, *Business Cycle Dating Committee Report*, September 20, 2010.
[11] UCLA Anderson Forecast, "Sluggish Economy Continues Despite Improvements in the Housing Market," *Press Release*, Los Angeles, June 20, 2012.

K. SUMMARY

The Milwaukee MSA provides a stable population and economic base for O&D air travel demand:

- The Airport air service area has a well-developed transportation system with access to most of Wisconsin, Northern Illinois, and the Chicago area.

- The local population has grown slowly but steadily since 2000. In 2012, the Milwaukee MSA had approximately 1.6 million residents and accounted for 27.4 percent of Wisconsin's population.

- The Milwaukee MSA's population is slightly younger and better educated than national and state averages.

- Local residents have consistently maintained incomes higher than the state and national averages due to high-paying jobs in industrial manufacturing.

- Local labor market trends reflect stability, while unemployment rates follow national trends.

- Compared to the nation, the Milwaukee MSA has a proportionately larger industrial manufacturing base, which produces high-paying jobs. Like other manufacturing-oriented metropolitan areas, however, the Milwaukee MSA is transforming to a more service-based economy. Several Fortune 500 companies and a variety of local corporations have headquarters in the area.

- New housing construction activity remains subdued in the Milwaukee MSA, but new housing values have risen more sharply in the Milwaukee MSA than in Wisconsin and the United States as a whole.

- Various cultural attractions, places of interest, recreational activities, and year-round events and festivals draw visitors to the Milwaukee MSA.

- For 2012, the cost of living in the Milwaukee-Waukesha area was only slightly above the national average.

- The demand for the Milwaukee area's manufacturing products has been weak due to the slow U.S. recovery from the recent recession. The U.S. economy has been showing strength in recent months, and this bodes well for the Milwaukee MSA's economic outlook.

SECTION IV
AVIATION ACTIVITY ANALYSIS AND FORECASTS

This section reviews the Airport's historical trends in passenger traffic and aircraft operations, and forecasts enplanements as well as departures and landed weight for commercial aircraft. The section also discusses the factors underlying both historical trends and forecast trends, including recent industry-wide developments.

A. HISTORICAL AVIATION ACTIVITY

The FAA classifies the Airport as a medium hub commercial airport, which means it enplanes at least 0.25 percent but less than 1 percent of the total U.S. air passengers each year.[1] Passenger airlines provide scheduled and non-scheduled service from the Airport to various destinations in the United States; Toronto, Canada; and the Caribbean and Mexico. Several airlines also offer scheduled and charter cargo services at the Airport.

Table IV-1 lists passenger airlines that provide scheduled service at the Airport as of May 2013. The list distinguishes seven mainline carriers that operate aircraft with 100 or more seats and 13 regional/commuter carriers that operate aircraft with less than 100 seats. With the exception of Air Canada Jazz, all the regional airlines operate feeder flights for mainline carriers (shown in parentheses after the name of the regional carrier)—an industry practice that helped mainline carriers expand their networks to smaller markets. All the mainline carriers listed in **Table IV-1** are Signatory Airlines to the AUA. Except Air Canada Jazz, all the regional/commuter carriers operate flights for Signatory Airlines.

[1] U.S. Bureau of Transportation Statistics, *Air Traffic Hubs 2011*.

TABLE IV-1
GENERAL MITCHELL INTERNATIONAL AIRPORT
AIR CARRIERS THAT PROVIDE SCHEDULED PASSENGER SERVICE
As of May 2013

Airline
Mainline Carrier
AirTran
American
Delta
Frontier
Southwest
United
US Airways
Regional/Commuter
Air Canada Jazz
Air Wisconsin (US Airways)
American Eagle (American)
Atlantic Southeast (Delta)
Chautauqua (American/Delta/Frontier)
Compass (Delta)
Expressjet (United)
Go Jet (Delta)
Pinnacle (Delta)
PSA (US Airways)
Republic (Frontier)
Shuttle America (Delta/Frontier)
SkyWest (AirTran/Delta/United)

Source: Airport System Management records.

The key trends in aviation activity at the Airport are discussed below.

1. Overall Enplanement Trends

During the past 10 years, U.S. airports and airlines faced major challenges:

- Lasting structural changes in the air travel market and the airline industry following the 2001 terrorist attacks;
- The 2008-2009 U.S. economic recession, the longest and deepest recession since the Great Depression, and the slow recovery that followed;
- Airline financial difficulties that led to industry exits, mergers, route transfers between mainline and regional carriers, significant capacity cuts, and various cost-cutting measures—all with adverse short-term effects on airports;

- Fuel price increases, with prices reaching a record peak in 2008; and
- Adverse weather and natural disasters, disease outbreaks, wars and civil unrest in different parts of the world that hampered economic growth, disrupted air service, and caused short-term traffic declines.

Through 2010, the Airport handled these challenges better than most U.S. airports. Historical enplanement data in **Table IV-2** and **Figure IV-1** show that Airport enplanements grew faster than U.S. system-wide enplanements in five of the eight years from 2003 through 2010. In 2009 the Airport experienced a smaller percentage decrease in enplanements than the nation. Southwest Airlines began service at the Airport in late 2009. Southwest's entry and fare reductions by AirTran and Frontier caused enplanements to increase nearly 24 percent at the Airport in 2010—compared to 2.4 percent nationwide.

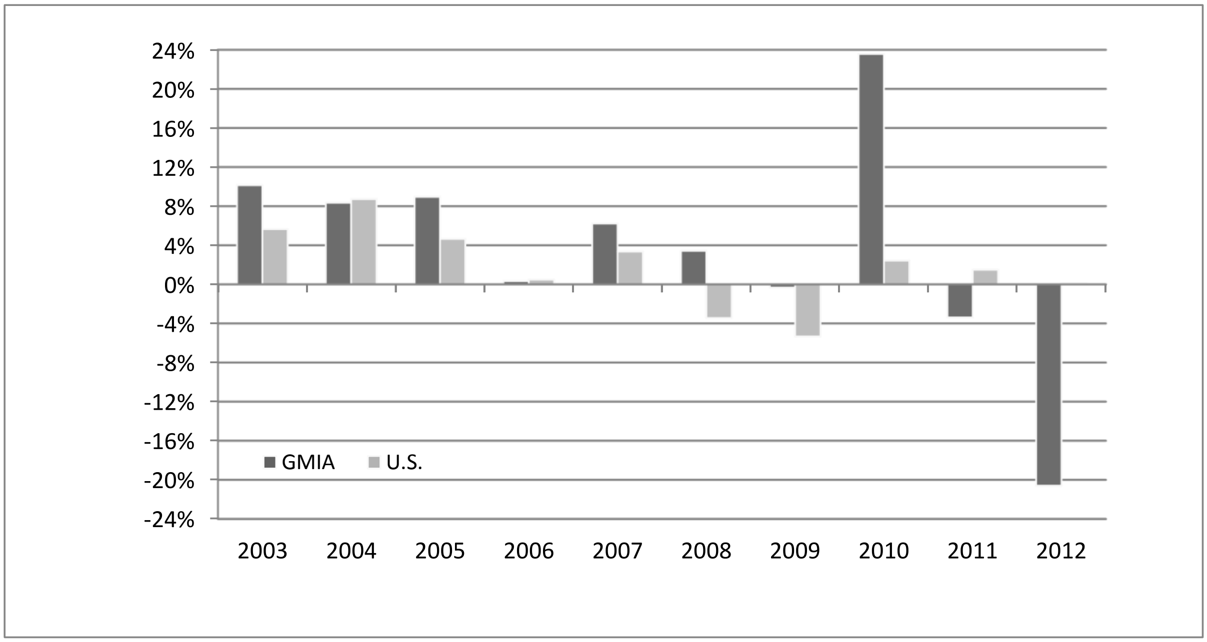
In September 2010, Frontier Airlines' financial difficulties began to result in service cuts at the Airport. Frontier's service cuts have continued in increasing proportion, unmatched with service expansion by other airlines. In 2011 enplanements at the Airport began to fall, as traffic began to recover at other U.S. airports. Passenger traffic declines have continued at the Airport through 2013.

TABLE IV-2
AIRPORT AND U.S. ENPLANEMENTS
2003-2012

Year	GMIA Enplanements [1]	U.S. Enplanements [2]	GMIA's Market Share
2003	3,074,422	656,726,000	0.47%
2004	3,331,255	714,014,000	0.47%
2005	3,629,554	747,171,000	0.49%
2006	3,641,503	750,791,000	0.49%
2007	3,868,098	775,989,000	0.50%
2008	4,000,765	749,242,000	0.53%
2009	3,987,607	709,290,000	0.56%
2010	4,927,558	726,545,000	0.68%
2011	4,760,952	737,392,000	0.65%
2012	3,780,315	738,142,000	0.51%
	Average Annual Growth Rate		
2003-2012	2.3%	1.3%	-

[1] Source: Airport System Management records.
[2] Source: Bureau of Transportation Statistics, U.S. system revenue passenger enplanements.

FIGURE IV-1
ANNUAL GROWTH RATES IN AIRPORT AND U.S. SYSTEM ENPLANEMENTS
2003-2012



See **Table IV-2** for source data.

The following points summarize Airport enplanement trends since 2003:

- Total enplanements at the Airport increased from approximately 3.07 million in 2003 to 4.93 million in 2010. The Airport's annual enplanements grew steadily from 2003 through 2008, when the U.S. economy entered a long period of deep recession lasting through mid-2009. In 2008, Airport enplanements increased 3.4 percent, while U.S. total enplanements decreased 3.4 percent. In 2009, Airport enplanements declined only 0.3 percent, while total U.S. enplanements declined 5.3 percent. In 2010, Southwest's first full year of service at the Airport, enplanements increased 24 percent at the Airport, as traffic was just beginning to recover at other U.S. airports.

- The Airport performed better than the U.S. system as a whole through the 2008-2009 U.S. economic recession and the weak economic recovery in 2010, because of the expansion of low-cost carrier service by AirTran, Frontier and Southwest, and continued fare competition between Frontier and AirTran.

- Facing continued financial weakness, increased costs and increased competition, Frontier began to reduce service and discontinue its hubbing activity at the Airport in September 2010. Frontier continued to reduce flights by 22 percent in 2011 and by another 77 percent in 2012—from an average 86 flights per day during its peak level of operations at the Airport in 2010 to an average 15 flights per day in 2012. Other airlines expanded service at the Airport in 2011 and 2012, although not enough to compensate for Frontier's service cuts. As a result, the Airport's enplanements declined 3.4 percent in 2011 and 20.6 percent in 2012. The Airport's total enplanements were down to 3.8 million in 2012, 23 percent lower than the 2010 peak enplanement level and in line with the Airport's annual enplanement levels prior to 2010.

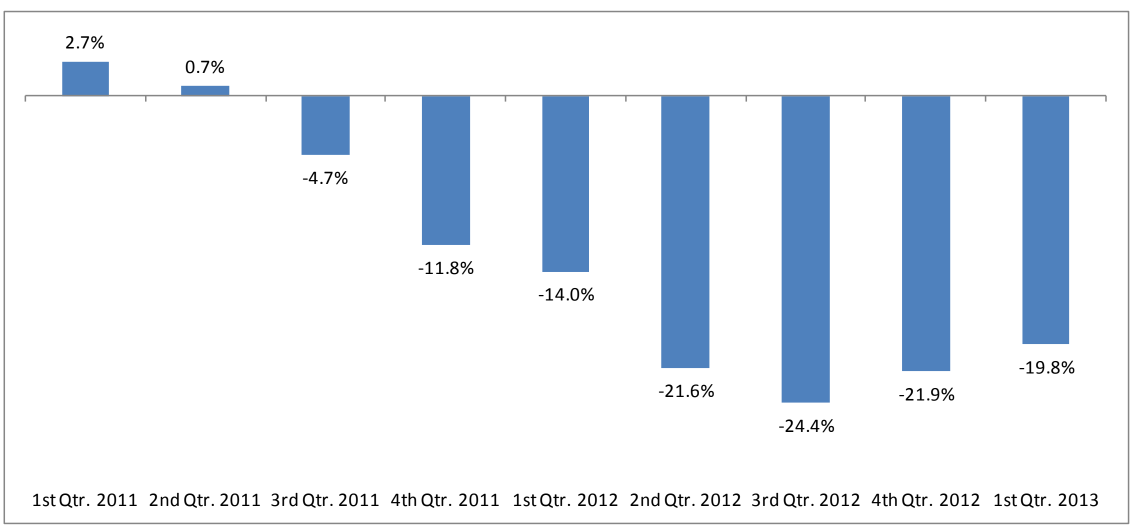
- Through 2010, on average, the Airport's enplanements grew faster than U.S. total enplanements, resulting in an increase in the Airport's share of U.S. total system revenue enplanements from 0.47 percent in 2003 to 0.68 percent in 2010. The Airport's market share had since decreased to 0.51 percent in 2012 because of declining traffic during the past two years.

- Despite recent traffic declines, the Airport achieved a higher average annual enplanement growth rate (2.3 percent) than the U.S. system as a whole (1.3 percent) between 2003 and 2012.

- **Figure IV-2** shows that the enplanement declines at the Airport began in third quarter 2011. The largest percentage decrease (24 percent) occurred in third quarter 2012. The decreases in enplanements appear to be diminishing, but they have continued in 2013.

- Frontier has continued to cut service and hubbing activity in 2013. As of April 2013, Frontier operated only three flights a day from the Airport. The integration of AirTran into Southwest has also resulted in a decrease in their combined flights at the Airport from a peak of 62 flights per day in 2010 to 47 flights per day in April 2013. Total Airport enplanements for first quarter 2013 show a 19.8 percent decrease from first quarter 2012.

FIGURE IV-2
GENERAL MITCHELL INTERNATIONAL AIRPORT
YEAR-OVER-YEAR CHANGE IN QUARTERLY ENPLANEMENTS
1st Quarter 2011-1st Quarter 2013



Source: Airport System Management records.

2. Domestic and International Enplanements

Table IV-3 shows that the large majority of the Airport's passengers are bound for U.S. destinations. In 2012 domestic enplanements accounted for nearly 99 percent of annual enplanements. International traffic is very small, but it increased at a higher average annual rate (4.8 percent) than domestic traffic (2.3 percent) from 2003 through 2012.

TABLE IV-3
GENERAL MITCHELL INTERNATIONAL AIRPORT
DOMESTIC AND INTERNATIONAL ENPLANEMENTS
2003-2012 and January-March 2013

	Domestic[1]		International[2]		Total
Year	Enplanements	Share	Enplanements	Share	Enplanements
2003	3,046,301	99.1%	28,121	0.9%	3,074,422
2004	3,303,947	99.2%	27,308	0.8%	3,331,255
2005	3,601,657	99.2%	27,898	0.8%	3,629,554
2006	3,614,863	99.3%	26,640	0.7%	3,641,503
2007	3,839,368	99.3%	28,731	0.7%	3,868,098
2008	3,973,739	99.3%	27,027	0.7%	4,000,765
2009	3,963,619	99.4%	23,989	0.6%	3,987,607
2010	4,896,990	99.4%	30,568	0.6%	4,927,558
2011	4,712,624	99.0%	48,329	1.0%	4,760,952
2012	3,737,482	98.9%	42,833	1.1%	3,780,315
Jan-Mar 2012	959,817	97.6%	23,941	2.4%	983,758
Jan-Mar 2013	759,585	96.3%	29,590	3.7%	789,175
	Average Annual Growth Rates				
2003-2012	2.3%	-	4.8%	-	2.3%
Jan-Mar 2013	-20.9%	-	23.6%	-	-19.8%

[1] Includes enplanements by Air Canada Jazz.
[2] Estimated as one half of total international passengers.
Source: Airport System Management records.

3. O&D and Connecting Enplanements

O&D traffic, which accounted for 87 percent of the Airport's 2012 enplanements (**Table IV-4**), provides a strong and stable market base for air travel demand. O&D enplanements increased an average 2 percent annually from 2.7 million in 2003 to 3.3 million in 2012.

Connecting traffic accounted for the remaining 13 percent of the Airport's 2012 enplanements (**Table IV-4**). This share represents an 8 percentage-point decrease from the previous year's share, due largely to Frontier's reduced flight connections through the Airport. Connecting traffic increased at the Airport throughout the past decade as Midwest Airlines, later merged with Frontier, expanded hub operations at the Airport. AirTran and AirTran Connection also increased connecting traffic at the Airport. The connecting traffic share peaked at 21.5 percent in 2010 before decreasing to 13 percent in 2012. Connecting traffic continued to decrease in share in 2013, accounting for only 4.9 percent during the first quarter of 2013 while O&D traffic accounted for 95.1 percent.

Annual connecting enplanements at the Airport increased from approximately 335,000 in 2003 to 1 million in 2010 and 2011, and then decreased to roughly 499,000 in 2012. Connecting traffic continued declining during the first quarter of 2013; for the entire year 2013, connecting enplanements are projected to decrease 32 percent to approximately 159,000.

TABLE IV-4
GENERAL MITCHELL INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
2003-2012 and January-March 2013

	O&D		Connecting		Total
Year	Enplanements	Share	Actual	Share	Enplanements
2003	2,739,291	89.1%	335,132	10.9%	3,074,422
2004	2,901,637	87.1%	429,619	12.9%	3,331,255
2005	3,017,230	83.1%	612,324	16.9%	3,629,554
2006	3,041,268	83.5%	600,236	16.5%	3,641,503
2007	3,223,998	83.3%	644,101	16.7%	3,868,098
2008	3,263,527	81.6%	737,239	18.4%	4,000,765
2009	3,199,198	80.2%	788,410	19.8%	3,987,607
2010	3,866,789	78.5%	1,060,770	21.5%	4,927,558
2011	3,754,817	78.9%	1,006,136	21.1%	4,760,952
2012	3,281,412	86.8%	498,904	13.2%	3,780,315
Jan-Mar 2012	817,455	83.1%	166,304	16.9%	983,758
Jan-Mar 2013	750,537	95.1%	38,638	4.9%	789,175
	Average Annual Growth Rate				
2003-2012	2.0%	-	4.5%	-	2.3%
Jan-Mar 2013	-8.2%	-	-76.8%	-	-19.8%

Source: Airport System Management records.

4. Airline Market Shares

The Airport has maintained a broad base of air service providers. Only in 2006 and 2007 did a single airline capture the majority of traffic. During those two years, Midwest and its affiliates carried 50.6 percent of the total air traffic and 54.5 percent of total enplanements. Since Midwest's operations were merged into Frontier's in 2011, the merged airline's share of the Airport's enplanements has been shrinking—it was down to 10.2 percent in 2012. Now AirTran and Southwest's combined operations account for the largest share of Airport enplanements (49.9 percent in 2012 and 47.9 percent during first quarter 2013).

Table IV-5 shows each airline's share of enplanements from 2009 through 2012 and during first quarter 2013. Note the following trends:

- AirTran expanded to become the second largest carrier at the Airport in 2009 with an enplanement share of 23.3 percent, behind Midwest with an enplanement share of 34.4 percent. AirTran's share of Airport enplanements increased to 31.9 percent in 2012, the largest share held by an individual airline brand. AirTran was acquired by Southwest on May 2, 2011. AirTran continues to operate as a separate brand pending full integration with Southwest. Southwest has begun switching AirTran flights to the Southwest brand, as reflected in the decrease in AirTran's enplanement share during first quarter 2013.

- Southwest, the leading low-cost airline began serving the Airport on November 1, 2009. Its share of Airport enplanements grew quickly to 18 percent in 2012, the third largest individual airline share after AirTran (31.9 percent) and Delta (21.7 percent) in 2012, and to 29 percent, the largest individual airline share during first quarter 2013.

- The expansion of low-cost carrier service by AirTran, Frontier and Southwest and the fare competition between AirTran and Frontier contributed to a 24 percent increase in Airport enplanements in 2010.

- Republic Airways Holdings, Inc. acquired both Midwest and Frontier in 2009 and merged the two airlines' operations into Frontier in 2010. In 2011, the merged airline's share of Airport enplanements increased to 28.8 percent, from a 16.1 percent combined share in 2009. Frontier's financial difficulties continued after the merger, prompting significant service cuts at the Airport. In 2012, Frontier's share of Airport enplanements decreased to 10.2 percent. The significant cuts in Frontier's service resulted in a 21 percent decrease in total Airport enplanements in 2012. Continuing cuts in Frontier's service at the Airport resulted in further decreases in Frontier's enplanement share to 4.1 percent during first quarter 2013.

- Delta, together with its regional affiliates, held the third largest share of Airport enplanements from 2009 (19.5 percent) through 2011 (16 percent). Delta has since moved up in market share ranking at the Airport to hold the second largest share of 21.7 percent in 2012 and 25.5 percent during first quarter 2013.

- The recent economic recession, which began in December 2007, ushered in another round of structural adjustments in the airline industry. These changes led to significant capacity cuts at many airports, including the Airport, and the consolidation of U.S. airlines.

- Southwest's entry into the market in 2009 and AirTran's service expansion contributed to the expansion of mainline service at the Airport. As a group, mainline carriers increased their share of Airport enplanements from 58.7 percent in 2009 to 82.2 percent in 2012.

- Regional service declined especially after the elimination of Midwest Connect service. Regional carriers decreased their share of Airport enplanements from 41.1 percent in 2009 to 17.6 percent in 2012.

- In 2012, Signatory Airlines accounted for 99.5 percent of all Airport enplanements.

TABLE IV-5
GENERAL MITCHELL INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENTS AND MARKET SHARES
2009-2012 and January-March 2013

	Enplanements					Market Share				
Airline	**2009**	**2010**	**2011**	**2012**	**2013 YTD Mar**	**2009**	**2010**	**2011**	**2012**	**2013 YTD Mar**
Mainline Carrier										
AirTran	930,278	1,339,492	1,522,118	1,204,978	145,782	23.3%	27.2%	32.0%	31.9%	18.5%
American			78,866	57,922	19,861	0.0%	0.0%	1.7%	1.5%	2.5%
Continental	732					0.0%	0.0%	0.0%	0.0%	0.0%
Delta	86,514	596,414	591,351	586,161	152,655	2.2%	12.1%	12.4%	15.5%	19.3%
Frontier	128,706	559,148	1,373,437	384,677	32,724	3.2%	11.3%	28.8%	10.2%	4.1%
Midwest	513,715	701,331				12.9%	14.2%	0.0%	0.0%	0.0%
Northwest	509,675					12.8%	0.0%	0.0%	0.0%	0.0%
Southwest	63,245	392,068	425,535	679,351	232,233	1.6%	8.0%	8.9%	18.0%	29.4%
United				111,305	27,625	0.0%	0.0%	0.0%	2.9%	3.5%
USA 3000	21,170					0.5%	0.0%	0.0%	0.0%	0.0%
US Airways	87,736	87,054	81,587	82,647	21,159	2.2%	1.8%	1.7%	2.2%	2.7%
Subtotal - Mainline	**2,341,771**	**3,675,507**	**4,072,894**	**3,107,041**	**632,039**	**58.7%**	**74.6%**	**85.5%**	**82.2%**	**80.1%**
Regional/Commuter Carrier										
Air Canada Jazz	12,701	13,252	13,789	11,748	2,229	0.3%	0.3%	0.3%	0.3%	0.3%
SkyWest (AirTran Connection)	5,736	135,411				0.1%	2.7%	0.0%	0.0%	0.0%
American Eagle (American Connection)	119,955	111,320	32,868	57,990	13,986	3.0%	2.3%	0.7%	1.5%	1.8%
Chautauqua (American Connection)	22,357	47,213	55,229	36,419	5,363	0.6%	1.0%	1.2%	1.0%	0.7%
Express Jet (American Connection)					2,031	0.0%	0.0%	0.0%	0.0%	0.3%
Subtotal-American Connection	142,312	158,533	88,097	94,409	21,380	3.6%	3.2%	1.9%	2.5%	2.7%
Continental Express (ExpressJet)	160,593	762				4.0%	0.0%	0.0%	0.0%	0.0%
Atlantic Coast (Delta Connection)						0.0%	0.0%	0.0%	0.0%	0.0%
Atlantic Southeast (Delta Connection)	51,737	25,269	20,037	1,525		1.3%	0.5%	0.4%	0.0%	0.0%
Chautauqua (Delta Connection)	36,231	594	1,362	2,350	2,976	0.9%	0.0%	0.0%	0.1%	0.4%
Comair (Delta Connection)	17,162	11,228	48,948	14,242		0.4%	0.2%	1.0%	0.4%	0.0%
Compass (Delta Connection)		5,098	18,471	23,272	2,268	0.0%	0.1%	0.4%	0.6%	0.3%
Express Jet (Delta Connection)		157,132	30,260	17,011	7,180	0.0%	3.2%	0.6%	0.4%	0.9%
Freedom (Delta Connection)		716				0.0%	0.0%	0.0%	0.0%	0.0%
Go Jet (Delta Connection)				30,692	6,952	0.0%	0.0%	0.0%	0.8%	0.9%
Mesaba (Delta Connection)		6,693	9,473	75		0.0%	0.1%	0.2%	0.0%	0.0%
Pinnacle (Delta Connection)	25,525	47,037	28,762	50,075	9,866	0.6%	1.0%	0.6%	1.3%	1.3%
Shuttle America (Delta Connection)	1,735	29,901	3,534	18,895	8,689	0.0%	0.6%	0.1%	0.5%	1.1%
SkyWest (Delta Connection)	48,208	32,875	39,437	77,296	10,822	1.2%	0.7%	0.8%	2.0%	1.4%
Subtotal-Delta Connection	180,598	316,543	200,284	235,433	48,753	4.5%	6.4%	4.2%	6.2%	6.2%
Great Lakes Airlines	5,468	6,008	1,444			0.1%	0.1%	0.0%	0.0%	0.0%
Chautauqua (Mid/Front Connect)	78,957	386,487				2.0%	7.8%	0.0%	0.0%	0.0%
Republic (Mid/Front Connect)	398,804					10.0%	0.0%	0.0%	0.0%	0.0%
SkyWest (Midwest Connect)	380,373					9.5%	0.0%	0.0%	0.0%	0.0%
Subtotal-Midwest Connect	858,134	386,487	0	0	0	21.5%	7.8%	0.0%	0.0%	0.0%
Compass (NW Airlink)	9,916					0.2%	0.0%	0.0%	0.0%	0.0%
Mesaba (NW Airlink)	24,327					0.6%	0.0%	0.0%	0.0%	0.0%
Pinnacle (NW Airlink)	14,908					0.4%	0.0%	0.0%	0.0%	0.0%
Subtotal-Northwest Airlink	49,151					1.2%	0.0%	0.0%	0.0%	0.0%
Express Jet (United(CO) Express)			103,182			0.0%	0.0%	2.2%	0.0%	0.0%
Mesa (United Express)	20,451					0.5%	0.0%	0.0%	0.0%	0.0%
SkyWest (United Express)	108,441	136,177	170,777	199,782	48,005	2.7%	2.8%	3.6%	5.3%	6.1%
Trans States (United Express)	2,925					0.1%	0.0%	0.0%	0.0%	0.0%
Subtotal-United Express	131,817	136,177	273,959	199,782	48,005	3.3%	2.8%	5.8%	5.3%	6.1%
Air Wisconsin (US Airways Express)	77,797	89,780	85,091	111,962	32,172	2.0%	1.8%	1.8%	3.0%	4.1%
PSA (US Airways Express)	15,295	2,051	19,078	13,177	2,926	0.4%	0.0%	0.4%	0.3%	0.4%
Republic (US Airways Express)	257					0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal-US Airways Express	93,349	91,831	104,169	125,139	35,098	2.3%	1.9%	2.2%	3.3%	4.4%
Subtotal - Regional/Commuter	**1,639,859**	**1,245,004**	**681,742**	**666,511**	**155,465**	**41.1%**	**25.3%**	**14.3%**	**17.6%**	19.7%
Subtotal - Charter	**5,977**	**7,047**	**6,316**	**6,763**	**1,671**	**0.1%**	**0.1%**	**0.1%**	**0.2%**	0.2%
TOTAL - ALL AIRLINES	**3,987,607**	**4,927,558**	**4,760,952**	**3,780,315**	**789,175**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	100.0%

Source: Airport System Management records.

5. Top O&D Markets

Table IV-6 lists the top 20 O&D destinations from the Airport in 2012. The Airport has non-stop service to all but one of the top 20 O&D destinations. Service to the top 20 destinations accounted for 65.1 percent of O&D enplanements and 84 of 134 average daily flights from the Airport. The five destinations with the largest individual O&D enplanement shares were Orlando, Phoenix, New York, Las Vegas, and Denver.

TABLE IV-6
GENERAL MITCHELL INTERNATIONAL AIRPORT
TOP 20 O&D DESTINATIONS
2012

Rank[1]	City	Airports	O&D Market Share[2]	Avg. Daily Nonstop Departures[3]	Air Miles from Milwaukee[4]
1	Orlando, FL	MCO	6.1%	5	1,060
2	Phoenix, AZ	PHX	5.5%	5	1,458
3	New York, NY	LGA	5.3%	7	730
4	Las Vegas, NV	LAS	5.3%	5	1,520
5	Denver, CO	DEN	4.7%	9	892
6	Atlanta, GA	ATL	4.0%	11	669
7	Washington, DC	DCA	3.8%	5	634
8	Los Angeles, CA	LAX	3.2%	2	1,751
9	Minneapolis/St. Paul, MN	MSP	3.1%	10	296
10	Tampa, FL	TPA	3.1%	2	1,077
11	Boston, MA	BOS	2.9%	3	857
12	San Francisco, CA	SFO	2.5%	1	1,840
13	Ft. Myers, FL	RSW	2.2%	2	1,180
14	South Florida	FLL	2.2%	1	1,251
15	Baltimore, MD	BWI	2.2%	3	641
16	Dallas/Ft. Worth, TX	DFW	2.1%	5	852
17	Kansas City, MO	MCI	1.9%	3	436
18	Seattle, WA	SEA	1.7%	1	1,694
19	Philadelphia, PA	PHL	1.7%	4	688
20	San Diego, CA	SAN	1.5%	0	1,734
	TOP 20 DESTINATIONS		**65.1%**	**84**	
	OTHER DESTINATIONS		**34.9%**	**51**	
	TOTAL		**100.0%**	**134**	

[1] Ranking is based on enplanement share among active U.S. cities.
[2] Sources: OAG Aviation Solutions and U.S. Department of Transportation OD1A database.
[3] Source: OAG Aviation Solutions; the number of daily nonstop departures equals annual scheduled nonstop departures divided by 365.
[4] Sources: OAG Aviation Solutions and U.S. Bureau of Transportation Statistics.

Table IV-7 shows the trends in scheduled non-stop passenger air service from 2009:

- *Domestic service*. The number of domestic airport destinations served with non-stop flights increased from 50 in 2009 to 55 in 2010, and then decreased to 47 in 2012. It is expected to decrease further to 36 during the first half of 2013. The average number of daily flight departures increased from 185 in 2009 to 214 in 2010, and then decreased to 133 in 2012. It is expected to decrease further to 115 in the first half of 2013. The average number of daily seats increased from 14,450 in 2009 to 17,375 in 2010, and then decreased to 13,089 in 2012. It is expected to decrease further to 11,737 in the first half of 2013. The cuts in domestic service from 2010 to the first half of 2013 represent a 46 percent decrease in average daily flights and a 32 percent decrease in average daily seats.

- *International service*. Since 2010 the Airport has maintained limited international service with one flight each daily to two destinations—Toronto, Canada and Cancun, Mexico.

TABLE IV-7
GENERAL MITCHELL INTERNATIONAL AIRPORT
NON-STOP PASSENGER AIR SERVICE TRENDS
2009-2013

Air Service Measure	2009	2010	2011	2012	1st Half 2013
Domestic					
Number of non-stop airport destinations	50	55	53	47	36
Average daily departures[1]	185	214	191	133	115
Average daily seats[1]	14,450	17,375	16,613	13,089	11,737
International					
Number of non-stop airport destinations	5	2	2	2	2
Average daily departures[1]	3	2	2	2	2
Average daily seats[1]	177	89	115	113	112
Total					
Number of non-stop airport destinations	55	57	55	49	38
Average daily departures[1]	188	216	193	134	116
Average daily seats[1]	14,627	17,464	16,728	13,202	11,849

[1] Annual total divided by 365 days. 1st half 2013 divided by 181 days.
Source: OAG Schedules database.

6. Air Cargo

Air cargo volume, consisting of air freight and mail (**Table IV-8),** has fluctuated at the Airport Since 2003 stringent security measures after September 11, 2001 have contributed to decreasing volumes of air cargo enplaned at the Airport (**Table IV-8**). Despite increases in 2004 and 2008, the Airport's air cargo activity remains well below pre-2001 levels. On average, air cargo decreased 1.5 percent per year from 2003 through 2012. First quarter 2013 data show a leveling off in air cargo volume.

Air cargo consists of air freight and mail. As a percentage of total cargo, air freight increased from 92.4 percent in 2003 to 97.3 percent in 2012.

TABLE IV-8
GENERAL MITCHELL INTERNATIONAL AIRPORT
ENPLANED CARGO
2003-2012 and January-March 2013

	Freight		Mail		Total
Year	(000 lbs)	Share	(000 lbs)	Share	(000 lbs)
2003	88,544	92.4%	7,259	7.6%	95,804
2004	97,429	92.6%	7,742	7.4%	105,171
2005	91,263	94.7%	5,152	5.3%	96,416
2006	92,939	94.2%	5,711	5.8%	98,650
2007	90,089	95.4%	4,342	4.6%	94,431
2008	95,204	95.4%	4,538	4.6%	99,742
2009	74,590	97.1%	2,198	2.9%	76,789
2010	93,806	99.3%	633	0.7%	94,438
2011	89,657	98.0%	1,831	2.0%	91,488
2012	81,014	97.3%	2,273	2.7%	83,287
Jan-Mar 2012	20,232	97.0%	616	3.0%	20,848
Jan-Mar 2013	20,336	97.2%	578	2.8%	20,914
	Average Annual Growth Rate				
2003-2012	-1.0%		-12.1%		-1.5%
Jan-Mar 2013	0.5%		-6.1%		0.3%

Source: Airport System Management records.

7. Aircraft Operations

FAA tower records of aircraft operations at the Airport (**Table IV-9)** show a general downward trend from 2003 through 2012. On average, the Airport's total number of aircraft operations decreased 5 percent per year, from 211,418 in 2003 to 133,366 in 2012. First quarter 2013 data show a 20.6 percent year-over-year decrease, due in part to Frontier's service cuts.

As a percentage of total operations, large air carrier operations increased while small air carrier operations decreased. By 2012, large air carrier operations made up 50 percent of total operations, up from 24 percent in 2003. Small air carrier operations decreased in share from 60 percent in 2003 to 38 percent in 2012.

The increase in large air carrier operations is due to Southwest's entry into the market, the expansion of mainline services by AirTran and other airlines, and the reduction of regional service observed in **Section IV.A-4** and **Table IV-5**. Regional carriers have also introduced larger regional jets into their fleets—regional jets with 60 or more seats that are classified as large air carriers in FAA tower counts.

General aviation covers a broad range of aircraft activity, including recreational flying, corporate flying, pilot training, and helicopter transportation. There is little general aviation activity at the Airport because other local airports, such as the County-owned Timmerman Airport, serve as general aviation reliever airports for the Airport.

TABLE IV-9
GENERAL MITCHELL INTERNATIONAL AIRPORT
AIRCRAFT OPERATIONS
2003-2012 and January-March 2013

Year	Large Air Carrier [1]	Small Air Carrier	General Aviation	Military	Total Operations
2003	50,332	127,424	29,344	4,318	211,418
2004	67,973	120,160	24,040	3,057	215,230
2005	70,791	122,988	22,817	2,518	219,114
2006	69,941	109,060	20,945	2,559	202,505
2007	66,762	110,691	20,396	2,356	200,205
2008	63,904	100,864	16,404	2,106	183,278
2009	55,068	99,039	13,744	1,842	169,693
2010	83,643	91,242	15,045	1,623	191,553
2011	78,437	78,832	14,380	1,368	173,017
2012	66,566	50,078	14,951	1,771	133,366
Jan-Mar 2012	18,326	13,796	3,146	365	35,633
Jan-Mar 2013	14,328	10,699	2,906	359	28,292
	Average Annual Growth Rate				
2003-2012	3.2%	-9.9%	-7.2%	-9.4%	-5.0%
Jan-Mar 2013	-21.8%	-22.4%	-7.6%	-1.6%	-20.6%

[1] Includes operations by aircraft with 60 or more seats.
Source: Airport System Management records (based on FAA tower reports).

8. Commercial Aircraft Landed Weight

Landing fees are assessed on commercial aircraft landed weight. The Airport's annual commercial aircraft landed weight trends from 2009 through 2012 (**Table IV-10**) reflect the increase in service in 2010 resulting from Southwest's entry and AirTran's service expansion, and the effects of Frontier's service cuts in recent years. Annual commercial aircraft landed weight increased from 5.6 billion pounds in 2009 to 6.6 billion pounds in 2010, and then decreased to about 5 billion pounds in 2012. The 2012 figure represents a 10 percent decrease from 2009. First quarter 2013 data show an 18.7 percent decrease, compared to first quarter 2012.

TABLE IV-10
GENERAL MITCHELL INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT LANDED WEIGHT BY AIRLINE
2009-2012 and January-March 2013

	Landed Weight (000 lbs.)					Percent Change	Percent Change
Airline	**2009**	**2010**	**2011**	**2012**	**2013 YTD Mar**	**2009-12**	**YTD 2012-13**
Mainline Carrier							
AirTran	1,150,168	1,599,896	1,811,462	1,422,336	178,040	23.7%	-60.5%
American	3,048	2,365	84,430	63,850	22,854	1994.9%	n.a.
Continental	4,001	4,533	-	-	-	n.a.	n.a.
Delta	100,093	687,355	707,592	664,465	175,675	563.8%	18.6%
Frontier	143,433	226,224	896,490	471,797	34,628	228.9%	-84.8%
Midwest	657,574	893,360	-	-	-	n.a.	n.a.
Northwest	641,718	-	-	-	-	n.a.	n.a.
Southwest	91,240	517,176	532,576	897,136	328,112	883.3%	84.0%
United	2,183	1,842	91,931	125,564	32,796	5651.6%	15.9%
US Airways	99,969	99,644	98,252	99,159	25,187	-0.8%	-0.3%
USA 3000	25,596	142	427	-	-	n.a.	n.a.
Subtotal - Mainline	**2,919,022**	**4,032,535**	**4,223,160**	**3,744,307**	**797,292**	28.3%	-24.7%
% of Total Landed Weight	**52.6%**	**61.6%**	**67.7%**	**74.5%**	**71.9%**	**-**	**-**
Regional/Commuter							
Air Canada Jazz	26,703	26,716	25,886	26,908	5,728	0.8%	-4.6%
SkyWest (AirTran Connection)	7,332	193,734	-	-	-	n.a.	n.a.
American Eagle (American Connection)	140,993	130,475	45,742	61,230	14,116	-56.6%	-37.5%
Chautauqua (American Connection)	29,423	59,452	55,840	38,014	5,329	29.2%	-49.5%
Subtotal-American Connection	170,416	189,927	101,582	99,244	19,445	-41.8%	-41.4%
Continental Express (ExpressJet)	177,682	164,791	-	-	-	n.a.	n.a.
Atlantic Southeast (Delta Connection)	60,028	30,370	22,424	21,329	-	-64.5%	n.a.
Chautauqua (Delta Connection)	36,803	596	1,362	2,255	3,319	-93.9%	1014.3%
Comair (Delta Connection)	20,060	12,058	54,172	16,069	-	n.a.	n.a.
Compass (Delta Connection)	-	6,146	21,424	25,905	2,478	n.a.	n.a.
ExpressJet (Delta Connection)	-	-	-	64	8,788	n.a.	n.a.
Freedom (Delta Connection)	-	680	-	-	-	n.a.	n.a.
Go Jet (Delta Connection)	-	402	67	38,860	9,112	n.a.	n.a.
Mesaba (Delta Connection)	-	7,707	12,205	75	-	n.a.	n.a.
Pinnacle (Delta Connection)	32,046	47,999	30,982	53,359	12,307	66.5%	13.6%
Shuttle America (Delta Connection)	2,243	35,904	4,019	21,717	12,079	868.0%	106.6%
SkyWest (Delta Connection)	53,260	34,379	42,892	83,692	16,790	57.1%	-27.0%
Subtotal-Delta Connection	204,440	176,241	189,547	263,325	64,872	28.8%	18.6%
Great Lakes Airlines	22,410	21,381	6,152	-	-	n.a.	n.a.
Chautauqua (Midw/Front Connect)	135,257	707,644	438,279	-	-	n.a.	n.a.
Republic (Midw/Front Connect)	541,379	229,917	354,200	-	772	n.a.	n.a.
SkyWest (Midwest Connect)	592,858	-	-	-	-	n.a.	n.a.
Subtotal-Midwest Connect	1,269,494	937,560	792,479	-	772	n.a.	n.a.
Compass (NW Airlink)	11,909	-	-	-	-	n.a.	n.a.
Mesaba (NW Airlink)	27,383	-	-	-	-	n.a.	n.a.
Pinnacle (NW Airlink)	15,275	-	-	-	-	n.a.	n.a.
Subtotal-Northwest Airlink	54,568	-	-	-	-	n.a.	n.a.
Express Jet (United(CO) Express)	-	-	44,015	-	-	n.a.	n.a.
Mesa (United Express)	27,123	134	67	67	-	n.a.	n.a.
Shuttle America (United Express)	217	145	217	72	-	n.a.	n.a.
SkyWest (United Express)	123,979	157,241	203,130	221,843	52,868	78.9%	-4.0%
Trans States (United Express)	3,191	47	-	-	-	n.a.	n.a.
Subtotal-United Express	154,510	157,567	247,429	221,982	52,868	43.7%	-4.0%
Air Wisconsin (US Airways Express)	94,987	102,178	94,987	123,798	35,062	30.3%	59.1%
Piedmont (US Airways Express)	-	114	-	-	-	n.a.	n.a.
PSA (US Airways)	16,654	2,540	20,269	34,309	3,110	106.0%	-62.2%
Republic (US Airways Express)	3,332	72	-	-	-	n.a.	n.a.
Subtotal-US Airways Express	114,973	104,904	115,256	158,107	38,172	37.5%	26.1%
Subtotal - Regional/Commuter	**2,202,527**	**1,972,822**	**1,478,332**	**769,567**	**181,857**	**-65.1%**	**1.5%**
% of Total Landed Weight	**39.7%**	**30.1%**	**23.7%**	**15.3%**	**16.4%**	**-**	**-**
Subtotal - Charter/Other	**47,665**	**52,598**	**51,055**	**52,001**	**16,699**	**9.1%**	**10.3%**
% of Total Landed Weight	**0.9%**	**0.8%**	**0.8%**	**1.0%**	**1.5%**	**-**	**-**
Subtotal - All Cargo	**383,630**	**492,924**	**485,075**	**458,297**	**113,694**	**19.5%**	**1.3%**
% of Total Landed Weight	**6.9%**	**7.5%**	**7.8%**	**9.1%**	**10.2%**	**-**	**-**
TOTAL - ALL AIRLINES	**5,552,843**	**6,550,878**	**6,237,621**	**5,024,172**	**1,109,542**	**-9.5%**	**-18.7%**

"n.a." stands for not applicable.
Source: Airport System Management records (based on airlines' reports to the Airport).

The trends in commercial aircraft landed weight also reflect the increasing share of mainline service and the decreasing share of regional service. As a percentage of total commercial aircraft landed weight, scheduled mainline service increased from 53 percent in 2009 to 75 percent in 2012, while scheduled regional service decreased from 40 percent in 2009 to 15 percent in 2012. All-cargo aircraft and charter accounted for the remainder.

In 2012, Signatory Airlines accounted for 85 percent of total commercial aircraft landed weight.

B. FORECASTS OF COMMERCIAL AVIATION ACTIVITY

This section presents forecasts of annual commercial aviation activity at the Airport for the 2013-2018 period. We developed the forecasts using a hybrid modeling framework that considers both supply and demand factors. The 2013 forecast is based on available information on scheduled airline service, and the 2014-2018 forecasts are linked to projected trends in key demand drivers, as described below:

- *Capacity-driven near-term forecast (2013).* We projected passenger aircraft departures and seats based on published airline schedules (as of May 2013), considering current economic and industry outlook. Although airline schedules are periodically revised, they serve as the best indicator of airlines' assessment of current market demand and their service plans, given available aircraft and crew. Using projected aircraft departures and seats as a starting point, we developed projections of enplanements and landed weight, considering recent airline boarding load factors and aircraft landed weight.

- *Demand-driven long-term forecast (2014-2018).* Forecast growth in commercial aviation activity over the long-term links to trends in key demand drivers. We developed a multivariate regression model that quantifies the relationship between enplanements and market factors, such as trends in economic activity, per capita income, and the price of air travel. We used the model results to project annual enplanement growth, making appropriate adjustments to account for Frontier's reduced service. Starting with forecast enplanements, we projected aircraft departures (or landings) and landed weight, taking into account projected industry changes in boarding load factors and aircraft gauge (seats capacity).

The hybrid modeling framework incorporates both air service and market demand considerations. Multivariate time series regression analysis provides a systematic approach for linking aviation activity forecasts to key market factors.

Recognizing market uncertainty, we performed scenario analysis to develop a base and an alternate air traffic forecast for financial analysis, considering different assumptions about the pace of economic recovery and outlook for Frontier's service at the Airport. We also performed quantitative risk analysis using Monte Carlo simulation. By supplementing regression techniques with Monte Carlo simulation, we were able to consider a wider range of possible future values for key demand drivers, produce a wider spectrum of possible air traffic growth paths, and estimate the probabilities of different growth paths. The simulation results provide insight into how much traffic can vary, how low or how high can enplanement levels go during the forecast period, and the likelihood of the base and alternate forecast scenarios used in the financial sensitivity analysis in Section VI.

1. Multivariate Regression Model

For 2013, we projected passenger aircraft departures, seats, and enplanements based on published airline schedules (as of May 2013), considering current economic and industry outlook. For years after 2013, we developed a multivariate regression model to quantify the relationship between enplanements and market factors, and used the model results to project annual enplanement growth, taking into account Frontier's reduced service.

As a forecasting technique, multivariate regression analysis has the following advantages: (1) It can incorporate many explanatory variables for modeling and forecasting air travel demand. (2) It quantifies the effects of various explanatory variables. (3) By design, regression analysis reduces subjective inputs and minimizes forecast errors.

The explanatory variables, described below, were selected based on consumer demand theory and an analysis of the Airport's enplanement and market trends.

- *Price of air travel.* The demand for air travel is inversely related to its price. Assuming all other factors remain constant, people travel more when air fares drop. Likewise, people travel less when air fares increase. Until the last few years, airfares have followed a long-term trend of decline since the 1978 deregulation, stimulating growth in air travel. A variety of factors have reduced airfares: productivity growth, competition from low-cost carriers, price transparency on the Internet, and price consciousness among both leisure and business travelers. For the regression model, we use the average domestic real passenger yield at the Airport to indicate trends in the price of air travel. We obtained historical data from the U.S. Department of Transportation and yield trend projections from the latest FAA Aerospace Forecasts. The average domestic real passenger yield at the Airport declined at an average annual rate of -1.7 percent between 1981 and 2012. With rising fuel prices, real yield at the Airport increased 11.6 percent in 2011 and 6.4 percent in 2012. Small increases in real yield are projected to continue through 2016. Thereafter, the average real passenger yield at the Airport is projected to decline through 2018. On average, the real yield is projected to decline at an annual rate of 0.1 percent from 2012 through 2018.

- *Income.* The demand for air travel increases alongside income, because increases in income boost consumer spending and stimulate business activity. We use real U.S. per capita Gross Domestic Product ("GDP") to indicate income trends. We obtained historical data from Moody's Analytics. We researched economic forecasts from a number of government and private sources, compiled in **Table IV-16**. For our base forecast scenario, we selected the U.S. Congressional Budget Office ("CBO") economic projections, which considered the impacts of the American Taxpayer Relief Act of 2013 and sections of the Budget Control Act of 2011 that mandated spending cuts starting March 1, 2013. CBO projects slower economic growth than the consensus[2] in 2013 and 2014, and higher annual growth rates after 2014. The real U.S. per capita GDP increased at an average annual rate of 1.6 percent between 1981 and 2012. It is projected to increase at an average annual rate of 2.2 percent from 2012 through 2018.

- *Post-September 11, 2001 structural changes.* Because the estimation period used in regression modeling extended to years preceding the September 11, 2001 attacks, we included a variable to account for the subsequent structural changes in the air travel market and the airline industry.

- *The Southwest effect.* Since entering the Airport market in 2009, Southwest Airlines expanded service and acquired an 18.0 percent share of the Airport's enplanements in 2012 and an additional 31.9 percent share when it acquired AirTran. The regression model included a variable to account for Southwest's expansion.

In addition to the explanatory variables above, the regression model included autoregressive factors to correct serial correlation, which is typically found in time series data. The regression model yielded an adjusted R-squared of 0.99, which means that the above model specification explains 99 percent of the historical trends in passenger enplanements at the Airport.

2. Base and Alternate Enplanement Forecast Scenarios

Using the published airline schedules for 2013 and the regression model results, we developed initially two sets of enplanement forecasts: (1) a base forecast scenario, and (2) an alternate forecast scenario assuming slower economic growth and the complete elimination of Frontier service beginning in 2014. These two forecast scenarios are described below:

- *Base forecast scenario.* Published airline schedules show a 15.3 percent year-over-year decline in scheduled seats at the Airport for the first half of 2013. AirTran and Frontier service schedules show significant seat reductions, while other airlines show seat increases. Assuming the service cuts by AirTran and Frontier continue, we projected total seats for the entire year to decrease 13.5 percent, which results in a 14.3 percent decrease in enplanements in 2013 (from 3.8 million in 2012 to 3.24 million in 2013). After

[2] The consensus forecast is the average of economic forecasts from selected government and private sources (see **Table IV-16**).

2013, we used the multivariate regression model results to project annual enplanement growth, linked to projected trends in the explanatory variables (**Table IV-11)**. We assumed that the AirTran and Frontier service cuts in 2013 will not be restored. The Airport's enplanements are projected to decrease further to 3.16 million in 2014, increase to 3.3 million in 2015, and continue increasing each year thereafter, reaching 3.7 million in 2018, resulting in a 0.5 percent average annual decline over the 2012 to 2018 forecast period.

- *Alternate forecast scenario.* This scenario simulates what might happen to air traffic at the Airport if (1) the U.S. economy grew more slowly than projected under the base scenario (see **Table IV-11**), and (2) Frontier Airlines would discontinue its remaining limited service effective January 2014. The Airport's enplanements are projected to decrease 14.3 percent to 3.24 million in 2013, decrease further to 3.03 million in 2014, increase to 3.09 million in 2015, and continue increasing each year thereafter, reaching 3.36 million in 2018. Compared to the base, the alternate forecast enplanement levels are the same in 2013, 4 percent lower in 2014, and 6-9 percent lower in 2015, 2016, 2017 and 2018.

TABLE IV-11
GENERAL MITCHELL INTERNATIONAL AIRPORT
REGRESSION MODEL EXPLANATORY VARIABLES
ANNUAL GROWTH ASSUMPTIONS
2013-2018

			Real GDP			Real per Capita GDP[6]		
Year	Real Yield[1]	Population[2]	Base[3]	Alternate[4]	Consensus[5]	Base	Alternate	Consensus
2013	0.1%	1.0%	1.4%	0.7%	2.1%	0.4%	-0.3%	1.1%
2014	0.3%	1.0%	2.6%	1.3%	2.8%	1.6%	0.3%	1.8%
2015	0.1%	1.0%	4.1%	1.7%	3.2%	3.1%	0.7%	2.3%
2016	0.1%	1.0%	4.4%	3.1%	3.1%	3.4%	2.1%	2.1%
2017	-0.3%	1.0%	3.8%	2.9%	2.9%	2.8%	1.9%	2.0%
2018	-1.1%	1.0%	2.6%	2.5%	2.6%	1.6%	1.5%	1.6%

[1] Real yields at the Airport are projected to follow industry trends based on FAA Aerospace Forecasts.
[2] Based on Moody's Analytics' forecast.
[3] Based on CBO Budget and Economic Outlook for Fiscal Years 2013 to 2023, February 2013.
[4] Assumes more sluggish economic growth; the same as consensus forecast in 2016 and 2017.
[5] For comparison, the average of government and private economic forecasts compiled in **Table IV-15**.
[6] Real GDP divided by population.

3. FAA Terminal Area Forecasts ("TAF"), Adjusted TAF and Market Share Analysis

For comparison, we present two forecasts based on the FAA TAF for the Airport and another forecast based on the Airport's share of forecast U.S. enplanements:

- *FAA Terminal Area Forecasts.* The FAA develops annual Terminal Area Forecasts to project FAA workload and prepare its budget. Most recently released in January 2013, the TAF contains forecasts of enplanements and aircraft operations for each airport. Publication typically lags a year behind forecast development, so that the latest TAF considers actual performance only through federal fiscal year 2011, which ended on Sept. 30, 2011. It does not consider recent actual performance and service changes. Compared to this study's base forecast enplanements, the FAA's forecast enplanements in the latest TAF for the Airport are higher in 2013, 2014 and 2015, and lower in 2016, 2017 and 2018. The TAF for the Airport appear to reflect deeper service cuts in 2013 than the recently published airline schedules show. The TAF shows annual increases in Airport enplanements from 2014 through 2018 based on the long-term average enplanement growth rate at the Airport.

- *Adjusted FAA TAF.* This approach applies the TAF annual growth forecasts to actual Airport enplanements in 2012. The results are lower than the base forecast enplanements and closer to the alternate forecast enplanements, due largely to a deeper decline in enplanements projected in 2013 under the TAF.

- *Market share analysis. A*lso called ratio analysis, market share analysis is a top-down approach to forecasting airport activity. This approach takes the Airport's share of forecast activity for the entire country. Updated and published annually, the FAA national forecasts provide a convenient basis for developing airport forecasts based on airport market share. The resulting forecast annual enplanements for the Airport are 18-25 percent higher than this study's base forecast enplanements. Though easy to implement, market share analysis ignores trends in local market factors that could affect enplanement growth. The results do not reflect recent service cuts at the Airport.

Table IV-12 and **Figure IV-3** compare the base and alternate forecasts with results from the FAA TAF, adjusted TAF and market-share analysis.

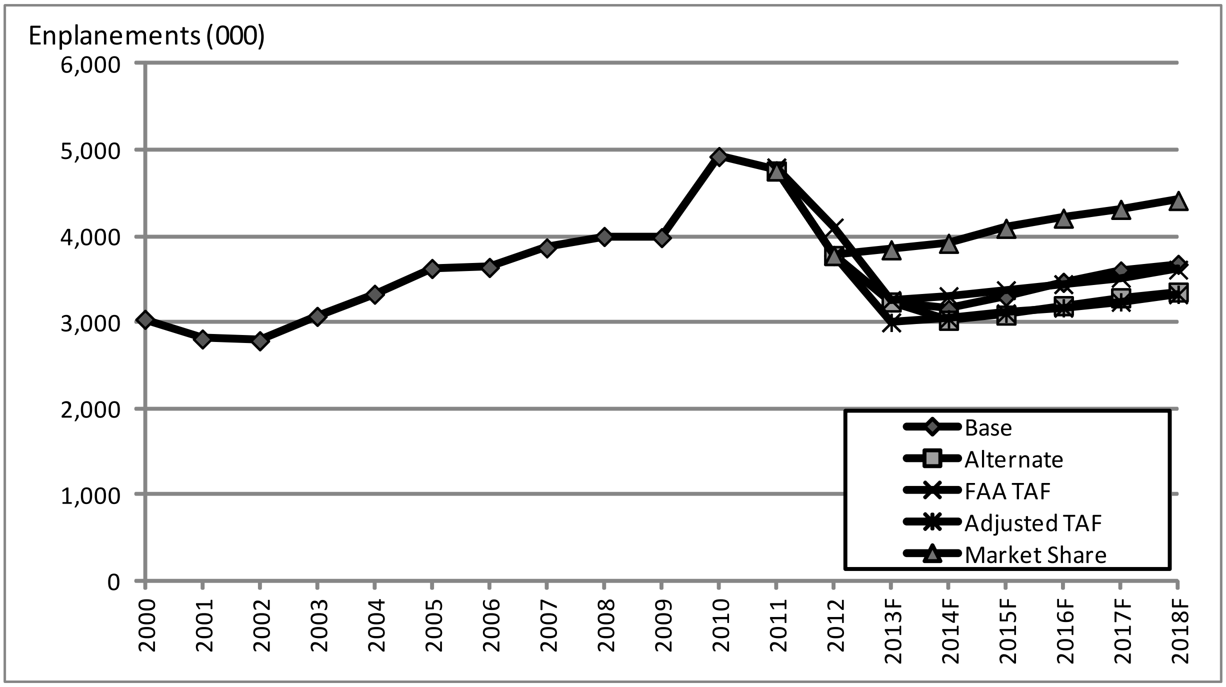
TABLE IV-12
GENERAL MITCHELL INTERNATIONAL AIRPORT
ALTERNATIVE FORECASTS OF ENPLANEMENTS
2012-2018

Year	Feasibility Report 2013[1]				Other Forecasts					
	Base		Alternate		FAA TAF[2]		Adjusted FAA TAF[3]		Market Share[4]	
	EP (000)	AGR	EP (000)	AGR	EP (000)	AGR	EP (000)	AGR	EP (000)	AGR
2012 (Actual)	3,780	-20.6%	3,780	-20.6%	4,106	-14.5%	3,780	-20.6%	3,780	-20.6%
2013	3,241	-14.3%	3,241	-14.3%	3,263	-20.5%	3,005	-20.5%	3,846	1.7%
2014	3,156	-2.6%	3,030	-6.5%	3,309	1.4%	3,047	1.4%	3,922	2.0%
2015	3,306	4.7%	3,090	2.0%	3,378	2.1%	3,110	2.1%	4,096	4.4%
2016	3,469	4.9%	3,198	3.5%	3,448	2.1%	3,175	2.1%	4,213	2.9%
2017	3,602	3.8%	3,290	2.9%	3,521	2.1%	3,242	2.1%	4,315	2.4%
2018	3,677	2.1%	3,357	2.0%	3,616	2.7%	3,330	2.7%	4,419	2.4%
	Average Annual Growth Rate									
2012-2018	-0.5%		-2.0%		-2.1%		-2.1%		2.6%	

EP - Enplanements AGR - Annual growth rate
[1] Based on the recently published airline schedules and the multivariate regression model.

[2] January 2013 FAA TAF for the Airport, on federal fiscal year basis.
[3] Adjusted January 2013 FAA TAF for the Airport to reflect actual Airport enplanements in 2012, applying TAF enplanement growth forecasts thereafter.
[4] Airport's share of U.S. domestic revenue enplanements, FAA Aerospace Forecasts, FY 2012-2032.

FIGURE IV-3
GENERAL MITCHELL INTERNATIONAL AIRPORT
ALTERNATIVE FORECASTS OF ENPLANEMENTS
Historical, 2000-2012, and Forecast, 2013-2018



See source data in **Table IV-12**.

4. Monte Carlo Simulation

Market volatility and uncertainty call for a more comprehensive quantitative assessment of forecast risk using Monte Carlo simulation. The hybrid forecasting framework, regression analysis, and Monte Carlo simulation present a rigorous and comprehensive approach to developing air traffic forecast scenarios.

Monte Carlo simulation produced a range of forecasts for annual Airport enplanements and a probability estimate for each forecast. **Figure IV-4** shows the base and alternate forecast enplanements, along with the 5-, 25-, 75-, and 95-percentile results from the Monte Carlo simulation. The percentiles indicate the likelihood of meeting or exceeding a particular enplanement level and the likelihood of failing to meet that enplanement level:

- The 75-percentile results recommended for a high forecast scenario have a 25 percent probability of success (i.e. actual enplanements meet or exceed the forecast) and a 75 percent probability of failure (i.e. actual enplanements fall short of the forecast).

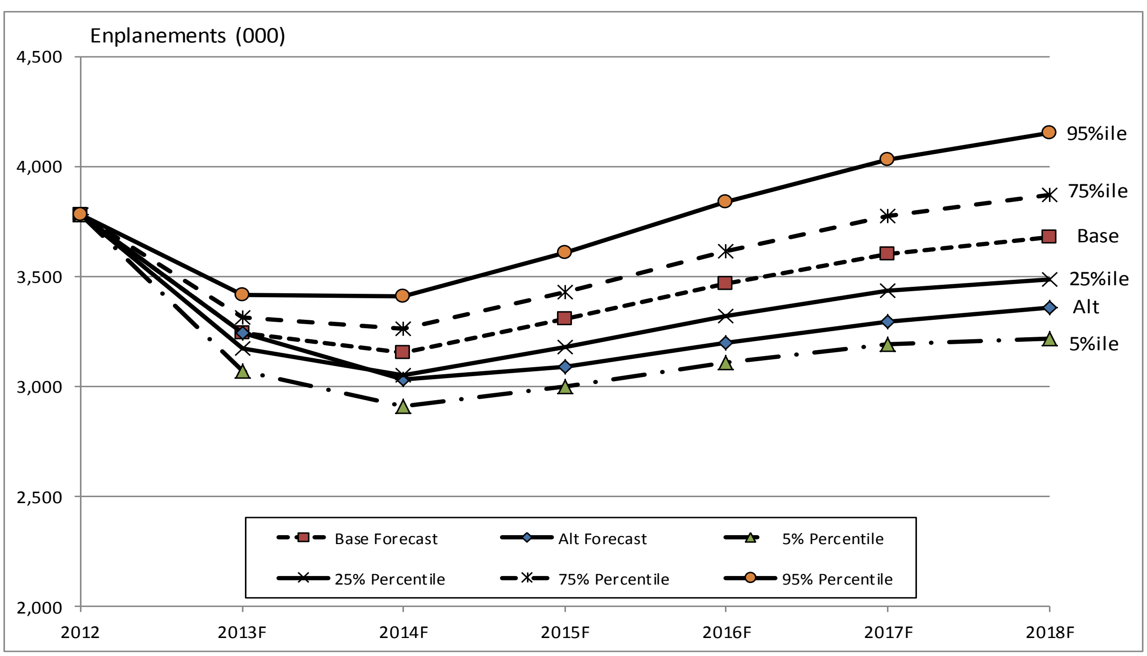
- The 25-percentile results recommended for a low forecast scenario have a 75 percent probability of success and a 25 percent probability of failure.

- The 5-percentile results recommended for a stress-test forecast scenario have a 95 percent probability of success and a 5 percent probability of failure.

The forecast range bounded by the 5- and 95-percentiles represent the 90-percent confidence interval. The interquartile range—the range bounded by the 25- and 75-percentiles—indicates the most likely range in which actual enplanements could fall.

The base and alternate enplanement forecasts provide conservative scenarios to use in the financial feasibility analysis. The base forecast enplanements, which reflect service cuts in 2013, are close to the mean and median results of the Monte Carlo simulation. The alternate forecast enplanements, which reflect slower economic growth and the complete elimination of Frontier service effective January 2014, are lower than the 25-percentile results. This means that actual enplanements can be expected to exceed the alternate forecast levels with greater than 75 percent probability.

FIGURE IV-4
GENERAL MITCHELL INTERNATIONAL AIRPORT
COMPARISON OF BASE AND ALTERNATE FORECAST ENPLANEMENTS WITH SELECTED MONTE CARLO SIMULATION RESULTS
2012-2018



5. FORECAST DETAILS FOR THE BASE AND ALTERNATE SCENARIOS

Tables IV-13A and **B** present the base and alternate forecast enplanements. Enplanements are divided into mainline and regional airline categories and into O&D and connecting traffic segments.

TABLE IV-13A
GENERAL MITCHELL INTERNATIONAL AIRPORT
BASE FORECAST: ENPLANEMENTS BY AIR CARRIER CATEGORY AND TRAFFIC SEGMENT
2012-2018

	Actual	Forecast						AAGR
	2012	2013	2014	2015	2016	2017	2018	2012-18
	Enplanements (000)							
Total	3,780	3,241	3,156	3,306	3,469	3,602	3,677	-0.5%
Annual growth rate	-20.6%	-14.3%	-2.6%	4.7%	4.9%	3.8%	2.1%	
By air carrier category								
Mainline[1]	2,805	2,460	2,357	2,469	2,591	2,690	2,746	-0.3%
Regional	976	781	799	837	878	912	931	-0.8%
By traffic segment								
O&D	3,281	3,082	3,002	3,145	3,300	3,426	3,498	1.1%
Connecting	499	159	154	161	169	175	179	-15.7%
	Percent of Total							
Mainline[1]	74.2%	75.9%	74.7%	74.7%	74.7%	74.7%	74.7%	
Regional	25.8%	24.1%	25.3%	25.3%	25.3%	25.3%	25.3%	
O&D	86.8%	95.1%	95.1%	95.1%	95.1%	95.1%	95.1%	
Connecting	13.2%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	

AAGR - Average annual growth rate
[1] Includes charter.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this Report. Various factors other than those explicitly considered in generating the above forecasts can influence future traffic. Unexpected events may occur and some of the underlying assumptions of the analysis may not be realized. Therefore, actual results may vary from the forecasts and the variations may be material.

TABLE IV-13B
GENERAL MITCHELL INTERNATIONAL AIRPORT
ALTERNATE FORECAST: ENPLANEMENTS BY AIR CARRIER CATEGORY AND TRAFFIC SEGMENT
2012-2018

	Actual	Forecast						AAGR
	2012	2013	2014	2015	2016	2017	2018	2012-18
	Enplanements (000)							
Total	3,780	3,241	3,030	3,090	3,198	3,290	3,357	-2.0%
Annual growth rate	-20.6%	-14.3%	-6.5%	2.0%	3.5%	2.9%	2.0%	
By air carrier category								
Mainline[1]	2,805	2,460	2,243	2,287	2,367	2,435	2,485	-2.0%
Regional	976	781	787	803	831	855	872	-1.9%
By traffic segment								
O&D	3,281	3,082	2,911	2,969	3,073	3,161	3,225	-0.3%
Connecting	499	159	119	121	125	129	131	-19.9%
	Percent of Total							
Mainline[1]	74.2%	75.9%	74.0%	74.0%	74.0%	74.0%	74.0%	
Regional	25.8%	24.1%	26.0%	26.0%	26.0%	26.0%	26.0%	
O&D	86.8%	95.1%	96.1%	96.1%	96.1%	96.1%	96.1%	
Connecting	13.2%	4.9%	3.9%	3.9%	3.9%	3.9%	3.9%	

AAGR - Average annual growth rate
[1] Includes charter.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this Report. Various factors other than those explicitly considered in generating the above forecasts can influence future traffic. Unexpected events may occur and some of the underlying assumptions of the analysis may not be realized. Therefore, actual results may vary from the forecasts and the variations may be material.

Table IV-14A and **B** present the base and alternate forecast commercial aircraft departures needed to accommodate forecast enplanements. The forecast aircraft departures consider scheduled flights and seats by airline, boarding load factors, and aircraft fleet mix.

TABLE IV-14A
GENERAL MITCHELL INTERNATIONAL AIRPORT
BASE FORECAST: COMMERCIAL AIRCRAFT DEPARTURES BY AIR CARRIER CATEGORY
2012-2018

	Actual	Forecast						AAGR
	2012	2013	2014	2015	2016	2017	2018	2012-18
	Aircraft Departures							
Total	57,226	46,906	47,658	49,409	51,299	52,859	53,653	-1.1%
Annual growth rate	-25.8%	-18.0%	1.6%	3.7%	3.8%	3.0%	1.5%	
By air carrier category								
Mainline[1]	29,021	24,354	23,797	24,799	25,890	26,800	27,287	-1.0%
Regional	21,832	16,180	17,488	18,237	19,037	19,686	19,994	-1.5%
Cargo	6,373	6,373	6,373	6,373	6,373	6,373	6,373	0.0%
	Percent of Total							
Mainline[1]	50.7%	51.9%	49.9%	50.2%	50.5%	50.7%	50.9%	
Regional	38.2%	34.5%	36.7%	36.9%	37.1%	37.2%	37.3%	
Cargo	11.1%	13.6%	13.4%	12.9%	12.4%	12.1%	11.9%	

AAGR - Average annual growth rate
[1] Includes charter.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this Report. Various factors other than those explicitly considered in generating the above forecasts can influence future traffic. Unexpected events may occur and some of the underlying assumptions of the analysis may not be realized. Therefore, actual results may vary from the forecasts and the variations may be material.

TABLE IV-14B
GENERAL MITCHELL INTERNATIONAL AIRPORT
ALTERNATE FORECAST: COMMERCIAL AIRCRAFT DEPARTURES BY AIR CARRIER CATEGORY
2012-2018

	Actual	Forecast						AAGR
	2012	2013	2014	2015	2016	2017	2018	2012-18
	Aircraft Departures							
Total	57,226	46,906	46,360	46,987	48,209	49,269	49,968	-2.2%
Annual growth rate	-25.8%	-18.0%	-1.2%	1.4%	2.6%	2.2%	1.4%	
By air carrier category								
Mainline[1]	29,021	24,354	22,760	23,123	23,827	24,445	24,870	-2.5%
Regional	21,832	16,180	17,228	17,490	18,009	18,451	18,725	-2.5%
Cargo	6,373	6,373	6,373	6,373	6,373	6,373	6,373	0.0%
	Percent of Total							
Mainline[1]	50.7%	51.9%	49.1%	49.2%	49.4%	49.6%	49.8%	
Regional	38.2%	34.5%	37.2%	37.2%	37.4%	37.4%	37.5%	
Cargo	11.1%	13.6%	13.7%	13.6%	13.2%	12.9%	12.8%	

AAGR - Average annual growth rate
[1] Includes charter.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this Report. Various factors other than those explicitly considered in generating the above forecasts can influence future traffic. Unexpected events may occur and some of the underlying assumptions of the analysis may not be realized. Therefore, actual results may vary from the forecasts and the variations may be material.

Table IV-15A and **B** present the base and alternate forecast commercial aircraft landed weight. Aircraft landed weight forecasts derive from forecast aircraft arrivals, which equal departures. In projecting aircraft landed weight, we considered the following factors:

- Current and projected allocation of aircraft departures by airline and between mainline and regional carriers
- Changes in the aircraft fleet mix reflected by the airlines' flight schedules for 2013
- Industry projections on changes in aircraft gauge.

TABLE IV-15A
GENERAL MITCHELL INTERNATIONAL AIRPORT
BASE FORECAST: COMMERCIAL AIRCRAFT LANDED WEIGHT BY AIR CARRIER CATEGORY
2012-2018

	Actual	Forecast						AAGR
	2012	2013	2014	2015	2016	2017	2018	2012-18
	Average Landed Weight (000)							
Total	5,024,172	4,282,787	4,320,863	4,497,978	4,691,703	4,850,867	4,941,429	-0.3%
Annual growth rate	-19.5%	-14.8%	0.9%	4.1%	4.3%	3.4%	1.9%	
By air carrier category								
Mainline[1]	3,427,905	2,994,477	2,958,427	3,090,364	3,234,077	3,352,210	3,417,698	0.0%
Regional	1,137,970	830,013	904,139	949,316	999,329	1,040,359	1,065,433	-1.1%
Cargo	458,297	458,297	458,297	458,297	458,297	458,297	458,297	0.0%
	Percent of Total							
Mainline[1]	68.2%	69.9%	68.5%	68.7%	68.9%	69.1%	69.2%	
Regional	22.6%	19.4%	20.9%	21.1%	21.3%	21.4%	21.6%	
Cargo	9.1%	10.7%	10.6%	10.2%	9.8%	9.4%	9.3%	

AAGR - Average annual growth rate
[1] Includes charter.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this Report. Various factors other than those explicitly considered in generating the above forecasts can influence future traffic. Unexpected events may occur and some of the underlying assumptions of the analysis may not be realized. Therefore, actual results may vary from the forecasts and the variations may be material.

TABLE IV-15B
GENERAL MITCHELL INTERNATIONAL AIRPORT
ALTERNATE FORECAST: COMMERCIAL AIRCRAFT LANDED WEIGHT BY AIR CARRIER CATEGORY
2012-2018

	Actual	Forecast						AAGR
	2012	2013	2014	2015	2016	2017	2018	2012-18
	Average Landed Weight (000)							
Total	5,024,172	4,282,787	4,167,040	4,235,860	4,363,953	4,473,727	4,553,573	-1.6%
Annual growth rate	-19.5%	-14.8%	-2.7%	1.7%	3.0%	2.5%	1.8%	
Breakdown by air carrier category								
Mainline[1]	3,427,905	2,994,477	2,818,064	2,867,134	2,960,283	3,040,350	3,097,428	-1.7%
Regional	1,137,970	830,013	890,679	910,429	945,373	975,079	997,848	-2.2%
Cargo	458,297	458,297	458,297	458,297	458,297	458,297	458,297	0.0%
	Percent of Total							
Mainline[1]	68.2%	69.9%	67.6%	67.7%	67.8%	68.0%	68.0%	
Regional	22.6%	19.4%	21.4%	21.5%	21.7%	21.8%	21.9%	
Cargo	9.1%	10.7%	11.0%	10.8%	10.5%	10.2%	10.1%	

AAGR - Average annual growth rate
[1] Includes charter.

All forecasts are subject to uncertainty. The above forecasts are based on information available at the date of this Report. Various factors other than those explicitly considered in generating the above forecasts can influence future traffic. Unexpected events may occur and some of the underlying assumptions of the analysis may not be realized. Therefore, actual results may vary from the forecasts and the variations may be material.

C. FORECAST UNCERTAINTY AND RISK FACTORS

The forecasts of aviation activity are based on specific assumptions about the availability and characteristics of airline service at the Airport, key measurable factors that drive demand for air travel, and information available at the time of the analysis. Broader factors that affect the aviation industry as a whole and the Airport in particular introduce risks into the forecasts. The following sections discuss some of these factors.

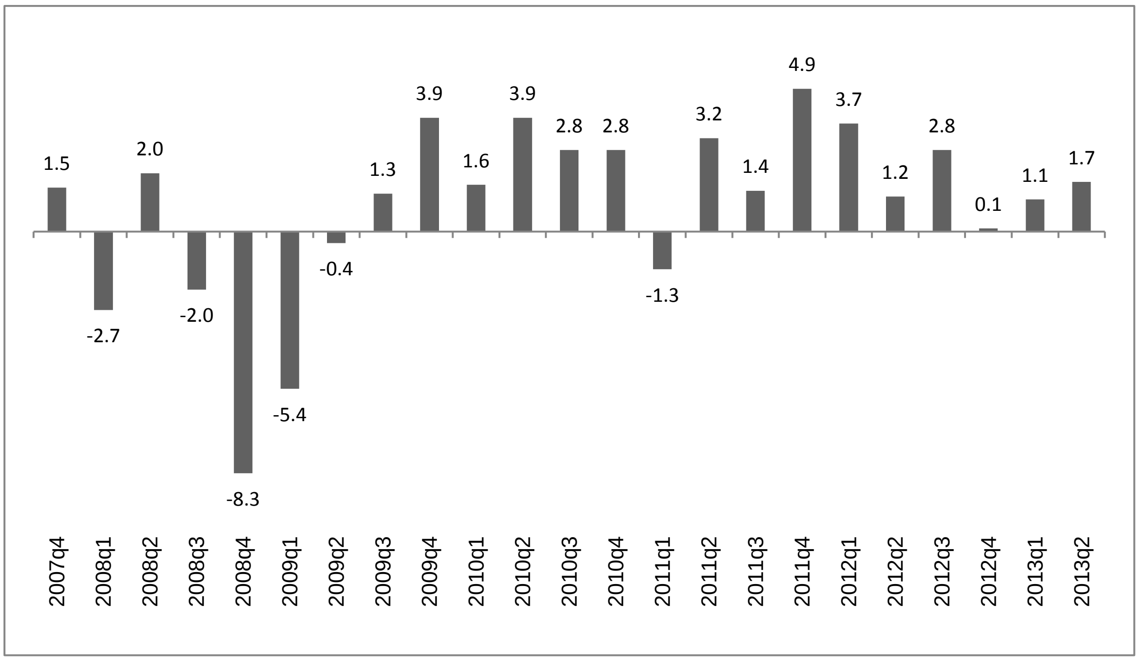
1. National Economic Conditions

Prevailing economic conditions affect the demand for air travel and related services. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand. The U.S. economy peaked in December 2007 before entering a recession period.[3] Compared to the mild and brief 2001 recession, the 2008-2009 recession had a strong and long-lasting effect on the economy.

[3] National Bureau of Economic Research Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

Figure IV-5 shows changes in U.S. real GDP—a broad measure of economic activity—from fourth quarter 2007 through second quarter 2013. U.S. real GDP declined from first quarter 2008 through second quarter 2009. The deepest decline occurred during fourth quarter 2008. The recession ended in second quarter 2009, but subsequent real GDP growth rates reflect an abnormally weak recovery. As shown in **Table IV-16,** various sources expect this recovery to continue below historical patterns.

FIGURE IV-5
QUARTERLY CHANGE IN U.S. REAL GDP*
Fourth Quarter 2007-Second Quarter 2013



*Real GDP percent change from preceding period based on chained 2009 dollars.
Source: U.S. Bureau of Economic Analysis.

TABLE IV-16
FORECAST PERCENT CHANGE IN REAL U.S. GDP
SELECTED GOVERNMENT AND PRIVATE SOURCES
2012-2018

Source	2012E	2013F	2014F	2015F	2016F	2017F	2018F
Moody's Analytics January 7, 2013	2.3	2.1	3.9	4.2	3.5	2.7	2.3
Congressional Budget Office February 5, 2013	2.3	1.4	2.6	4.1	4.4	3.8	2.6
Office of Management and Budget April 2013	2.7	3.0	3.6	4.1	4.0	3.9	3.2
Economist Intelligence Unit May 13, 2013	2.2	2.1	2.5	2.4	2.3	2.4	
International Monetary Fund April 2013	2.2	1.9	3.0				
World Bank January 2013	2.2	1.9	2.8	3.0			
Global Insight, in FAA Aerospace Forecast, dated November 23, 2012, FFY basis	2.2	1.7	2.6	3.4	3.0	2.7	2.5
Philadelphia Fed - 46 Economist Survey Released May 10, 2013	2.2	2.0	2.8	3.0	2.9		
Federal Reserve Board* December 2012	1.8	2.7	3.3	3.4	2.4		
Bank of Canada April 2013	2.2	2.2	2.9				
Conference Board May 15, 2013	2.2	1.6	2.3	2.3	2.3	2.3	2.3
WSJ - Survey 49 Economists April 5-9, 2013	1.5	2.5	2.9	3.0			
Blue Chip Survey January 2013**	2.2	2.6	2.9	2.9	2.9	2.7	2.5
OECD May 2013	2.2	1.9	2.8				
Wells Fargo May 8, 2013	2.2	1.8	2.1				
Average* **	**2.2**	**2.1**	**2.8**	**3.2**	**3.1**	**2.9**	**2.6**

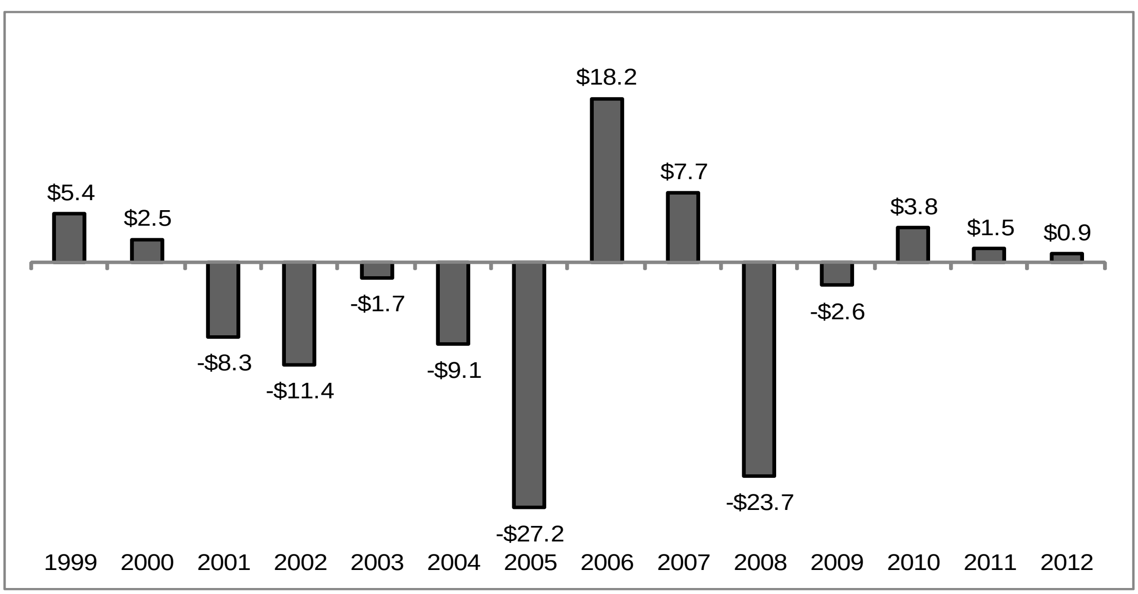
E-Estimate; F-Forecast
* Average of Central Tendency Range, From CBO Budget and Economic Outlook Fiscal Years 2013 to 2023, February 2013.
** From CBO Budget and Economic Outlook Fiscal Years 2013 to 2023, February 2013.
***Includes each organization’s latest forecast since November 2012.

2. Overall Financial Health of the U.S. Airline Industry

Within the past decade, a number of factors combined to weaken U.S. airlines' financial results. Passenger and air cargo demand declined after the 2001 and 2008-2009 recessions**.** Air traffic recovery after the 2009 economic trough has been very slow. Fuel prices spiked and remain at record high levels.

As shown in **Figure IV-6**, U.S. airlines reported net losses for five consecutive years (from 2001 through 2005), with cumulative losses totaling $57.7 billion. The industry began to see positive results in 2006, and continued to improve in 2007 despite record high oil prices. U.S. airlines earned a net profit of $18.2 billion in 2006 and $7.7 billion in 2007. Jet fuel prices, however, continued to rise through July 2008. The increase in fuel cost, combined with the severe recession, pushed some airlines into bankruptcy and liquidation. Other airlines reacted by reducing staff and seat capacity. The industry also offered multiple fare sales to stimulate demand, but these depressed revenues instead. As a result, U.S. airlines incurred net losses totaling $23.7 billion in 2008. As jet fuel prices decreased in 2009, net losses reported by the U.S. airlines decreased to $2.6 billion. With demand rebounding in 2010, fuel prices began to increase again. Airlines responded to this increase in fuel price with significant capacity cuts and fleet adjustments, retiring small regional aircraft and older mainline aircraft. They also introduced service charges for check-in baggage, priority seating, and on-board food. The industry began to see net profits in 2010 that have continued through 2013.

FIGURE IV-6
U.S. PASSENGER AND CARGO AIRLINES' ANNUAL NET PROFIT ($BILLIONS)
1999-2012



Source: U.S. Bureau of Transportation Statistics.

3. Airline Mergers

To respond to competitive, cost and regulatory pressures, the airline industry has been consolidating. The most recent examples of large mergers include Delta and Northwest in 2009, United and Continental in 2010, and Southwest and AirTran in 2011. In February 2013, American and US Airways announced a merger that is currently being negotiated and reviewed. Airline mergers affect service and traffic at airports, when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports is often immediate. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at the airport and whether they carry significant connecting traffic through the airport.

The Airport has begun to experience the effects of the Southwest and AirTran merger, as Southwest has begun consolidating airport facilities and adjusting flight offerings. Southwest's integration of AirTran and network optimization resulted in a decrease in combined flights from an average of 62 flights per day in 2010 (the highest level) to an average of 55 flights per day in 2012. As of April 2013, Southwest and AirTran combined flights at the Airport average 47 per day. These decreases in the combined Southwest and AirTran flights have been considered in the activity forecasts. The forecasts, however, assume no further reduction in the combined Southwest and AirTran service beyond the reduction in the 2013 flight schedules, published as of April 2013.

Together American Airlines, US Airways, and their regional affiliates accounted for 9.5 percent of total Airport enplanements in 2012. This merger is not expected to have a significant impact on the Airport, because the two airlines account for a relatively small share of total Airport enplanements and do not carry connecting traffic through the Airport.

4. Price of Jet Fuel

The price of jet fuel affects the financial health of the airline industry. Rising fuel prices increased airline costs dramatically during the first seven months of 2008, and contributed to airline industry losses. The price of fuel dropped in the second half of 2008 and continued to decrease throughout 2009, providing substantial relief.

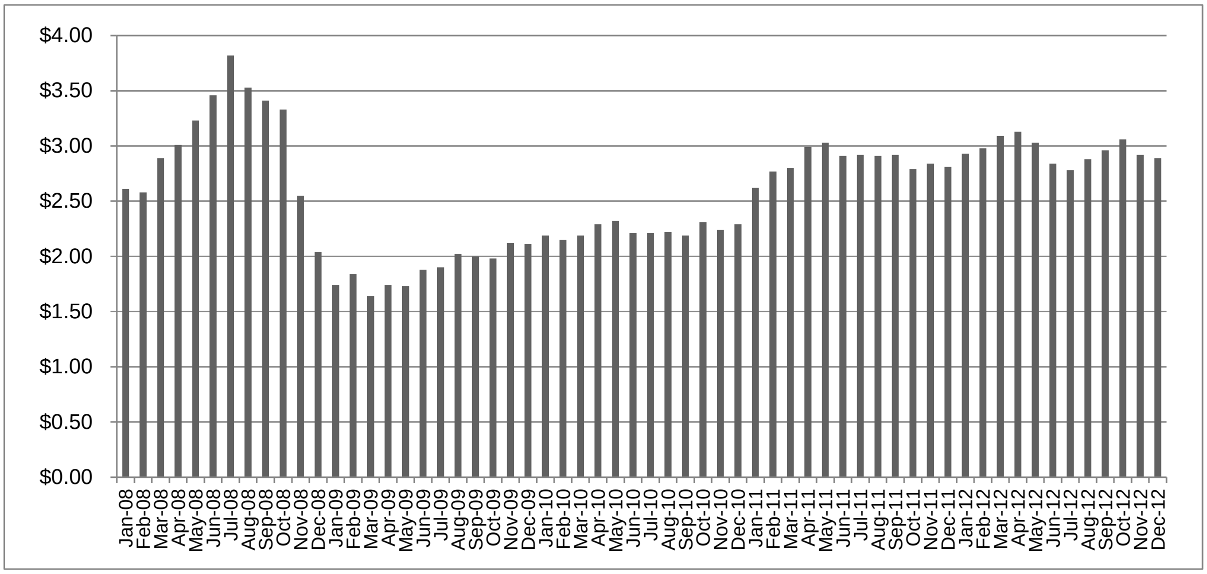
From 2000 to 2012, the price of jet fuel increased 258 percent, while the U.S. Consumer Price Index ("CPI") — the price of a representative basket of U.S. goods and services — only increased 33 percent (**Table IV-17**). As a result, fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, rose to over 35 percent, according to Airlines For America. Fuel prices have decreased dramatically since the average price per gallon reached almost $4.00 in July 2008 (**Figure IV-7**). The average per-gallon price of jet fuel dropped to a $1.64 low in March 2009. It has since risen, but it has not returned to the July 2008 peak. By April 2012, jet fuel prices increased to $3.13 per gallon, and by December they dropped back to $2.89 per gallon. The air traffic forecasts presented above assume no sharp increases in jet fuel prices that would cause system-wide operational disruptions.

TABLE IV-17
U.S. AVERAGE JET FUEL PRICE AND THE U.S. CONSUMER PRICE INDEX
2000-2012

Year	U.S. Jet Fuel Price (Dollars per gallon)	U.S. CPI (1982-84=100)
2000	$0.80	172.2
2001	$0.78	177.1
2002	$0.71	179.9
2003	$0.84	184.0
2004	$1.15	188.9
2005	$1.65	195.3
2006	$1.95	201.6
2007	$2.09	207.3
2008	$3.06	215.3
2009	$1.89	214.5
2010	$2.23	218.1
2011	$2.86	224.9
2012	$2.96	229.6
	Percent Change	
2000-2012	258.0%	33.3%
2011-2012	3.4%	2.1%

Sources: U.S. Bureau of Transportation Statistics and U.S. Bureau of Labor Statistics.

FIGURE IV-7
AVERAGE MARKET PRICE OF JET FUEL (DOLLARS PER GALLON)
January 2008 - December 2012



Source: U.S. Bureau of Transportation Statistics.

5. Federal Sequestration

The full impact of the implementation of the sequestration provisions of the Budget Control Act of 2011 on the aviation industry is still unknown at this time. Airports could be affected by reductions in FAA and Department of Homeland Security ("DHS") budgets.

FAA furloughs of its employees, including air traffic controllers, on April 22, 2013 immediately resulted in flight delays and flight cancellations nationwide. This prompted the enactment of the Reducing Flight Delays Act of 2013 on May 1, 2013, ending furloughs of air traffic controllers by allowing the FAA to transfer funds into its operating budget. The bill, however, does not end the sequestration cuts and could result in a reduction in grant funds for airport capital projects under the AIP.

The DHS budget cut resulted in a hiring freeze for TSA. It could also limit TSA's ability to allow overtime work for existing employees performing airport security screening.

6. Performance of Major Airlines at The Airport

Earlier in this section, we discussed the market shares of airlines in terms of the Airport's enplanements during 2009-2012, and **Table IV-5** summarized the observed trends. AirTran held the largest share of 31.9 percent of enplanements at the Airport in 2012. Delta and its affiliates held the second largest share with 21.7 percent. Southwest, the leading low-cost airline began serving the Airport on November 1, 2009, joining Frontier and AirTran as a low-fare alternative for Airport passengers. In 2012, Southwest held a share of 18.0 percent of enplanements, the third largest share behind Delta. Southwest closed its merger with AirTran Airways on May 2, 2011. The two airlines continue to operate separately at the Airport, and have a combined market share of 49.9 percent. The future operational and financial performances of these airlines will likely influence the activity level at the Airport. Recent developments at these mainline carriers are presented below.

AirTran Airways[4]

AirTran, a wholly-owned subsidiary of Southwest Airlines, has been ranked the number one low-cost carrier in the Airline Quality Rating study for the past three years. Most of AirTran's flights originate or terminate in Atlanta, its largest hub. Since 2001, the airline has diversified its network by increasing operations in various markets, including the Airport, Baltimore-Washington, Las Vegas, Minneapolis, New York LaGuardia, Chicago Midway, and Washington National, to protect operations against potential risks that threaten individual markets.

In recent years AirTran has increased its operations at the Airport and achieved the largest market share of 31.9 percent in 2012, up from 23.3 percent in 2009. This year, as part of the integration of AirTran and Southwest, AirTran's flight schedules show significant cuts in seats that are not fully compensated for by increases in Southwest seats.

Delta Air Lines[5]

On May 31, 2007, Northwest Airlines emerged from Chapter 11 bankruptcy protection, which it filed for in September 2005. On October 29, 2008, Delta Air Lines completed its merger with Northwest Airlines, making Delta the largest commercial air carrier in the world. In January 2010, Delta and Northwest finished consolidating their gates and ticket counters.

The combined market share of Delta and Northwest at the Airport fell from 20.7 percent of total Airport enplanements in 2009 to 15.3 percent in 2010, following the merger. Since then Delta's share of Airport enplanements has increased to 21.7 percent in 2012. Delta's flight schedules during the first half of 2013 indicate a 15 percent increase in scheduled seats.

Delta reported a 2012 net income of $1.55 billion, an improvement from its 2011 net income of $1.19 billion, excluding special items, in 2011. The 2012 financial results were the best in a decade.

[4] The information in this subsection was obtained from the AirTran Airways website and Southwest Airline's website at http://southwest.investorroom.com.
[5] The discussion in this subsection is based on information contained in Delta Air Lines' 2012 Form 10K filed with the Securities and Exchange Commission.

Southwest Airlines[6]

In 2011, Southwest Airlines celebrated its 40th year of low-cost air service. Southwest announced the closing of the merger with AirTran in May 2011. The merger expanded Southwest's service to Mexico and the Caribbean.

Southwest acquired AirTran in May 2011 and began integrating AirTran into its operations. Southwest still operates AirTran as a separate airline brand. The integration of AirTran is expected to take 3-5 years. During 2012, Southwest received a single operating certificate from the FAA, and has made progress in integrating AirTran operations, fleet, network, and airport facilities. Integrating and optimizing AirTran's route network has involved ending service at certain airports and routes, redeploying aircraft in other markets, and transferring service from AirTran to Southwest.[7] At the Airport, Southwest has begun switching certain AirTran flights to Southwest. Southwest has maintained service to all cities served by AirTran from the Airport, but the flight substitutions have not been one for one.

Southwest Airlines is among the few U.S. airlines that remained profitable through the difficult business environment since the U.S. economic recession of 2001 and the terrorist attacks of September 11, 2001. In January 2013, Southwest Airlines reported a net profit for the 40th consecutive year. For the full year of 2012, net income (including special items) was $421 million, significantly higher than the 2011 net income (including special items) of $178 million. Southwest believes that integrating AirTran, modernizing the fleet, and updating the reservation system will increase revenues and lower expenses.

The combined market share of Southwest and AirTran at the Airport has increased through the merger, reaching 49.9 percent in 2012. Flight schedules for the first half of 2013 show Southwest and AirTran accounting for 52 percent of total seats at the Airport.

Frontier Airlines[8]

Republic Airways Holdings, Inc. acquired both Midwest and Frontier in 2009 and merged the two airlines' operations into Frontier in 2010. In November 2011, Republic Airways Holdings Inc. announced plans to look into the sale of its Frontier Airlines business. Soaring fuel costs and intense competition in Denver, notably from Southwest and United, forced Republic to restructure Frontier and consider cutting its stake to a minority share by 2014 after exchanging equity for

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[6] The discussion in this subsection is based on information contained in Southwest Airline's website at http://southwest.investorroom.com/.
[7] Southwest Airlines Company 10-K, February 2013, and Southwest website.
[8] The discussion in this section is based on press releases posted on the official websites of Frontier and Republic Airways Holdings.

employee concessions. To date, Republic has found no buyer for Frontier and continues to operate the airline.

Following the integration of Midwest and Frontier's services, Frontier's share of Airport enplanements initially increased from 16 percent (Midwest and Frontier combined) in 2009 to 29 percent in 2011. Frontier's financial difficulties continued after the merger, prompting significant service cuts at the Airport. In 2012, Frontier's share of Airport enplanements decreased to 10.2 percent.

In recent months, Frontier has announced reduced service at the Airport and has eliminated its hub activity at Milwaukee. In 2012, Frontier had an average of 15 flights per day at the Airport, which was a significant reduction to the average number of flights per day of 86 in 2010. Current OAG Aviation Worldwide Ltd. schedules suggest a drop to 3 per day for the first half of 2013.

7. National Security and Threat of Terrorism

Terrorism remains a threat to the aviation industry. Even with tightened security measures implemented by the Department of Homeland Security, terrorists may still disrupt economic and social activities, including air travel. The U.S. Department of Homeland Security periodically updates its assessment of potential threats against the United States, including threats that may target the national aviation system. Travel restrictions imposed pursuant to increased airport security dampen travel demand.

8. Presence of Other airports in the Airport Service Area

The Airport is the major commercial airport in Wisconsin. As discussed in **Section III**, the Airport's air service area covers the southeastern region of Wisconsin. Built 74 miles away from Chicago O'Hare International Airport and 95 miles away from Chicago Midway Airport, the Airport's strategic location makes it an accessible alternative airport for Northern Illinois residents. According to the Airport System Management, the Airport captures some traffic from markets served by the small local airports, because the Airport offers lower fares and more flights. The Airport, however, loses traffic, particularly international passengers, to Chicago O'Hare. There is currently no empirical data to quantify passenger leakage to and from the Airport.

Table IV-18 shows the other airports in the Airport's air service area, including Austin-Straubel International Airport (127 miles north in Green Bay), Outagamie County Airport in Appleton (113 miles north), Midway International (95 miles south), Dane County Regional Airport in Madison (83 miles west), and O'Hare International (74 miles south).

TABLE IV-18
GENERAL MITCHELL INTERNATIONAL AIRPORT
LOCAL AREA COMMERCIAL SERVICE AIRPORTS

City	State	Airport	CY 2012 Enplanements	CY 2012 Operations	Driving Miles from GMIA	Drive Time (Hours)
Chicago	IL	Chicago O'Hare International	29,983,544	869,842	74	1.2
Chicago	IL	Chicago Midway International	9,264,895	210,749	95	1.6
Milwaukee	**WI**	**General Mitchell International**	**3,698,097**	**116,755**		
Madison	WI	Dane County Regional-Truax Field	798,673	31,445	83	1.3
Green Bay	WI	Austin Straubel International	282,705	17,487	127	2.0
Appleton	WI	Outagamie County Regional	229,231	13,215	113	1.8
Rockford	IL	Chicago/Rockford International	106,201	11,945	98	1.5

Sources: FAA and Google Maps.

D. SUMMARY

The highlights of the historical trends in aviation activity at the Airport are as follows:

- Total enplanements at the Airport increased from approximately 3.07 million in 2003 to 4.93 million in 2010. In 2010 Airport enplanements increased 24 percent from the previous year because of Southwest Airlines' entry into the Airport. In September 2010, however, Frontier Airlines began to reduce its service from the Airport. Frontier's service cuts have continued. The other airlines have not expanded their service to replace Frontier's service. Airport enplanements decreased 3.4 percent in 2011 and 20.6 percent in 2012 to 3.78 million.

- The large majority of the Airport's passengers are bound for U.S. destinations. In 2012 domestic enplanements accounted for 98 percent of annual enplanements.

- O&D traffic, which accounted for 87 percent of the Airport's 2012 enplanements, provides a strong and stable market base for air travel demand. O&D traffic is expected to increase its share of Airport enplanements resulting from cuts in Frontier's service and flight connections.

- Connecting traffic accounted for the remaining 13 percent of the Airport's 2012 enplanements. The connecting traffic share dropped to 6.9 percent for the month of December 2012.

- The Airport has always had a broad base of air service providers. Only in 2006 and 2007 did a single airline (Midwest) capture the majority of traffic. Since Midwest's operations were merged into Frontier's in 2011, the merged airline's share of Airport enplanements has shrunk to 10 percent in 2012. Now AirTran and Southwest combined account for the largest share of Airport enplanements (49.9 percent in 2012).

- Southwest's entrance into the Airport market and the expansion of AirTran service contributed to the expansion of mainline service at the Airport. As a group, mainline carriers increased their share of Airport enplanements from 58.7 percent in 2009 to 82.2 percent in 2012.

- Regional service declined especially after the elimination of Midwest Connect service. Regional carriers decreased their share of Airport enplanements from 41.1 percent in 2009 to 17.6 percent in 2012.

- The trends in commercial air carrier landed weight reflect changes in the type of air carriers that serve the Airport. Southwest replaced Frontier as the dominant carrier, the use of smaller aircraft has declined, and rising fuel prices have forced carriers to operate with higher loads.

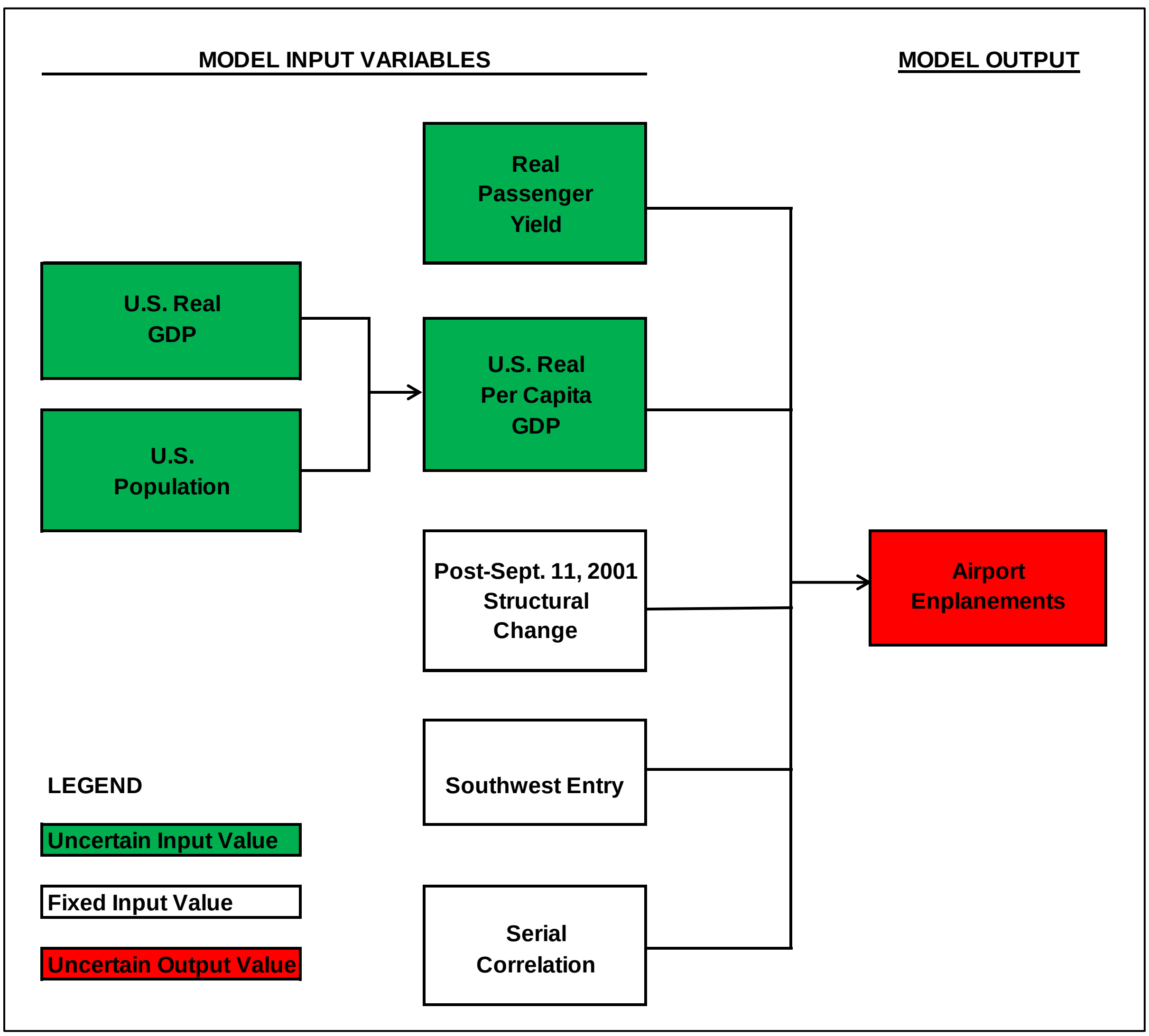
This section presented a range of forecasts for the Airport's commercial aviation activity for the 2013-2018 period. Two sets of enplanement forecasts are recommended for the financial feasibility analysis: (1) a base forecast scenario, and (2) an alternate forecast scenario that simulates the effect of slower economic growth and the complete elimination of Frontier service beginning in January 2014.

TECHNICAL APPENDIX
MONTE CARLO SIMULATION OF AIRPORT ENPLANEMENT FORECASTS

Market volatility and uncertainty call for a more comprehensive quantitative assessment of forecast risk using Monte Carlo simulation. The hybrid forecasting framework, regression analysis, and Monte Carlo simulation present a rigorous and comprehensive approach to developing air traffic forecast scenarios.

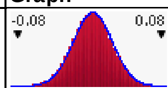
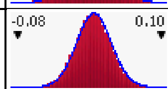
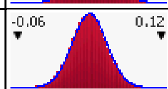
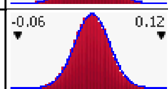
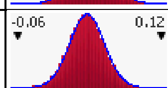
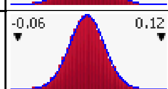
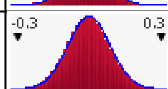
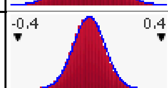
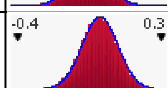
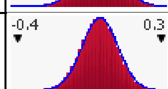
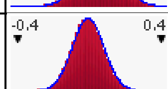
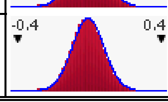
Figure TA-1 shows a schematic diagram of the regression model and Monte Carlo simulation of Airport enplanements. The model schematic identifies the input variables (market factors) that determine the output variable (forecast enplanements). Uncertainty in model inputs, such as the future trends of real passenger yield and real U.S. per capita GDP, creates uncertainty in forecast enplanements.

FIGURE TA-1
REGRESSION MODEL AND MONTE CARLO SIMULATION OF AIRPORT ENPLANEMENTS



Monte Carlo simulation considers a wider range of possible values—defined by a probability distribution—for each uncertain market input that drives forecast enplanements. **Figure TA-2** illustrates the range of annual growth rates for real passenger yield and real U.S. per capita GDP considered in the simulation.

FIGURE TA-2
MONTE CARLO SIMULATION INPUTS FOR ANNUAL GROWTH RATES IN REAL PASSENGER YIELD AND REAL U.S. PER CAPITA GDP

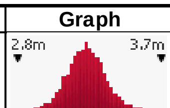
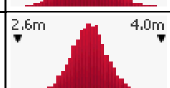
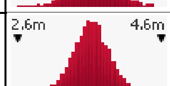
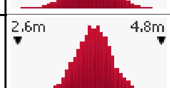
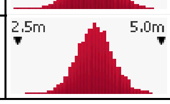
Name	Graph	Mean	5 - Percentile	25 - Percentile	75 - Percentile	95 - Percentile
2013 GDP Per Capita Growth Rate		0.4%	-2.9%	-0.9%	1.8%	3.7%
2014 GDP Per Capita Growth Rate		1.6%	-1.7%	0.3%	3.0%	4.9%
2015 GDP Per Capita Growth Rate		3.1%	-0.2%	1.8%	4.5%	6.4%
2016 GDP Per Capita Growth Rate		3.4%	0.1%	2.1%	4.8%	6.7%
2017 GDP Per Capita Growth Rate		2.8%	-0.5%	1.5%	4.2%	6.1%
2018 GDP Per Capita Growth Rate		1.6%	-1.7%	0.3%	3.0%	4.9%
2013 Yield Growth Rate		0.1%	-13.2%	-5.3%	5.6%	13.5%
2014 Yield Growth Rate		0.3%	-13.1%	-5.2%	5.8%	13.6%
2015 Yield Growth Rate		0.1%	-13.3%	-5.4%	5.6%	13.4%
2016 Yield Growth Rate		0.1%	-13.2%	-5.4%	5.6%	13.5%
2017 Yield Growth Rate		-0.3%	-13.6%	-5.8%	5.2%	13.1%
2018 Yield Growth Rate		-1.1%	-14.5%	-6.6%	4.4%	12.3%

The simulation results produce a range of forecasts for annual Airport enplanements (**Figure TA-3**) and a probability estimate for each forecast—more information for selecting alternative scenarios for financial sensitivity analysis in Section VI. **Figure TA-3** shows the mean and the 5-, 25-, 75-, and 95-percentile results. The mean forecast for each year is close to the 50-percentile (median).

The percentile results can be interpreted as follows:

- The 75-percentile results recommended for a high forecast scenario have a 25-percent probability of success (i.e. actual enplanements meet or exceed the forecast) and a 75-percent probability of failure (i.e. actual enplanements fall short of the forecast).
- The 25-percentile results recommended for a low forecast scenario have a 75-percent probability of success and a 25-percent probability of failure.
- The 5-percentile results recommended for a stress test forecast scenario have a 95-percent probability of success and a 5-percent probability of failure.

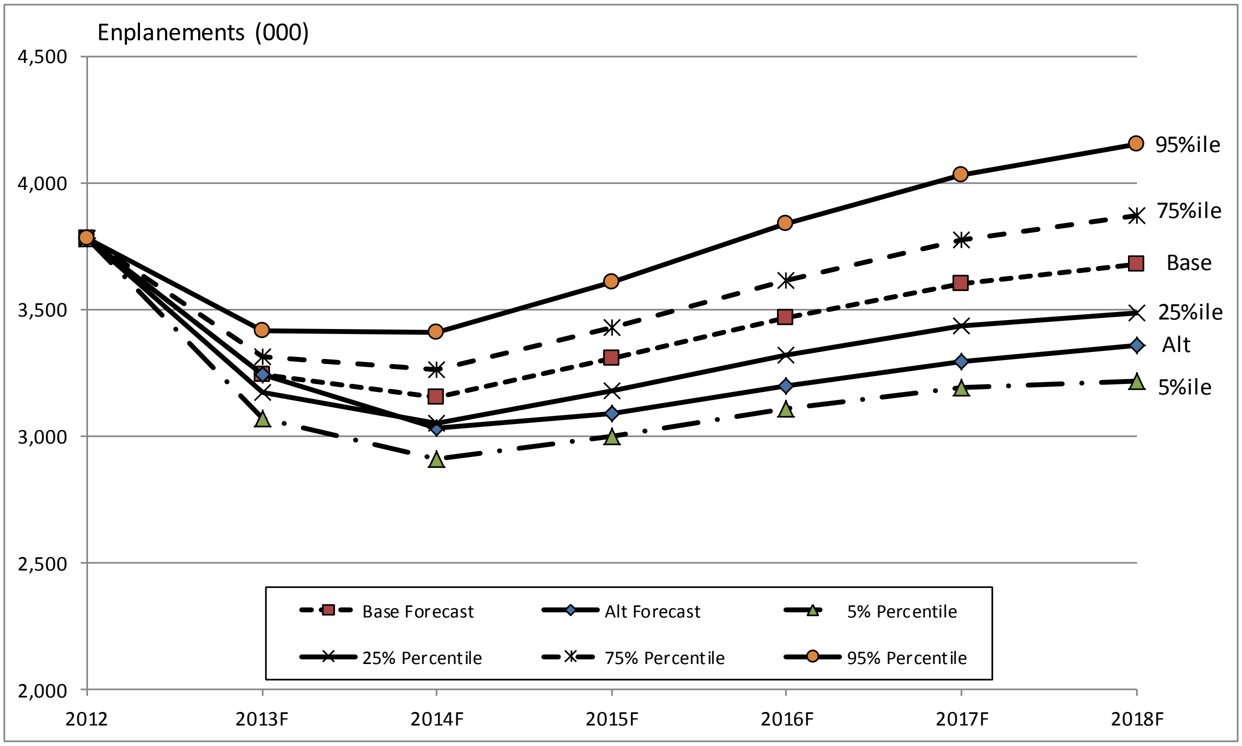
FIGURE TA-3
GENERAL MITCHELL INTERNATIONAL AIRPORT
MONTE CARLO SIMULATION RESULTS: FORECAST ANNUAL ENPLANEMENTS

Name	Graph	Mean	5 - Percentile	25 - Percentile	75 - Percentile	95 - Percentile
2013 Enplanements		3,240,903	3,066,730	3,169,722	3,313,135	3,414,205
2014 Enplanements		3,155,883	2,907,225	3,052,351	3,258,668	3,407,406
2015 Enplanements		3,306,036	2,995,931	3,180,385	3,431,156	3,609,902
2016 Enplanements		3,470,111	3,105,642	3,321,628	3,616,664	3,840,373
2017 Enplanements		3,603,154	3,194,099	3,431,862	3,772,394	4,032,428
2018 Enplanements		3,679,200	3,218,547	3,486,959	3,866,985	4,150,808

*The mean and the median (50-percentile) values are similar.

Compared with the Monte Carlo simulation results, **Figure TA-4** shows that the base and alternate enplanement forecasts provide conservative scenarios to use in the financial feasibility analysis. The base forecast enplanements, which reflect service cuts beginning in 2013, are close to the mean and median results. The alternate forecast enplanements, which reflect slower economic growth and the complete elimination of Frontier service effective January 2014, are lower than the 25-percentile results recommended for a stress-test scenario.

FIGURE TA-4
GENERAL MITCHELL INTERNATIONAL AIRPORT
COMPARISON OF BASE AND ALTERNATE FORECAST ENPLANEMENTS WITH SELECTED MONTE CARLO SIMULATION RESULTS
2012-2018



Section V
FINANCIAL ANALYSIS

This section presents a review of the framework for the financial operation of the Airport System including an assessment of its recent financial performance and an analysis of the financial impact of the Series 2013 Bonds on the Airport System's cash flow, airline rates and charges, and debt service coverage. Included in this section are forecasts of Airport System Revenues, O&M Expenses, and Debt Service Requirements. The financial projections presented in this section are based on the relevant provisions of the AUA and assumes the base enplanement forecasts developed in Section IV.

The AUA became effective October 1, 2010 for a term of five years expiring on December 31, 2015. The AUA provides for a five-year extension upon the mutual agreement of the parties. This study assumes the option to renew will be exercised.

A. AIRPORT SYSTEM FINANCIAL FRAMEWORK

The County owns and operates the Airport System, which is comprised of the Airport and Timmerman Airport. For financial statement purposes, and in the calculation of airline rates and charges, the County combines the financial operations of the Airport and Timmerman Airport. The Airport System policy is legislated by an 18-member Board that has the power of a corporate body.

The first GARBs issued by the County were the Series 2000, which were issued pursuant to the General Bond Resolution (the "General Resolution") and a supplemental resolution (the "2000A Supplemental Resolution") adopted by the Board on June 22, 2000.[1] In January 2003, the County issued the Series 2003A, which were authorized by a supplemental resolution (the "2003A Supplemental Resolution") adopted by the Board on January 23, 2003. These bonds were followed by the Series 2004A, which were authorized by a supplemental resolution (the "2004A Supplemental Resolution") adopted by the Board on March 18, 2004. In 2005, the Series 2005A and Series 2005B were authorized by a supplemental resolution (the "2005 Supplemental Resolution") adopted by the Board on December 15, 2005. The Series 2006A and Series 2006B were authorized by a supplemental resolution (the "2006 Supplemental Resolution") adopted by the Board on November 2, 2006, the Series 2007A were authorized by a supplemental resolution (the "2007A Supplemental Resolution") approved by the Board on November 1, 2007, the Series 2009A and Series 2009B were authorized by supplemental resolutions (the "2009 Supplemental Resolution") adopted by the Board on November 5, 2009 and the Series 2010A and Series 2010B were approved by supplemental resolutions adopted by the Board on September 30, 2010 (the "2010 Supplemental Resolution").

[1] Prior to the issuance of the Series 2000A Bonds, bond financing for Airport System capital projects had been provided through the issuance of County General Obligation ("GO") bonds.

The Board adopted resolutions on February 7, 2013 (the "2013 Supplemental Resolution") authorizing the sale of the Series 2013 Bonds which will mature not later than December 2038. The General Resolution and the supplemental resolutions are collectively referred to in this report as (the "Bond Resolutions"). Pursuant to the Bond Resolutions, the Airport System has pledged all of its Net Revenues (Airport System Revenues minus O&M Expenses) to secure the Series 2003A, Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, Series 2009B, Series 2010A, Series 2010B, Series 2013A Bonds and Series 2013B Bonds.

PFCs are not defined as Revenues in the General Resolution unless pledged as revenues in a supplemental resolution adopted by the County. The Series 2004A, Series 2005A, Series 2006A, Series 2007A, Series 2009A, Series 2010A, and Series 2013A Bonds supplemental resolutions include PFC Revenues as Airport System Revenues to the extent that projects funded with the proceeds of those bonds are approved for PFC funding. PFCs are currently being used to pay debt service on PFC-approved projects financed with general obligation airport bonds and the Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, and Series 2010A. A portion of PFC Revenues will be included in Revenues pledged to pay a portion of the debt service for the Series 2013A Bonds (corresponding to the costs of the Series 2013A Bond Projects that are PFC-eligible.) The Airport has sought FAA approval to use PFC Revenues as indicated above.

1. Airport Accounting

Milwaukee County operates the Airport System as an Enterprise Fund in accordance with generally accepted accounting principles ("GAAP") for governmental entities. The County prepares its financial statements based on the County's fiscal year, which coincides with the calendar year.

The County's financial statements are examined following the end of the year by independent certified public accountants. The purpose of this audit is to determine if the County's financial statements are in compliance with GAAP and the requirements of various state and federal agencies with which the County has agreements and receives grants-in-aid. The County's 2012 Comprehensive Annual Financial Report ("CAFR") shows that as of December 31, 2012, the Airport System had total assets of approximately $446.4 million, liabilities of approximately $223.5 million, and net assets of approximately $222.9 million.

2. Airline-Airport Use and Lease Agreement

The financial forecast presented in this section is based on how the AUA impacts the Airport's Revenues and other funds generated by the Airport's operations beginning in 2011.

The major provisions of the AUA are:

- Term
    - October 1, 2010 to December 31, 2015.
    - Option to extend for five additional years to December 31, 2020 upon mutual agreement that includes a new five year capital improvement plan and Net (Airline) Financing Requirement Cap.
- A residual rate methodology with deposits to the Surplus Fund [2]
    - Airport System Management deposits an amount equivalent to 10 percent of Airport concession revenues into the Airport Development Fund Account ("ADFA").
        - Monies can be used for capital improvements or any lawful Airport System purpose, subject to certain limitations.
        - Projects funded with the ADFA will not be depreciated or amortized and will not affect airline rates and charges.
    - Airport System Management can deposit up to $4 million over the term of the agreement from the ADFA to the ADF Depreciation Account.
        - Monies can be used for capital improvements or any lawful Airport System purpose, subject to certain limitations.
        - Projects funded from the ADF Depreciation Account will be depreciated or amortized and will affect airline rates and charges.
- Five Year Capital Improvement Plan ("Five Year CIP")
    - The Five Year CIP was approved by the airlines in accordance with the AUA.
    - The Five Year CIP project costs to be included in the calculation of airline rates and charges are limited to a Net (Airline) Financing Requirement Cap of $59 million. The Five Year CIP anticipates using approximately $47.3 million of the Net (Airline) Financing Requirement Cap. This amount is comprised of approximately $34.0 million from the proceeds of the Series 2013A Bonds and $13.3 million of unused proceeds of the Series 2010A Bonds. No additional bonds are scheduled to be issued during the remainder of the term of the AUA.
    - The Airport can add or modify projects without Majority-In-Interest ("MII") approval provided that the Net (Airline) Financing Requirement Cap on the total CIP is not exceeded.
    - The airline MII process will continue to apply for additional capital projects not covered above.
- Other
    - Established the MKE Regional Business Park as a new cost center with the total net requirement allocated to the Airfield cost center.
    - Signatory Airlines report passengers of their affiliates (code share partners & subsidiaries, parent companies or contract airlines) combined with their own passengers and pay their affiliates' landing fees and rents.
    - Non-Signatory Airlines pay 125 percent of the rates paid by Signatory Airlines.

[2] Refer to Figure V-1 for a listing of all deposits into funds established by the AUA.

- There are two differential Terminal Rental rate classifications replacing 12 prior classifications. Public-Access Airline Space is at the base rate and Non-Public Access Space is at 75 percent of the base rate.
- All airline gates are preferential use with a utilization standard for each gate and also new entrant and expanding carrier accommodation language. Reassignment of gates by the Airport is allowed if the utilization standard has not been met over a 12-month look back period should such gate be required by another airline.

3. Airline Rates and Charges Methodology

The primary airline rates charged by the County are landing fees, terminal rents, apron fees, and flexible response security charges, which are charged to the airlines for their use of the Airport facilities. The airline rates and charges are calculated using a cost center residual methodology, whereby the airlines are responsible for paying landing fees, terminal rentals, and apron rentals to recover the annual net deficits in the Airfield, Terminal, and Apron cost centers, respectively. In addition, the airlines are required to reimburse the Airport System for the cost of providing flexible response security services. The revenues generated by these fees are used to finance the activities of the Airport System, including operating and maintaining the Terminal complex and the airfield and apron facilities.

The methodology for calculating these fees and charges, as specified in the AUA, is discussed below.

a. *Landing Fees*. The Signatory Airlines are responsible for paying landing fees in an amount necessary to recover the Airfield net deficit, which is defined in the AUA as total annual Airfield expenses, minus a credit for non-signatory and non-airline airfield revenues. Airfield expenses are listed below:

- O&M expenses
- Depreciation[3]
- Principal on bonds issued in 2000 and subsequent years[4]
- Interest[5]

The Airfield net deficit used for purposes of establishing the landing fee rate is computed by reducing the Airfield expenses listed above by the following revenue credits:

- Military landing fee revenue

[3] Depreciation charges include principal payments on GO bonds issued prior to 2000, a portion of which were refunded by the Series 2005B, Series 2006B and Series 2009B Bonds.
[4] Net of any bond principal paid from PFC Revenues.
[5] Net of any bond interest paid from PFC Revenues.

- General aviation revenues (fuel flowage fees, hangar and land rent, and fixed based operator rent)
- Air cargo rents (including cargo apron revenue)
- Non-Signatory Airline landing fee revenue
- Other non-airline revenue allocated to the Airfield

In addition to the above credits, the revenue gained or lost by the MKE Regional Business Park is included in the Airfield net deficit as a credit or expense.

Prior to the beginning of each year, Airport System Management projects the Airfield net deficit for the year based on budgeted Airfield expenses and the offsetting revenue credits of the MKE Regional Business Park gain/loss. The signatory landing fee rate is calculated as the Airfield net deficit divided by the projected signatory aircraft landed weight in thousand pound units. Under the AUA, Non-Signatory Airlines are charged a landing fee that is 125 percent of the fee charged to Signatory Airlines.

Airport System Management can conduct a review any time during the year to compare the budgeted amounts with actual expenses and revenues received to date as indicated in the AUA. If the review indicates that there will be a variance of 10 percent or more, Airport System Management, in conformance with the County budget procedure and authorization, may make an adjustment to the rates in accordance with Article VI of the AUA. Any such adjustment will be effective for the balance of the calendar year. Unless extraordinary circumstances warrant additional adjustments, the County shall limit any such rate adjustment to no more than once during each calendar year. At the end of each calendar year the County conducts a year-end reconciliation no later than 30 days after the County has completed its full accounting process. This involves the actual expenses and revenues being compared to the amounts collected during the previous year. Any deficiency in the amounts collected from the Signatory Airlines will be billed to the Signatory Airlines. If the amount collected was higher than the actual net deficit, the difference will be remitted to the airlines by check within 60 days following the completion of the year-end settlement calculation.

b. *Terminal Rents*. The Signatory Airlines pay annual Terminal rent in an amount necessary to recover the Terminal net deficit. The Terminal net deficit is computed by aggregating all expenses for the Terminal cost center, and deducting certain revenues that are used to offset these expenses. Terminal expenses are listed below:

- Annual Terminal O&M Expenses
- Depreciation[6]

[6] Depreciation charges include principal payments on GO bonds issued prior to 2000, a portion of which were refunded by the Series 2005B Bonds, Series 2006B Bonds and Series 2009B Bonds. Principal

- Principal on bonds issued in 2000 and subsequent years[7]
- Interest[8]

The Terminal net deficit is computed by reducing the Terminal expenses listed above by 90 percent of the following revenues:

- Public Parking Fees
- Car rental concession fees
- Gifts, Souvenirs & Novelty Fees
- Restaurant Concession Fees
- Catering Fees
- Displays Concessions Fees
- Public Transportation Concession Fees
- Golf Driving Range Concession Fees
- Bank Commissions

The remaining 10 percent of the above revenues will be deposited into the ADFA and be available for use at Airport System Management's discretion.

The rental rate for Terminal space occupied by the Signatory Airlines will be determined by dividing the Terminal net deficit by the sum of 100 percent of the airline public square feet rented by the Signatory Airlines and 75 percent of the airline non-public square feet rented by the Signatory Airlines. The rental rate is further delineated into airline public space and non-airline public space. The airline public space rent is equal to the Terminal rental rate. The airline non-public space rent is equal to 75 percent of the Terminal rental rate.

A comparison of actual and budgeted Terminal expenses and revenues can be conducted at any time during the year. If the review indicates that there will be a variance of 10 percent or more, Airport System Management, at its discretion, may make an adjustment to the rates in accordance with Article VI of the AUA. Any such adjustment will be effective for the balance of the calendar year. Unless extraordinary circumstances warrant additional adjustments, the County shall limit any such rate adjustment to no more than once during each calendar year. At the end of each calendar year the County will conduct a year-end reconciliation no later than 30 days after the County has completed its full accounting process. This involves the actual expenses and revenues being compared to the amounts collected during the previous year. Any deficiency in the amounts collected from the airlines will be billed to the airlines. If the amount collected was higher than the actual net deficit, the difference will be remitted to the airlines by check within 60 days following the completion of the year-end settlement calculation.

payments on the Series 2005B, Series 2006B and Series 2009B Bonds will be included in principal charges as part of the Signatory Airlines' terminal rate.

[7] Net of any bond principal paid from PFC Revenues.

[8] Net of any bond interest paid from PFC Revenues.

c. *Apron Fees*. Signatory Airlines pay annual Apron fees equal to the net deficit for the Apron cost center. The net deficit is calculated as total Apron expenses (O&M Expenses, interest, and depreciation) minus non-airline revenues and adjustments. The Apron fee rate is calculated as the Apron net deficit divided by the linear footage of gate positions. A comparison of actual and budgeted Apron expenses and revenues can be conducted at any time during the year. If the review indicates that there will be a variance of 10 percent or more, Airport System Management, at its discretion, may make an adjustment to the rates in accordance with Article VI of the AUA. Any such adjustment will be effective for the balance of the calendar year. Unless extraordinary circumstances warrant additional adjustments, the County shall limit any such rate adjustment to no more than once during each calendar year. At the end of each calendar year the County conducts a year-end reconciliation no later than 30 days after the County has completed its full accounting process. This involves the actual expenses and revenues being compared to the amounts collected during the previous year. Any deficiency in the amounts collected from the Signatory Airlines will be billed to the Signatory Airlines. If the amount collected was higher than the actual net deficit, the difference will be remitted to the Airlines by check within 60 days following the completion of the year-end settlement calculation.

d. *Flexible Response Security Charges*. Flexible Response Security Charges revenue represents amounts collected from the airlines to recover the cost of services provided by the County Sheriff's Department.

e. *Passenger Loading Bridge Charges*. Signatory Airlines pay annual Passenger Loading Bridge charges equal to the net deficit for the Passenger Loading Bridge cost center. The net deficit is calculated as the sum of O&M Expenses, interest, and depreciation. The Passenger Loading Bridge charge is calculated as the Passenger Loading Bridge net deficit divided by the number of passenger loading bridges. A comparison of actual and budgeted passenger loading bridge expenses is made at the Airport System Management's discretion and within 30 days after the end of the County's accounting period, and Airport System Management makes rate adjustments accordingly. Currently, Airport System Management does not have sufficient information to forecast activity for this cost center at this time.

4. Application of Revenues

Figure V-1 illustrates the application of and priority in the uses of amounts in the Revenue Fund. Pursuant to the Bond Resolutions, the County shall establish a separate account in the Revenue Fund to be known as the PFC Revenue Account into which all PFC Revenues shall be deposited. Such monies accumulated in the PFC Revenue Account shall be applied: first, to the Special Redemption Fund to pay debt service for all PFC eligible projects and second, to pay costs associated with other PFC approved projects. All other monies remaining in the Revenue Fund shall be applied in the following priorities:

a. To the O&M Fund for the payment of current O&M Expenses.

b. To the Special Redemption Fund for credit to the Interest and Principal Account for the payment of principal and interest on the Series 2003A, Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, Series 2009B, Series 2010A, Series 2010B, Series 2013A Bonds and Series 2013B Bonds and any additional bonds, and for credit to the Reserve Account, if necessary, to satisfy any deficiency in that Account.

c. To the General Obligation Bond Fund to pay debt service on GO bonds or promissory notes of the County issued for Airport purposes. The County-issued GO Bonds outstanding in the amount of $3.1 million mature in 2016. The County's current policy is to not issue any General Obligation debt for the Airport System.

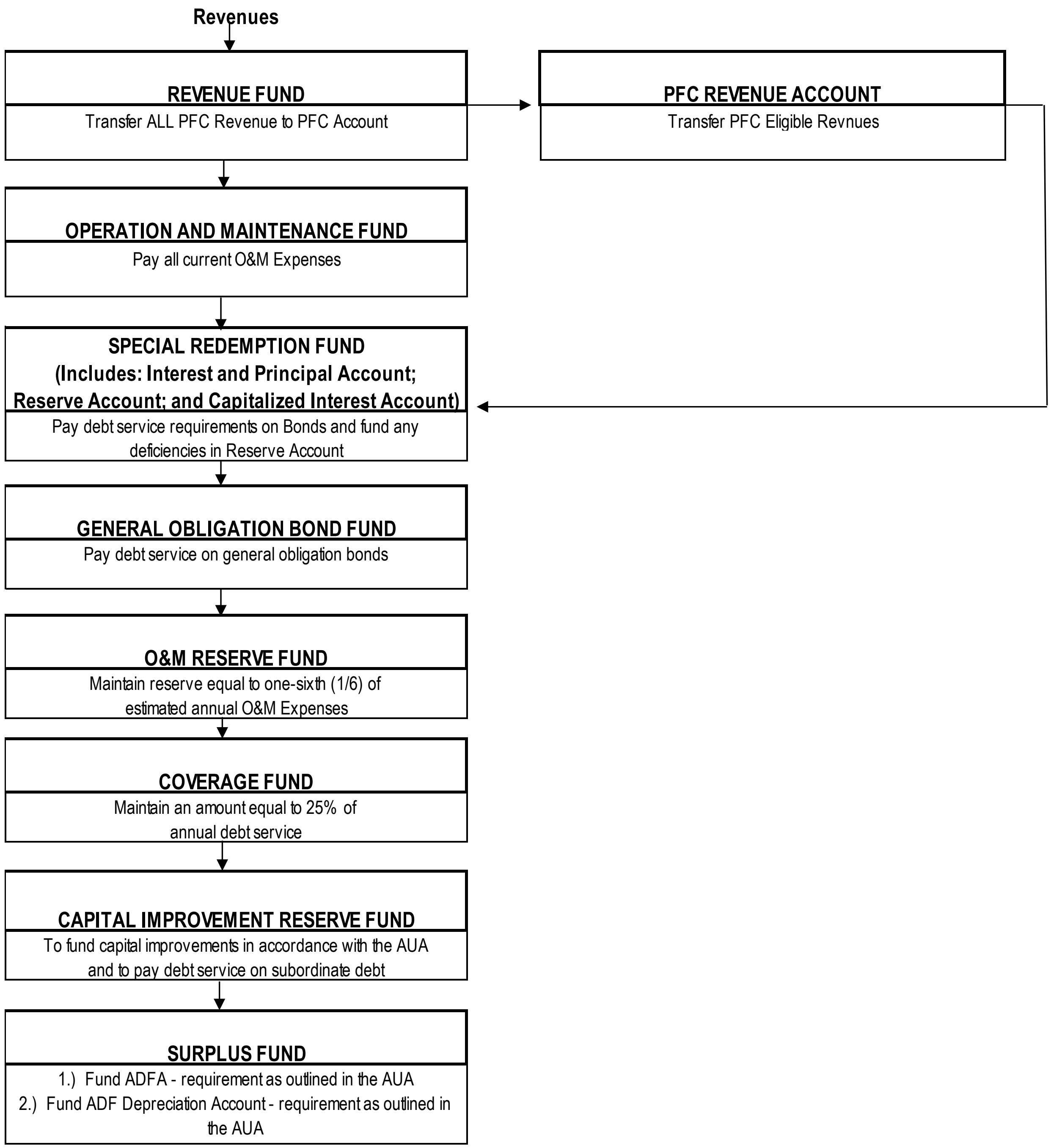
d. To the O&M Reserve Fund to maintain a balance equal to one-sixth (1/6) of the estimated annual O&M Expenses.

e. To the Coverage Fund to maintain a balance equal to 25.0 percent of annual debt service.

f. To the Airport Capital Improvement Reserve Fund to be used to fund capital improvements in accordance with the AUA and to pay debt service on subordinate debt.

g. To the Surplus Fund any amounts remaining after application to the priority uses specified above. Amounts deposited in the Surplus Fund must first be used to fund the ADFA up to an amount equal to 10 percent of airport concession revenues, including parking, provided that the balance does not exceed $15 million. Amounts on deposit in the ADFA can be used at the discretion of the Airport Director in conformance with the County budget procedures and authorization. Funds in the ADFA can also be used by the Airport Director to deposit up to $4 million into the ADF Depreciation Account, which is a segregated account within the Surplus Fund. These accounts will be used to finance (a) future Capital Improvements or Major Maintenance Projects or (b) for any other Airport System purpose, subject to certain limitations.

FIGURE V-1
MILWAUKEE COUNTY AIRPORT SYSTEM
FLOW OF FUNDS PER GENERAL RESOLUTION



The initial balances in the O&M Reserve Fund and the Coverage Fund, which were established at the time the Series 2000A was issued, were funded from public parking revenues. The required increases in the O&M Reserve Fund balance subsequent to the initial funding have been included in the airline rate base, except for the required increase in the Coverage Fund balance associated with the Series 2003A, which was funded from public parking revenues.

The required increase in the Coverage Fund balance associated with the remaining outstanding GARBs is based on the coverage required for the PFC-eligible projects. The portion of the debt service associated with PFC-eligible bond projects is funded from PFC Revenues, with the remainder funded from the airfield, terminal or apron airline rates. It is anticipated that the required increase in the Coverage Fund balance associated with the Series 2013 Bonds will be funded from Airport System Revenues including PFCs (corresponding to the portion of the Series 2013A Bond proceeds that will fund PFC-eligible project costs).

5. Rate Covenant Requirement

Pursuant to the Bond Resolution, the County shall establish and impose a schedule of rates, rentals, fees, and charges sufficient so that in each fiscal year, Airport System Net Revenues, together with Other Available Funds, will be at least equal to one hundred twenty-five percent (125 percent) of the current year Debt Service. Net Revenues are defined as all Airport System Revenues less O&M Expenses (excluding depreciation). As mentioned previously, the Supplemental Resolutions include in the definition of Airport System Revenues, PFC Revenues that can be used to pay the portion of debt service on the Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, Series 2010A, and the Series 2013A Bonds allocable to the PFC-eligible project costs. Other Available Funds, as defined in the Bond Resolutions, include amounts on deposit in the Coverage Fund and the Surplus Fund and the CIRF. However, Other Available Funds to be included in the rate covenant calculation shall not exceed 25 percent of the current year Debt Service.

B. AIRPORT SYSTEM OPERATING AND MAINTENANCE (O&M) EXPENSES

Airport System O&M Expenses are incurred in the operation and maintenance of the Airport System. These expenses are categorized as follows: Salaries and Fringe Benefits; Contractual Services (Utilities, Repairs/Maintenance, Professional Services/Administration and Other); Intra-County Services (Sheriff, Fleet Maintenance, Professional Services, Insurance and Other); Commodities; Major Maintenance; and Other. **Table V–1** shows the historical O&M Expenses from 2008 through 2012. Total O&M Expenses increased from approximately $54.3 million in 2008 to approximately $58.7 million in 2012, averaging an annual growth rate of 2.0 percent. The largest increases in O&M Expenses during the historical period occurred in Salaries and Fringe Benefits, which increased approximately $3.2 million or an average annual growth rate of 3.7 percent and Commodities by approximately $1.7 million or an average annual growth rate of 11.5 percent. The specific details regarding these increases in conjunction with the forecast will be addressed later in this section.

TABLE V-1
MILWAUKEE COUNTY AIRPORT SYSTEM
TOTAL AIRPORT SYSTEM O&M EXPENSES
FOR YEARS 2008-2012

Airport Expenses	Actual [1] 2008	2009	2010	2011	2012	Avg. Annual Growth Rate 2008-2012
BY EXPENSE CATEGORY						
Salaries and Fringe Benefits	$20,894,000	$20,367,529	$23,991,103	$25,299,745	$24,117,710	3.7%
Contractual Services						
Utilities	$4,758,954	$3,992,418	$4,939,750	$4,768,800	$5,176,168	2.1%
Repairs/Maintenance	3,489,495	3,197,910	3,498,775	4,485,800	4,186,493	4.7%
Prof. Services/Admin	7,306,053	6,381,621	6,549,900	7,954,442	7,374,375	0.2%
Other	2,917,302	2,778,495	1,858,236	2,280,523	2,765,662	-1.3%
Subtotal	$18,471,804	$16,350,444	$16,846,661	$19,489,565	$19,502,698	1.4%
Intra-County Services						
Sheriff	$6,547,463	$6,697,277	$8,040,178	$7,560,633	$6,732,907	0.7%
Fleet Maintenance	1,056,631	10,120	10,000	-	-	n/a
Prof. Service	329,082	363,842	245,000	295,000	470,403	9.3%
Insurance	667,164	475,618	604,510	621,334	863,326	6.7%
Other	2,099,981	1,807,188	698,316	1,500,407	1,279,775	-11.6%
Subtotal	$10,700,321	$9,354,045	$9,598,004	$9,977,374	$9,346,411	-3.3%
Commodities	$3,182,811	$4,073,014	$4,018,420	$5,093,686	$4,917,386	11.5%
Major Maintenance	438,760	481,247	1,599,657	1,182,304	649,263	10.3%
MKE Regional Business Park	-	-	788,694	-	-	n/a
Other	577,879	387,522	1,108,054	31,261	126,674	-31.6%
Total O & M Expenses	**$54,265,575**	**$51,013,801**	**$57,950,592**	**$61,073,935**	**$58,660,142**	2.0%
BY COST CENTER						
Terminal	$33,556,484	$30,051,439	$33,268,210	$35,238,821	$33,686,328	0.1%
Airfield	17,166,225	16,646,223	20,556,352	20,480,368	19,714,176	3.5%
Apron	1,371,560	2,028,769	1,179,481	1,270,504	1,245,314	-2.4%
Flexible Response Security	2,171,306	2,031,086	2,157,854	2,154,715	2,040,655	-1.5%
MKE Regional Business Park	-	256,284	788,694	1,929,527	1,973,669	n/a
Total O & M Expenses	**$54,265,575**	**$51,013,801**	**$57,950,592**	**$61,073,935**	**$58,660,142**	2.0%

[1] Based on schedules prepared from Airport System records, certain amounts can be referenced to the County CAFR's audited statement of Revenues, Expenses and Changes in Retained Earnings.

In 2012, the largest component of the Airport System's O&M expenses was Salaries and Fringe Benefits totaling $24.1 million or approximately 41.1 percent of the total. The next largest category was Contractual Services at $19.5 million or approximately 33.2 percent of the total. The combined impact of both categories totals approximately $43.6 million or a total of 74.4 percent of the Airport's System O&M expenses.

Table V-1 also shows the allocation of O&M Expenses to the Airport System's five cost centers that are used for airline ratemaking purposes. In 2012, Terminal expenses continued to account for the largest share of total O&M Expenses (57.4 percent), followed by Airfield expenses (30.2 percent), the Flexible Response Security cost center (3.5 percent), the MKE Regional Business Park cost center (3.4 percent) and Apron expenses (2.1 percent). Historical O&M Expense trends are explained in more detail by category below.

Table V-2 presents projected O&M expenses during the forecast period of 2014 through 2018. The Budget for 2013 was prepared by Airport staff. Unison adjusted the Airport's 2013 Budget in an effort to reflect the impact of several significant events, including Frontier's additional reduction in service anticipated for 2013. For the purpose of this study, the adjusted budget will be referred to as the 2013 Estimate. Total O&M Expenses are projected to increase to approximately $71.6 million in 2018 or by an average annual growth rate of 3.5 percent. The historical average annual growth rate of 2.0 percent for the period 2008 to 2012 is shown on **Table V-1.** The O&M forecast assumes Airport System Management will continue their efforts to manage Airport System costs.

TABLE V-2
MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED OPERATING & MAINTENANCE EXPENSES
FOR YEARS 2013 - 2018

Airport Expenses	BUDGET 2013	ESTIMATE 2013	PROJECTED 2014	2015	2016	2017	2018	Avg. Annual Growth Rate 2013 - 2018
BY EXPENSE CATEGORY								
Personnel Services								
Salaries	$ 13,347,863	$ 12,596,096	$ 12,973,979	$ 13,363,199	$ 13,777,458	$ 14,218,336	$ 14,673,323	3.1%
Fringe Benefits	12,742,343	12,470,436	13,057,793	13,672,815	14,316,805	14,991,126	15,697,208	4.7%
Salaries and Fringe Benefits	$ 26,090,206	$ 25,066,532	$ 26,031,772	$ 27,036,014	$ 28,094,263	$ 29,209,463	$ 30,370,532	3.9%
Contractual Services								
Utilities	$ 5,558,800	$ 5,434,977	$ 5,706,725	$ 5,992,062	$ 6,291,665	$ 6,606,248	$ 6,936,560	5.0%
Repairs/Maintenance	4,960,417	4,437,683	4,703,944	4,986,180	5,285,351	5,602,472	5,938,621	6.0%
Prof. Services/Admin	8,193,744	7,125,024	7,267,524	7,412,875	7,561,132	7,712,355	7,866,602	2.0%
Other	1,847,143	2,818,209	2,874,573	2,932,065	2,993,638	3,059,498	3,126,807	2.1%
Contractual Services	$ 20,560,104	$ 19,815,892	$ 20,552,767	$ 21,323,182	$ 22,131,786	$ 22,980,573	$ 23,868,590	3.8%
Intra-County Services								
Sheriff	$ 8,001,280	$ 6,928,161	$ 7,136,006	$ 7,350,086	$ 7,577,939	$ 7,820,433	$ 8,070,687	3.1%
Prof. Service	403,000	479,341	488,928	498,706	509,179	520,381	531,830	2.1%
Insurance	1,038,560	879,730	897,324	915,271	934,491	955,050	976,061	2.1%
Other	1,482,722	1,304,090	1,330,172	1,356,775	1,385,268	1,415,744	1,446,890	2.1%
Intra-County Services	10,925,562	9,591,322	9,852,430	10,120,839	10,406,877	10,711,608	11,025,467	2.8%
Commodities	$ 4,637,406	$ 4,943,705	$ 5,184,923	$ 5,196,983	$ 5,272,667	$ 5,392,983	$ 5,468,065	2.0%
Major Maintenance	536,000	661,599	666,145	695,284	709,190	723,374	745,439	2.4%
Other	531,200	129,081	131,663	134,296	136,982	139,721	142,516	2.0%
Total O & M Expenses	$ 63,280,478	$ 60,208,132	$ 62,419,700	$ 64,506,598	$ 66,751,765	$ 69,157,722	$ 71,620,610	3.5%
BY COST CENTER								
Terminal	$ 35,443,569	$ 33,894,803	$ 35,139,829	$ 36,336,882	$ 37,626,071	$ 39,008,863	$ 40,424,533	3.6%
Airfield	22,048,955	20,519,458	21,273,180	21,997,859	22,778,317	23,615,440	24,472,468	3.6%
Apron	1,232,347	1,172,515	1,215,584	1,256,993	1,301,590	1,349,424	1,398,396	3.6%
Flexible Response Security	2,211,727	2,391,273	2,479,110	2,563,562	2,654,514	2,752,070	2,851,945	3.6%
MKE Regional Business Park	2,343,880	2,230,082	2,311,997	2,351,301	2,391,274	2,431,925	2,473,268	2.1%
Total O & M Expenses	$ 63,280,478	$ 60,208,132	$ 62,419,700	$ 64,506,598	$ 66,751,765	$ 69,157,722	$ 71,620,610	3.5%

1. Salaries and Fringe Benefits

During the historical period 2008 to 2012, Salaries and Fringe Benefits[9] increased from approximately \$20.9 million to approximately \$24.1 million, or by an average annual growth rate of 3.7 percent. The increase in Salaries and Fringe Benefits during this period is primarily the result of additional positions and County cost of living adjustments. Fringe Benefits increased by approximately \$1 million over the period due to the increased contribution requirements for the County's pension plan. Fringe benefit costs include the Airport's proportional share of retired employees receiving health care and pension benefits.

During the forecast period, salary increases are assumed to occur annually at an average rate of 3.1 percent, which consists of a 1 percent step increase and a cost of living increase equal to the projected CPI. Fringe benefits are projected to increase at an average annual growth rate of 4.7 percent which is consistent with the projected growth rate assumed by the County. Airport System Management has indicated that there is no expectation that more staff will be added unless demand dictates such additions. Therefore the Salaries and Fringe Benefits are projected to increase at an average annual growth rate of 3.9 percent to approximately \$30.4 million in 2018.

2. Contractual Services

Total Contractual Services increased from approximately \$18.5 million in 2008 to approximately \$19.5 million in 2012, or by an average annual growth rate of 1.4 percent. In general, annual fluctuations in this category were due to changes in the Airport's utility usage and related rates, response to security-related alerts, and the number and type of repair and maintenance projects, which varied from year to year.

The Contractual Services category includes expenses incurred for services provided to the Airport System, as follows:

- Utilities – electricity, natural gas, sewage, telephone, and water.
- Repair and Maintenance – expenses incurred for the repair and maintenance of facilities and equipment.
- Professional Services and Administration – expenses for contracts for professional services, the largest of which is the contract for the public parking management services.
- Other Contractual Services – expenses for other types of contractual services not mentioned above, including waste removal expenses, bank fees, advertising fees and other miscellaneous expenses.

[9] Fringe Benefits charged to the Airport System include County health care and pension costs for Airport System employees.

Total Contractual Services expenses are projected to increase at an average annual growth rate of 3.8 percent during the forecast period, to approximately $23.9 million. This compares to the 2013 Estimate of $19.8 million. The projected average annual growth rate is primarily the result of the following assumptions:

- Utilities: Expenses for utilities are projected to increase to $6.9 million in 2018. This assumes that usage remains relatively consistent with that of 2012, the most recent completed year. The projection provides for rates to grow 5 percent annually in accordance with the forecast provided by the Bureau of Labor Statistics[10].

- Repairs and Maintenance: The cost of Repairs and Maintenance is expected to increase to $5.9 million or by an average annual growth rate of approximately 6.0 percent. Airport staff indicated that there are no major repair and maintenance type expenditures anticipated during the forecast period.

- Professional Services and Administration: Expenditures occurring in this line item are largely the result of parking and snow related activity. Snow related costs were less than expected in 2012, the result of lower than expected snow removal and other related costs. The 2013 Estimate is lowered to $7.1 million after adjusting for approximately $1.1 million of one-time nonrecurring expenses and after budgeting for costs related to an average snow. These costs are projected to increase to $7.9 million in 2018 based on an expected annual growth rate of 2.0 percent.

- Other Contractual Services: This line item includes the cost of waste removal, bank fees, advertising fees and other expenses. Annual spending for this line item has fluctuated during the historical period. Other Contractual Services is projected to increase at an average annual growth rate of 2.1 percent to $3.1 million in 2018.

3. <u>Intra-County Services</u>

Expenses for Intra-County Services consist of costs charged to the Airport System by other County departments, including Sheriff, Professional Services, Insurance, and Other expenses. Expenses for Intra-County Services decreased from approximately $10.7 million in 2008 to $9.3 million in 2012, representing an average annual decrease of 3.3 percent. This decrease is primarily due to Fleet Maintenance no longer being an Airport System charge.

Intra-County Services expenses are projected to increase to $9.6 million in the 2013 Estimate. The 2013 Estimate does not assume any new initiatives and is expected to increase to $11.0 million in 2018 or 2.8 percent. The projected average annual growth rate is the result of the following assumptions:

[10] Table 926, 2012 Statistical Abstract released in 2012 by the US Bureau of Labor Statistics.

- Sheriff: The expense for Sheriff Services is highly impacted by changes in security levels that are required of the Airport by the TSA. Sheriff costs grew from approximately $6.6 million to $6.7 million at an average annual growth rate of 0.7 percent from 2008 to 2012. Costs for Sheriff Services are expected to increase to $6.9 million in the 2013 Estimate. During the forecast period, Sheriff and related costs are expected to increase to $8.1 in 2018 or 3.1 percent annually, which is consistent with wage increases for other County employees.

- Professional Services: This line item consists of services provided by the County for architectural, engineering and other professional services. In general, the level of expenses in this line item varies inversely with the amount of staff time charged to capital improvements and or major maintenance projects. This line item increased from approximately $329,000 in 2008 to approximately $470,000 in 2012, or an average annual growth rate of 9.3 percent. The 2013 Estimate assumes expenditures of approximately $479,000. Professional Services are projected to increase to approximately $532,000 at an average annual growth rate of 2.1 percent.

- Insurance: Insurance costs incurred by the County on behalf of the Airport System increased by about 6.7 percent during the period 2008 to 2012, to approximately $863,000. The 2012 actual costs increased by 38.9 percent. The 2013 Estimate of approximately $879,000 is assumed to reflect premiums that are more consistent with current markets and therefore, rates are expected to grow at inflation throughout the forecast period. Following the 2013 Estimate, the insurance expense is projected to increase to approximately $976,000 in 2018.

- Other: The County provides other services to the Airport System, including: information management services for data processing and communications; audit services; legal services; workers compensation costs; and the Airport System's allocation of central service costs. Projected expenses for the 2013 Estimate are approximately $1.3 million. The remainder of the forecast period is projected to grow modestly at an average rate of 2.1 percent to $1.4 million in 2018.

4. <u>Commodities</u>

Commodities include building, plumbing, roadway, and other materials and supplies, including technological supplies. This category increased from approximately $3.2 million in 2008 to approximately $4.9 million in 2012 for an average annual growth rate of 11.5 percent. Costs increased during the period resulting from the purchase and build-up of repair parts beginning in 2009. In 2011, there were significant increases in chemicals and industrial gases purchased by the Airport, increasing from $1.1 million in 2010 to $1.9 million in 2011. During 2012, Commodities and related expenses decreased from $5.1 million in 2011 to $4.9 million. In order to develop the forecast, Unison assumed a three-year rolling average for repair parts and the chemicals and industrial gases to account for unexpected events such as a higher than normal snowfall. In addition, an inflationary factor equal to CPI was added to the rolling average in each year of the projections. The other accounts in Commodities were also grown at an inflationary rate equal to CPI. It is estimated that commodities expenses will grow to approximately $5.5 million in 2018 for an average annual increase of 2.0 percent.

5. Major Maintenance

Major Maintenance expenses consist of expenditures for major repairs and maintenance of facilities and equipment, land improvements, and utility relocation. Major Maintenance expenses fluctuated during the historical period, based on the number and type of major maintenance projects conducted. This line item increased from approximately $439,000 in 2008 to approximately $1.6 million in 2010. Major Maintenance expenses decreased to approximately $1.2 million and $649,000 in 2011 and 2012, respectively.

Based on the Airport System's schedule of projects, Major Maintenance expenses are estimated to increase slightly in 2013 to approximately $662,000. Major Maintenance expenses are forecasted to increase to approximately $745,000 in 2018 due to an increase in inflation and other related repair costs.

6. Other

Other expenses include interest and penalties, bad debt expense, and other miscellaneous charges. This expense category decreased from approximately $578,000 in 2008 to approximately $127,000 in 2012. As historical numbers indicate, expenses in this line item are highly variable and difficult to forecast. Therefore, expenses in this category are expected to increase at the rate of inflation from the 2013 Estimate of approximately $129,000. This category is projected to increase to approximately $143,000 in 2018.

C. AIRPORT SYSTEM REVENUES

Airport System Revenues, as defined in the Bond Resolutions, consist of all monies received by the Airport System from any source, including all rates, fees, charges, rents and other income derived by the County from the ownership or operation of the Airport System. Under the 2013 Supplemental Resolutions, PFC Revenues are pledged to the payment of the Series 2013A Bonds to the extent that the project costs are PFC-eligible. Therefore, approximately 21.4 percent of the Series 2013A Bonds debt service may be funded with PFC Revenues. Revenues do not include (a) proceeds of bonds or other borrowings by the County, or interest earned thereon, (b) proceeds of grants and gifts for limited purposes or the proceeds of the disposition of property financed by such grants and gifts, (c) condemnation proceeds or insurance proceeds, except those received from rental or business interruption insurance, (d) all income and revenue collected and received by the County with respect to properties and facilities which are not included in the definition of Airport System, or (e) Special Facility Revenues.

Airport System Revenues are shown on **Table V-3,** which presents actual historical revenues for 2008 through 2012. Total Revenues grew from $75.6 million to $83.9 million from 2008 to 2012 at an average annual growth rate of 2.6 percent. **Table V-4** presents a budget and estimate for 2013. The Budget for 2013 was prepared by Airport staff. For the purposes of this study, Unison adjusted the Airport's 2013 Budget in an effort to reflect the impact of several significant events, including Frontier's additional reduction in service forecasted for 2013, which occurred after the budget was prepared. This study will refer to the adjusted 2013 Budget as the 2013 Estimate. The 2013 Estimate is important and necessary, given the role that the 2013 Budget would normally play in developing the projections. Total Revenues are estimated to be $87.0 million in the 2013 Estimate. Total Revenues are projected to increase to approximately $107.2 million in 2018 or by an average annual growth rate of 4.3 percent.

TABLE V-3
MILWAUKEE COUNTY AIRPORT SYSTEM
HISTORICAL AIRPORT REVENUE
FOR YEARS 2008-2012

Airport Revenues	Actual [1] 2008	2009	2010	2011	2012	Avg. Annual Growth Rate 2008-2012
Airfield						
Landing Fees						
Signatory Landing Fees	$11,432,979	$13,040,096	$18,178,083	$18,738,474	$17,321,749	10.9%
Non-Signatory Landing Fees	1,837,194	1,251,535	993,595	98,891	723,897	-20.8%
Total Landing Fees	$13,270,173	$14,291,631	$19,171,678	$18,837,365	$18,045,646	8.0%
General Aviation and Other						
Hydrant Fueling Revenues	$168,461	$93,609	$44,880	$0	$0	n/a
Hangar Rentals	478,419	483,548	490,745	513,567	544,753	3.3%
Fuel and Oil Charges	203,590	163,967	180,721	176,787	336,036	13.3%
Fixed Base Operator	438,931	427,780	412,827	405,172	412,530	-1.5%
Other [2]	-	-	-	1,093,348	1,065,799	n/a
Total General Aviation and Other	$1,289,401	$1,168,904	$1,129,173	$2,188,874	$2,359,117	16.3%
Air Cargo Rentals	546,876	557,822	443,719	484,353	590,052	1.9%
Total Airfield Revenues	$15,106,450	$16,018,357	$20,744,570	$21,510,592	$20,994,814	8.6%
Terminal						
Signatory Airlines						
Space Rentals	$5,917,262	$3,237,119	$1,886,374	$3,962,058	$3,599,218	-11.7%
Other Charges and Fees	406,671	445,007	224,700	303,270	284,633	-8.5%
Total Signatory Airlines	$6,323,933	$3,682,126	$2,111,074	$4,265,328	$3,883,850	-11.5%
Concessions						
Car Rental	$8,440,253	$7,972,956	$9,123,370	$9,542,702	$9,764,370	3.7%
Gifts & Novelty	1,689,553	1,506,288	1,790,926	1,887,807	1,567,218	-1.9%
Food & Beverage	1,999,246	2,659,529	3,118,620	3,636,231	3,595,868	15.8%
Other [2]	1,357,324	1,408,909	1,366,666	5,435,653	5,245,576	40.2%
Public Parking	26,862,466	25,127,710	27,671,362	28,513,688	26,942,584	0.1%
Total Concessions	$40,348,842	$38,675,392	$43,070,944	$49,016,081	$47,115,616	4.0%
Total Terminal Revenues	$46,672,775	$42,357,518	$45,182,018	$53,281,409	$50,999,466	2.2%
Apron						
Signatory Apron Fees	$1,146,840	$1,260,482	$1,258,665	$1,283,439	$1,224,395	1.6%
Non - Signatory Apron Fees	17,106	60,802	63,556	108,996	88,205	50.7%
Total Apron Revenues	$1,163,945	$1,321,284	$1,322,221	$1,392,435	$1,312,600	3.1%
Other						
Flexible Response Security	$1,823,294	$1,946,189	$2,653,686	$2,122,181	$1,924,623	1.4%
MKE Regional Business Park	-	-	-	629,735	529,296	n/a
Other Revenues/Services [2]	3,925,952	3,938,008	3,135,804	-	-	n/a
PFC Revenues [3]	6,950,332	6,540,033	6,767,538	8,294,412	8,130,831	4.0%
Total Other Revenues	$12,699,578	$12,424,230	$12,557,028	$11,046,328	$10,584,750	-4.5%
TOTAL AIRPORT REVENUES	$75,642,748	$72,121,389	$79,805,838	$87,230,764	$83,891,630	2.6%

[1] Based on schedules prepared from Airport System records, certain amounts can be referenced to the County CAFR's audited statement of Revenues, Expenses and Changes in Retained Earnings.
[2] Beginning in 2011, various miscellaneous revenue accounts were reclassified from Other Revenues/Services.
[3] Portion of PFC Revenues approved by the FAA for the payment of PFC eligible costs.

TABLE V-4
MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED AIRPORT SYSTEM REVENUE
FOR YEARS 2013 - 2018

Airport Revenues	BUDGET 2013	ESTIMATE 2013	PROJECTED 2014	2015	2016	2017	2018	Avg. Annual Growth Rate 2013 - 2018
Airfield								
Landing Fees								
Signatory Landing Fees	$ 21,499,827	$ 19,661,567	$ 20,277,590	$ 21,044,203	$ 21,776,658	$ 22,560,382	$ 23,358,913	3.5%
Non-Signatory Landing Fees	-	308,763	308,763	307,671	305,086	305,583	310,539	0.1%
Total Landing Fees	$ 21,499,827	$ 19,970,330	$ 20,586,353	$ 21,351,874	$ 22,081,744	$ 22,865,965	$ 23,669,451	3.5%
General Aviation and Other								
Hangar Rentals	$ 517,500	$ 517,500	$ 527,850	$ 538,407	$ 549,714	$ 561,807	$ 574,167	2.1%
Fuel and Oil Revenue	186,500	186,500	195,825	205,616	215,897	226,692	238,027	5.0%
Fixed Base Operator	385,000	385,000	392,700	400,554	408,966	417,963	427,158	2.1%
Other	1,016,902	1,016,902	1,037,214	1,057,959	1,080,176	1,103,940	1,128,226	2.1%
Total GA and Other	$ 2,105,902	$ 2,105,902	$ 2,153,589	$ 2,202,536	$ 2,254,752	$ 2,310,402	$ 2,367,578	2.4%
Air Cargo Rentals	515,000	515,000	525,300	535,806	547,058	559,093	571,393	2.1%
Total Airfield Revenues	$ 24,120,729	$ 22,591,232	$ 23,265,242	$ 24,090,216	$ 24,883,554	$ 25,735,460	$ 26,608,422	3.3%
Terminal								
Signatory Airlines								
Space Rentals	$ 8,478,541	$ 7,166,764	$ 7,932,321	$ 8,734,868	$ 4,616,867	$ 1,766,388	$ 1,487,723	-27.0%
Other Charges and Fees	305,000	550,817	536,354	561,823	589,600	612,150	625,010	2.6%
Total Signatory Airlines	$ 8,783,541	$ 7,717,582	$ 8,468,674	$ 9,296,691	$ 5,206,467	$ 2,378,538	$ 2,112,733	-22.8%
Concessions								
Car Rental	$ 8,600,000	$ 9,346,027	$ 9,285,308	$ 9,920,707	$ 10,629,771	$ 11,279,082	$ 11,769,364	4.7%
Gifts & Novelty	1,525,000	1,369,119	1,359,832	1,452,893	1,556,744	1,651,842	1,723,649	4.7%
Food & Beverage	3,000,000	3,532,400	3,532,400	3,532,400	3,571,836	3,790,032	3,954,786	2.3%
Other	4,791,571	4,791,571	4,131,582	4,214,214	4,302,712	4,397,372	4,494,114	-1.3%
Public Parking	26,500,000	25,788,261	25,620,718	27,373,960	32,601,930	37,985,946	39,637,129	9.0%
Total Concessions	$ 44,416,571	$ 44,827,378	$ 43,929,840	$ 46,494,174	$ 52,662,993	$ 59,104,275	$ 61,579,042	6.6%
Total Terminal Revenues	$ 53,200,112	$ 52,544,959	$ 52,398,514	$ 55,790,864	$ 57,869,460	$ 61,482,813	$ 63,691,775	3.9%
Apron								
Signatory Apron Fees	$ 1,218,778	$ 1,158,946	$ 1,199,046	$ 1,185,648	$ 1,228,265	$ 1,274,124	$ 1,321,075	2.7%
Other Apron Revenues	89,105	89,105	90,887	92,704	94,651	96,639	98,668	2.1%
Total Apron Revenues	$ 1,307,883	$ 1,248,051	$ 1,289,933	$ 1,278,352	$ 1,322,916	$ 1,370,762	$ 1,419,743	2.6%
Other								
Flexible Response Security	$ 2,211,727	$ 2,391,273	$ 2,479,110	$ 2,563,562	$ 2,654,514	$ 2,752,070	$ 2,851,945	3.6%
MKE Regional Business Park	800,000	550,000	825,000	833,250	841,583	849,998	858,498	9.3%
Total Other Revenues	$ 3,011,727	$ 2,941,273	$ 3,304,110	$ 3,396,812	$ 3,496,096	$ 3,602,068	$ 3,710,443	4.8%
PFC Revenues [1]	$ 7,686,882	$ 7,686,882	$ 8,040,303	$ 9,572,204	$ 11,717,550	$ 11,240,501	$ 11,722,459	8.8%
TOTAL AIRPORT REVENUES	**$ 89,327,332**	**$ 87,012,397**	**$ 88,298,102**	**$ 94,128,447**	**$ 99,289,576**	**$ 103,431,605**	**$ 107,152,843**	**4.3%**

[1] PFC Revenues consist of a portion of the Airport's PFC Proceeds that are eligible for the payment of PFC eligible debt service and a deposit to the coverage fund as authorized by the supplemental resolutions. In addition, PFC eligible debt service for future bonds is also included.

1. <u>Airfield Revenues</u>

Airfield Revenues consist of landing fees from Signatory and Non-Signatory Airlines, revenues from general aviation operations, and air cargo rentals. Total Airfield revenues increased from approximately $15.1 million in 2008 to approximately $20.9 million in 2012. Total Airfield revenues are projected to increase to approximately $26.6 million in 2018, due to the projected increases in the components discussed in the following paragraphs.

a. *Landing Fee Revenues*. Landing Fee revenues consist of fees collected from Signatory and Non-Signatory Airlines based on the landed weight of each carrier's activity at the Airport. As explained previously, the airlines pay fees established to recover the Airfield net deficit, which equal total Airfield expenses minus non-airline revenues. **Table V-3** shows that Landing Fee revenues increased from approximately $13.3 million in 2008 to approximately $18.0 million in 2012 for an average annual growth rate of 8.0 percent. Landing Fee revenues increased significantly beginning in 2010 as a result of the expenses from the MKE Regional Business Park being added to the Airfield requirement. Landing Fee Revenues are estimated to be $20.0 million in the 2013 Estimate. **Table V-4** shows that Landing Fee revenues are projected to increase at an average annual growth rate of 3.5 percent to approximately $23.7 million in 2018.

The Airfield net deficit to be recovered from the airlines is projected to increase from approximately $19.7 million in the 2013 Estimate to approximately $23.4 million in 2018, as shown in **Table V-5**. Below is a brief description of the two main components of the Airfield net deficit calculation:

TABLE V-5
MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED LANDING FEE RATE
FOR YEARS 2012 - 2018

	ACTUAL	BUDGET	ESTIMATE	PROJECTED				
Landing Fee Calculation	**2012**	**2013**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Airfield Expenses								
O&M Expense	$ 19,714,176	$ 22,048,955	$ 20,519,458	$ 21,273,180	$ 21,997,859	$ 22,778,317	$ 23,615,440	$ 24,472,468
Series 2007A d.s.	64,119	64,290	64,290	64,050	64,101	64,084	64,342	64,170
Series 2009B d.s.	52,405	50,233	50,233	48,314	-	-	-	-
Series 2013A d.s.	-	-	-	-	137,137	137,048	137,058	137,157
Future GARB d.s.	-	-	-	-	-	-	-	-
Depreciation	-	413,370	413,370	392,702	373,066	354,413	336,692	319,858
Deposits to Coverage Fund	-	-	-	-	-	-	-	-
Total Airfield Expense	$ 19,830,700	$ 22,576,849	$ 21,047,351	$ 21,778,245	$ 22,572,164	$ 23,333,863	$ 24,153,533	$ 24,993,653
Less Credits:								
General Aviation Revenues	$ 1,378,512	$ 1,168,459	$ 1,168,459	$ 1,197,423	$ 1,227,247	$ 1,258,982	$ 1,292,724	$ 1,327,512
Air Cargo Rentals including Cargo Apron	590,052	515,000	515,000	525,300	535,806	547,058	559,093	571,393
Non-Signatory Landing Fees	723,897	-	308,763	308,763	307,671	305,086	305,583	310,539
Military Landing Fees	30,469	55,000	55,000	56,100	57,222	58,424	59,709	61,023
Other Non-Airline Revenue	950,137	882,443	882,443	900,066	918,067	937,347	957,968	979,044
MKE Regional Business Park	(1,444,372)	(1,543,880)	(1,543,880)	(1,486,997)	(1,518,051)	(1,549,691)	(1,581,927)	(1,614,770)
Total Credits	$ 2,228,693	$ 1,077,021	$ 1,385,785	$ 1,500,655	$ 1,527,961	$ 1,557,205	$ 1,593,151	$ 1,634,740
Airfield Net Deficit [1]	$ 17,602,007	$ 21,499,827	$ 19,661,567	$ 20,277,590	$ 21,044,203	$ 21,776,658	$ 22,560,382	$ 23,358,913
Signatory Landed Weight	4,972,171	5,215,000	4,230,786	4,268,862	4,445,977	4,639,702	4,798,866	4,889,428
Signatory Landing Fee Rate	**$ 3.54**	**$ 4.12**	**$ 4.65**	**$ 4.75**	**$ 4.73**	**$ 4.69**	**$ 4.70**	**$ 4.78**

- Total Airfield Expense is projected to increase from approximately $21.0 million in the 2013 Estimate to approximately $25.0 million in 2018, due to projected increases in O&M Expenses.
- Total credits deducted from total Airfield Expenses are projected to increase from an estimated $1.4 million in the 2013 Estimate to approximately $1.6 million in 2018.

The projected signatory Landing Fee rate, as presented on **Table V-5**, is calculated by dividing the projected annual Airfield net deficit by the projected annual signatory landed weight for each year of the forecast period. The total landed weight was estimated at approximately 4.2 million thousand-pound units for 2013, and it is projected to increase to approximately 4.9 million thousand-pound units in 2018. The signatory Landing Fee rate is projected to grow from $4.65 in 2013 Estimate to $4.78 in 2018. Landed weight decreased by approximately 19.5 percent in 2012 and is projected to decrease by another 14.8 percent in 2013 and it is not expected to fully recover during the forecast period.

b. *General Aviation and Other Revenues*. General Aviation and Other Revenues include the following line items:

- Hangar Rentals – rents collected for land occupied by corporate hangars and fees collected for County owned T-Hangars.
- Fuel and Oil Charges – a per-gallon fuel flowage fee is assessed to general aviation fuel purchases in lieu of landing fees.
- Fixed Base Operator ("FBO") revenues – rents collected from FBOs for land, apron hangars, and other buildings.

General Aviation and Other Revenues increased by approximately 16.3 percent per year during the period 2008 through 2012. This was primarily due to a reclassification of accounts in 2011, and which adds approximately $1.0 million per year to General Aviation and Other Revenues.

General Aviation and Other Revenues are estimated to increase during the forecast period based on the following:

- Hangar Rentals: In 2013, this line item was estimated to reflect the hangar lease provisions. Hangar Rentals are projected to increase at the average 2.1 percent rate to reflect the lease provisions that allow for periodic increases in the rental rates in accordance with increases in the CPI. This revenue category is projected to increase to approximately $574,000 in 2018.
- Fuel and Oil revenues: During the forecast period, this line item is projected based on the 2013 Estimate, with subsequent growth of 5 percent per year is based on the projected growth provided by the Bureau of Labor Statistics.

Fuel and Oil Revenues are projected to increase to approximately $238,000 in 2018.

- Fixed Base Operator revenues: For the forecast period, FBO revenues are projected to increase by the assumed average annual inflation rate of 2.1 percent, based on the lease provisions that allow for the rent to be adjusted annually in accordance with increases in the CPI. FBO revenues are projected to increase to approximately $427,000 in 2018.

- Other revenues: During the forecast period, this line item, which includes all miscellaneous revenues paid to the Airfield, including but not limited to other rental income, interest on investments, other federal grants, reimbursements and fleet maintenance, is projected to increase by the assumed average annual inflation rate of 2.1 percent. Other revenues are projected to increase to approximately $1.1 million in 2018.

c. *Air Cargo Rentals*. Air Cargo Rental revenues are generated from the following three sources: (1) building rent received for space rented in the air cargo building owned by the Airport, (2) air cargo ramp rent, and (3) ground rent received from a private developer who owns an air cargo building and leases building space to various tenants. Air Cargo Rental revenues decreased slightly during the period 2008 through 2012 ending at approximately $590,000. The amounts shown for 2013 Estimate reflect the Airport's estimated revenues for these years based on current leases. Air Cargo Rental revenues are projected to increase slightly during the forecast period to approximately $571,000 in 2018.

2. Terminal Revenues

Terminal revenues consist of Terminal rents received from the airlines, and non-airline revenues such as terminal concession revenues, rental car revenues, and parking revenues. Total Terminal revenues increased from approximately $46.7 million in 2008 to approximately $51.0 million in 2012, or by an average annual growth rate of 2.2 percent (**Table V-3**). As shown on **Table V-4**, Total Terminal revenues are projected to increase at an average annual growth rate of 3.9 percent to approximately $63.7 million in 2018 discussed further below.

a. *Signatory Space Rental*. Signatory Space Rental revenue consists of rents collected from Signatory Airlines for space occupied in the Airport Terminal. As explained previously, the Signatory Airlines pay fees established to recover the Terminal net deficit, which equals total Terminal expenses minus non-airline revenues such as Terminal concessions revenues, rental car revenues, and public parking revenues. From 2008 to 2012, Terminal Rental revenue decreased by 11.7 percent per year from $5.9 million to $3.6 million.

TABLE V-6
MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED AIRLINE TERMINAL RENTAL RATE
FOR YEARS 2012 - 2018

	ACTUAL	BUDGET	ESTIMATE	PROJECTED				
Terminal Rental Fee Calculation	2012	2013	2013	2014	2015	2016	2017	2018
Terminal Expenses								
O&M Expense	$ 33,686,328	$ 35,443,569	$ 33,894,803	$ 35,139,829	$ 36,336,882	$ 37,626,071	$ 39,008,863	$ 40,424,533
Series 2003A GARB d.s.	586,406	569,531	519,817	-	-	-	-	-
Series 2004A GARB d.s.	282,179	282,123	282,123	281,762	282,206	282,290	282,012	281,929
Series 2005A GARB d.s.	127,815	127,881	127,881	127,931	215,013	214,916	214,974	214,747
Series 2005B GARB d.s.	726,864	725,335	725,335	726,308	-	-	-	-
Series 2006A GARB d.s.	216,938	217,056	217,056	217,032	217,458	217,127	217,245	217,334
Series 2006B GARB d.s.	113,359	107,321	107,321	101,348	95,440	-	-	-
Series 2007A GARB d.s.	130,130	130,479	130,479	129,990	130,095	130,060	130,583	130,235
Series 2009A GARB d.s.	434,578	434,578	434,578	434,578	801,931	802,156	801,097	802,446
Series 2009B GARB d.s.	427,712	409,984	409,984	394,318	-	-	-	-
Series 2010A GARB d.s.	730,850	730,850	730,850	730,850	1,245,161	1,249,490	1,246,554	1,246,808
Series 2010B GARB d.s.	6,430,250	6,211,000	6,211,000	5,992,500	5,769,750	5,548,000	5,327,250	5,107,500
Series 2013A GARB d.s. [1]	-	-	-	-	2,490,048	2,488,438	2,488,617	2,490,406
Series 2013B GARB d.s.	-	-	33,917	504,113	488,513	467,913	452,513	432,113
Future GARB d.s.	-	-	-	-	-	-	2,622,440	2,622,440
Depreciation	3,725,576	3,338,248	3,338,248	3,171,336	3,012,769	2,862,130	2,719,024	2,583,073
Deposits to Coverage Fund	-	-	622,512	-	-	655,610	-	-
Total Terminal Expense	$ 47,618,984	$ 48,727,955	$ 47,785,904	$ 47,951,895	$ 51,085,265	$ 52,544,201	$ 55,511,171	$ 56,553,561
Less Credits:								
Other Revenues and Fees	256,169	274,500	274,500	482,718	505,641	530,640	550,935	562,509
Concessions								
Car Rental Concessions	8,787,933	7,740,000	8,411,425	8,356,777	8,928,636	9,566,794	10,151,174	10,592,428
Gifts & Novelty	1,410,496	1,372,500	1,232,207	1,223,849	1,307,604	1,401,070	1,486,658	1,551,284
Food & Beverage	3,236,281	2,700,000	3,179,160	3,179,160	3,179,160	3,214,652	3,411,029	3,559,308
Public Parking	24,248,325	23,850,000	23,209,435	23,058,646	24,636,564	29,341,737	34,187,352	35,673,416
Other Terminal Revenues	4,721,018	4,312,414	4,312,414	3,718,424	3,792,792	3,872,441	3,957,635	4,044,703
Total Credits	42,660,223	40,249,414	40,619,140	40,019,574	42,350,397	47,927,333	53,744,782	55,983,647
Terminal Net Deficit	$ 4,958,760	$ 8,478,541	$ 7,166,764	$ 7,932,321	$ 8,734,868	$ 4,616,867	$ 1,766,388	$ 569,914
Rented Square Feet	222,404	222,404	222,404	222,404	222,404	148,772	148,772	148,772
Projected Terminal Rental Rate [2]	**$ 22.30**	**$ 38.12**	**$ 32.22**	**$ 35.67**	**$ 39.27**	**$ 31.03**	**$ 11.87**	**$ 10.00**
Airline Public Space	111,416	111,416	111,416	111,416	111,416	68,787	68,787	68,787
Airline Public Space Rental Rate	$ 22.30	$ 38.12	$ 32.22	$ 35.67	$ 39.27	$ 31.03	$ 11.87	$ 10.00
Airline Public Space Revenue	$ 2,484,152	$ 4,247,429	$ 3,590,278	$ 3,973,793	$ 4,375,839	$ 2,134,675	$ 816,715	$ 687,870
Airline Non-Public Space	147,984	147,984	147,984	147,984	147,984	106,647	106,647	106,647
Airline Non-Public Space Rental Rate	$ 16.72	$ 28.59	$ 24.17	$ 26.75	$ 29.46	$ 23.27	$ 8.90	$ 7.50
Airline Non-Public Space Revenue	$ 2,474,609	$ 4,231,112	$ 3,576,486	$ 3,958,528	$ 4,359,029	$ 2,482,192	$ 949,673	$ 799,853
Total Rental Revenue	$ 4,958,760	$ 8,478,541	$ 7,166,764	$ 7,932,321	$ 8,734,868	$ 4,616,867	$ 1,766,388	$ 1,487,723

[1] Net of capitalized interest.

[2] In accordance with section 6.03 (E) of the AUA, calendar year 2018 is based on the minimum Airline Public Space Terminal Rental Rate shall be $10.00 and the minimum Airline Non-Public Space Terminal Rental Rate will be $7.50.

- Total Terminal Expense is projected to increase from approximately $47.8 million in 2013 to approximately $56.5 million in 2018, due to the increased O&M expenses and increased debt service from the Series 2013A Bonds and future GARBs.

- The credits offsetting Terminal expenses are projected to increase from approximately $40.6 million in 2013 to approximately $56.0 million in 2018 resulting from the projected increases in those revenue categories, as described later in this subsection.

Rental charges for Terminal space occupied by the Signatory Airlines are based on Public and Non-Public Airline Space. The Terminal Rental Rate, as projected on **Table V-6,** was calculated by dividing the projected Terminal Net Deficit by the projected number of rented square feet. Beginning in 2011, the Terminal square footage was divided into Airline Public Space and Airline Non-Public Space. The Airline Public Space is currently 111,416 square feet. This analysis assumes Airline Public Space will decrease to 68,787 square feet in 2016 as a result of the assumption that Frontier will reduce their footprint at the Airport after the AUA has ended. It is assumed Frontier will lease one gate, one ticket counter, half of the current Frontier ticket counter office, half of the Frontier baggage service office, and some lower level operation area. The Airline Non-Public Space is currently 147,984 square feet and it is projected to decrease to 106,647 square feet in 2016 as a result of the assumption made regarding the amount and type of space expected to be leased by Frontier after the AUA expires. The Terminal Rental Rate provides a separate rate for the Airline Public Space and Non-Public Space. The Airline Public Space Rental Rate is equal to the Terminal Rental Rate and the Airline Non-Public Rental Rate is 75% of the Terminal Rental Rate. The Airline Public Space Rental Rate is projected to range from $10.00 to $39.27 during the forecast period. The Airline Non-Public Rental Rate is projected to range from $7.50 to $29.46 during the forecast period. The significant increase in the 2014 Terminal rental rate occurs as a result of increased O&M and decreased credits to the Terminal. The rates are projected to increase further in 2015 as a result of the debt service from the Series 2013A Bond issue being rate based. In addition, there is another increase in Total Terminal Expenses in 2017 which is a result of approximately $2.6 million of additional debt service that is anticipated to be added to the Terminal net deficit from future GARBs. However, the Total Terminal Net Deficit declines in 2017 in spite of the increased debt service because of the increase in Terminal Credits which is discussed below. In order to reduce the impact of these new projects on airline rates and the cost per enplanement (“CPE”), Airport System Management has postponed some projects that were planned to be funded by the 2016 bond issue until demand dictates the need for the projects. The projects that are expected to be funded with 2016 GARB proceeds are those projects which could not be postponed. In addition, the County and Airport System Management have planned to commit PFC Revenues to reduce the total impact on airline costs.

b. *Other Charges and Fees*. This category includes other tenant revenue, including resale utilities (metered water and electricity used by tenants) and passenger service fees (a $7.50 per-passenger fee collected from airlines for international flights processed through the International Arrivals Building). This revenue category decreased from approximately $407,000 in 2008 to approximately $285,000 by 2012, mainly due to a fluctuation in international passenger arrivals. In the 2013 Estimate, this line item is expected to increase to approximately $551,000, reflecting an anticipated increase in international deplanement activity. Other Charges and Fees are projected to increase to approximately $625,000 in 2018.

c. *Concessions*. Concession revenues consist of fees collected from Terminal concession operators. As shown in **Table V-3**, total Concessions Revenues increased from approximately $40.3 million in 2008 to approximately $47.1 million in 2012. Based on Unison's estimates, these revenues are projected to decrease to $44.8 million in 2013 as a result of declining passenger traffic. Concessions revenues are then projected to increase to approximately $61.6 million by 2018, as follows:

(i) *Car Rental Revenues.* Car Rental Revenues increased from $8.4 million in 2008 to $9.8 million in 2012, primarily due to increased traffic at the Airport. In 2013 Car Rental Revenues are projected to decrease to $9.3 million as a result of decreased enplanements. Car Rental Revenues are then projected to increase to approximately $11.8 million in 2018, which represents an average annual growth of 4.7 percent based on the estimated growth in originating enplanements and inflationary impacts. The rental car agreements expire in July of 2013, but it is anticipated that the terms of the new agreements will be similar to those in the current agreements.

(ii) *Gifts and Novelties.* Gift and Novelties Revenues decreased from approximately $1.7 million in 2008 to approximately $1.6 million in 2012. The decrease in 2012 was a result of decreased enplanements at the Airport. Gifts and Novelties Revenues are projected based on the annual revenue per enplanement plus an inflationary factor applied to forecasted enplanements. Gifts and Novelties Revenues are projected to increase from $1.4 million in the 2013 Estimate to approximately $1.7 million in 2018.

(iii) *Food and Beverage.* Revenues received from Food and Beverage concessionaires increased from approximately $2.0 million in 2008 to approximately $3.6 million in 2012. The average annual increase of 15.8 percent in Food and Beverage Revenues primarily resulted from concessions being located post security in Concourses D and E and the phasing in of the new concession program. Based on estimated annual revenue per enplanement plus an inflationary factor applied to forecast enplanements, it is estimated that Food and Beverage Revenues will be required to pay the Minimum Annual Guarantee ("MAG") of approximately

$3.5 million from 2013 Estimate to 2015. Beginning in 2016, Food and Beverage Revenues are projected to exceed the MAG and reach approximately $3.9 million in 2018.

(iv) *Other.* Other Concession Revenues consist of fees received from the following concessions: display advertising, travel agents, automated teller machines, shoe shine stands, insurance services, pay telephones, and a golf driving range. Other Concession Revenues increased from approximately $1.4 million in 2008 to approximately $5.2 million in 2012. The majority of the increase is a result of a reclassification of accounts. In 2011 revenues from the Other Revenues/Services line item, which no longer exists, were moved to Other Concession Revenues. Other Concession Revenues are projected to decrease in 2013 Estimate to $4.8 million as a result of reduced traffic at the Airport. These revenues are expected to decrease to $4.5 million by 2018.

(v) *Public Parking Concessions*. Public Parking Concession Revenues fluctuated between 2008 and 2012, ending at approximately $26.9 million. In 2012, Public Parking Revenues decreased as a result of decreased passenger traffic at the Airport. During the forecast period of 2013 Estimate to 2018, Public Parking Concession Revenues are projected to increase to $39.6 million, at an average annual growth rate of 9.0 percent, primarily due to the projected parking rate increase of $1.00 per day in all parking locations in 2016 and 2017. The parking rate increases for 2016 and 2017 require approval from the County Board and County Executive.

3. Apron Fees

The Signatory Airlines pay Apron Fees established to recover the Apron net deficit, which equals total Apron expenses minus non-airline revenues and adjustments. **Table V-3** shows that total Apron Fee revenues increased during the historical period from approximately $1.2 million in 2008 to approximately $1.3 million in 2012 or an average annual increase of 3.1 percent.

The Apron net deficit to be recovered from the Signatory Airlines, as shown on **Table V-7**, is projected to increase to approximately $1.3 million in 2018, mainly due to increased O&M expenses. The Signatory Airlines Apron Fee rate is projected by dividing the annual Apron net deficit by the total linear footage of Apron space. The Signatory Airlines Apron fee is projected to range from $230.09 to $461.59 per linear square foot during the forecast period. The significant increase beginning in 2016 is the result of the assumption that Frontier Airlines will give back 2,175 linear square feet, or approximately 43 percent of existing square footage, after 2015 when the AUA expires.

TABLE V-7
MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED AIRLINE APRON FEE RATE
FOR YEARS 2012 - 2018

Apron Fee Calculation	ACTUAL 2012	BUDGET 2013	ESTIMATE 2013	PROJECTED 2014	2015	2016	2017	2018
Apron Expenses								
O&M Expense	$1,245,314	$1,232,347	$1,172,515	$1,215,584	$1,256,993	$1,301,590	$1,349,424	$1,398,396
Series 2005B d.s.	22,480	22,433	22,433	22,463	-	-	-	-
Series 2006A d.s.	21,308	21,320	21,320	21,317	21,359	21,327	21,338	21,347
Series 2009B d.s.	33,158	31,783	31,783	30,569	-	-	-	-
Depreciation	30,776	-	-	-	-	-	-	-
Total Apron Expense	$1,353,036	$1,307,883	$1,248,051	$1,289,933	$1,278,352	$1,322,916	$1,370,762	$1,419,744
Less:								
Non-Airline Credits	$88,205	$89,105	$89,105	$90,887	$92,704	$94,651	$96,639	$98,668
Apron Net Deficit	$1,264,831	$1,218,778	$1,158,946	$1,199,046	$1,185,648	$1,228,265	$1,274,124	$1,321,076
Linear Feet	5,037	5,037	5,037	5,037	5,037	2,862	2,862	2,862
Apron Fee Rate	**$251.11**	**$241.97**	**$230.09**	**$238.05**	**$235.39**	**$429.16**	**$445.19**	**$461.59**

4. <u>Other Revenues</u>

Other revenues received by the Airport include reimbursements from the airlines for the Airport's security costs and other miscellaneous revenues, as described below.

a. *Flexible Response Security Charges*. Flexible Response Security Charges revenue represents amounts collected from the airlines for services provided by the County Sheriff's Department at the concourse checkpoints equals $1.8 million in 2008 and increased to approximately $1.9 million in 2012. Flexible Response Security Charges revenue is projected to increase to approximately $2.9 million in 2018.

b. *MKE Regional Business Park.* The Airport generates rental income from the old military base that is located on Airport grounds. In 2011, this rent was approximately $630,000. In 2012, rent at the MKE Regional Business Park decreased to approximately $529,000. The 2013 Estimate increased to approximately $550,000. This revenue category is projected to increase to approximately $858,000 in 2018. Airport System Management is continuing its efforts to grow this revenue stream. In 2013, Airport System Management budgeted $200,000 for a marketing plan to attract additional business to the MKE Regional Business Park.

c. *Other Revenues/Services.* Other Revenues/Services consist of rents collected from the County for Airport lands and building space used for highway maintenance and other purposes as well as interest earnings. This revenue category was $3.9 million in 2008 and decreased to $3.1 million in 2010. In 2011, there was a revenue reclassification and this category is no longer being used. Most of the revenue from this category is now found in "Other Terminal Concessions".

5. PFC Pledged Revenues

In the Supplemental Resolutions for the Series 2004A, 2005A, 2005B, 2006A, 2006B, 2007A, 2009A, 2010A and 2013A Bonds, the PFC Revenues are pledged to the payment of PFC eligible debt service and the required deposit to the coverage account. Therefore, PFC Revenues in an amount equal to the PFC eligible portion of debt service on the Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2009A, Series 2010A, and Series 2013A Bonds and future bonds are included in total Airport Revenues shown on **Table V-4**. The total pledged PFC Revenues are estimated to increase from $7.7 million in 2013 to $11.7 million in 2018.

D. SOURCES AND USES OF FUNDS

The Series 2013 Bonds are being issued to fund a portion of the costs of the capital projects described in Section II and to refund outstanding Series 2003A Airport Revenue Bonds. **Table V-8** presents the estimated sources and uses of funds related to the Series 2013 Bonds.

TABLE V-8
MILWAUKEE COUNTY AIRPORT SYSTEM
SOURCES AND USES OF FUNDS
SERIES 2013 BONDS

	Series 2013A	Series 2013B	Total
Sources			
Par Amount	$ 47,095,000.00	$ 3,330,000.00	$ 50,425,000.00
Net Original Issue Premium	1,751,451.60	87,299.90	1,838,751.50
Existing Debt Service Reserve Fund	16,974,762.60	-	16,974,762.60
Cash on Hand	-	424,713.54	424,713.54
Bond Proceeds	$ 65,821,214.20	$ 3,842,013.44	$ 69,663,227.64
Uses			
Project Fund Deposits	$ 45,051,500.00	$ -	$ 45,051,500.00
Refunded Bonds Account	-	3,799,713.54	3,799,713.54
Debt Service Reserve Fund	17,799,215.60	-	17,799,215.60
Capitalized Interest [1]	2,385,470.14	-	2,385,470.14
Estimated Cost of Issuance	584,160.01	41,304.89	625,464.90
Excess Proceeds	868.45	995.01	1,863.46
Total Uses	$ 65,821,214.20	$ 3,842,013.44	$ 69,663,227.64

Source: Series 2013 Bonds final pricing information provided by Public Financial Management - dated 8/1/2013.

1. Capitalized interest is through December 2014.

E. DEBT SERVICE

Table V-9 shows the projected annual debt service requirements for the existing GO bonds, the Series 2004A, Series 2005A, Series 2005B, Series 2006A, Series 2006B**,** Series 2007A, Series 2009A, Series 2009B, Series 2010A, Series 2010B, Series 2013A Bonds, Series 2013B Bonds, and future GARBs.

The annual debt service requirements for the existing GO bonds, which are paid by the County from Airport System Revenues, are projected to decrease during the forecast period until maturity in 2017. Total debt service requirements including GO bonds, are estimated at approximately $17.9 million in 2013 Estimate, and is projected to increase to approximately $25.0 million in FY 2018, due to the planned issuance of the Series 2013 Bonds and future GARBs anticipated to be issued in 2016.

TABLE V-9
MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED ANNUAL DEBT SERVICE
FOR YEARS 2012 - 2018

	ACUAL	BUDGET	ESTIMATE	PROJECTED				
DEBT SERVICE	**2012**	**2013**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
GO BONDS								
Existing G.O. Bonds	$183,456	$133,285	$133,285	$133,719	$36,587	$36,208	$36,072	$0
Airport Bonds								
Series 2003A Bonds	$586,406	$569,531	$569,531	$0	$0	$0	$0	$0
Series 2004A Bonds	2,542,150	2,541,650	2,541,650	2,538,400	2,542,400	2,543,150	2,540,650	2,539,900
Series 2005A Bonds	1,534,390	1,535,190	1,535,190	1,535,790	2,581,190	2,580,028	2,580,715	2,577,990
Series 2005B Bonds	1,046,000	1,043,800	1,043,800	1,045,200	-	-	-	-
Series 2006A Bonds	1,836,900	1,837,900	1,837,900	1,837,700	1,841,300	1,838,500	1,839,500	1,840,250
Series 2006B Bonds	436,500	413,250	413,250	390,250	367,500	-	-	-
Series 2007A Bonds	932,363	934,863	934,863	931,363	932,113	931,863	935,613	933,113
Series 2009A Bonds	579,669	579,669	579,669	579,669	1,069,669	1,069,969	1,068,556	1,070,356
Series 2009B Bonds	513,275	492,000	492,000	473,200	-	-	-	-
Series 2010A Bonds	1,442,343	1,442,343	1,442,343	1,442,343	2,457,343	2,456,894	2,460,094	2,460,594
Series 2010B Bonds	6,430,250	6,211,000	6,211,000	5,992,500	5,769,750	5,548,000	5,327,250	5,107,500
Series 2013A Bonds [1]	-	-	177,507	597,218	3,480,638	3,478,388	3,478,638	3,481,138
Series 2013B Bonds	-	-	33,917	504,113	488,513	467,913	452,513	432,113
Future Bonds [1]	-	-		-	-	1,940,557	4,562,996	4,562,996
Total Debt Service	$17,880,246	$17,601,196	$17,812,619	$17,867,746	$21,530,415	$22,855,259	$25,246,523	$25,005,949
Total Debt Service (including G.O. Bonds)	$18,063,702	$17,734,481	$17,945,904	$18,001,465	$21,567,002	$22,891,467	$25,282,595	$25,005,949
Cost Center Allocation								
Terminal	$16,963,631	$16,659,338	$16,870,761	$16,939,527	$20,511,296	$21,604,092	$23,994,812	$23,725,203
Airfield	1,000,712	978,735	978,735	966,681	1,033,249	1,264,962	1,265,363	1,259,399
Apron	99,359	96,408	96,408	95,257	22,457	22,413	22,420	21,347
Total Debt Service	$18,063,702	$17,734,481	$17,945,904	$18,001,465	$21,567,002	$22,891,467	$25,282,595	$25,005,949

[1] Net of capitalized interest.

F. FINANCIAL ANALYSIS

An important component of the financial feasibility report is an assessment of how the Series 2013 Bonds will affect the Airport System's key financial variables. The following sub-sections discuss the Airport System's projected airline cost per enplanement ("CPE"), discretionary cash flow, and debt service coverage.

1. Airline Cost per Enplanement

Table V-10 presents the projected CPE for the years 2012 – 2018. The CPE is derived from dividing the amount charged the airlines for use of the Airport by the estimated total enplanements. As indicated, the CPE is projected to increase to a high of $9.63 in 2015 before decreasing to $7.37 in 2018. CPEs from similar airports were obtained by Unison through a survey which was supported by telephone conversations with staff, as needed, to clarify the responses received. Although widely used for the purpose of comparing the cost of one airport to another, information at one airport may not be comparable to another airport without recognizing and accounting for differences as discussed below:

1. The Airport's costs are forecast while the comparison costs are most often historical.
2. The Airport's CPE forecast includes the costs of the total 2013 – 2017 CIP, while the comparative airports included only historic costs. Most mid-sized airports have ongoing CIPs that will likely impact future costs for the comparable airports.

The survey results identified a range of CPEs beginning with a low of $2.76 to a high of $15.74. The Airport's projected CPE appears reasonable when compared to similar type airports after taking into account the concerns discussed above; and the 2013 – 2017 CIP is completed in accordance with the current funding plan.

TABLE V-10
MILWAUKEE COUNTY AIRPORT SYSTEM
PROJECTED AIRLINE COST PER ENPLANED PASSENGER
FOR YEARS 2012 - 2018

Year	Landing Fees [1]	Terminal Rents & Charges	Apron Fees	Total Airline Payments	Enplaned Passengers	Cost Per Enplaned Passenger
2012 act.	$18,045,646	$3,883,850	$1,264,831	$23,194,327	3,780,315	$6.14
2013 bud.	$21,499,827	$8,783,541	$1,218,778	$31,502,147	3,850,200	$8.18
2013 est.	$19,970,330	$7,717,582	$1,158,946	$28,846,858	3,240,900	$8.90
2014	$20,586,353	$8,468,674	$1,199,046	$30,254,073	3,155,800	$9.59
2015	$21,351,874	$9,296,691	$1,185,648	$31,834,212	3,305,657	$9.63
2016	$22,081,744	$5,206,467	$1,228,265	$28,516,476	3,469,089	$8.22
2017	$22,865,965	$2,378,538	$1,274,124	$26,518,627	3,601,771	$7.36
2018	$23,669,451	$2,112,733	$1,321,075	$27,103,259	3,677,437	$7.37

[1] Excludes landing fees paid by cargo carriers and military aircraft.

The projected CPE assumes that the Airport will continue to receive a PFC collection rate of $4.50. However, if the required approvals are not obtained for the $4.50 collection rate to continue, the Airport would not generate sufficient PFCs to fund all of the current PFC projects shown in Table II-1 and Airport System Management would need to adjust the CIP to reflect a $3.00 collection rate.

2. Net Discretionary Cash Flow

Net discretionary cash flow is calculated as Net Revenues less: total debt service requirements for all outstanding bonds, Series 2013 Bonds, GO Bonds, and Future GARBs, and required increases in the O&M Reserve Fund, Coverage Fund, and all other required reserves. Pursuant to the Bond Resolution, the Airport System must maintain a balance in the O&M Reserve Fund equal to one-sixth of the annual budgeted O&M Expenses and any additional moneys needed to meet coverage requirement. It is anticipated that future increases in the O&M Reserve Fund balance will be funded from Airport System Revenues.

Net discretionary cash flow can be used to fund future capital projects, to compensate for any shortfalls in future operating revenues or overages in future operating expenses, or to serve as an emergency reserve. **Table V-11** shows that the Airport System's net discretionary cash flow fluctuates from approximately $4.5 million in the 2013 Estimate to approximately $7.6 million in 2018.

3. Debt Service Coverage

Debt service coverage is calculated as Net Revenues, plus Other Available Funds, divided by total annual GARB Debt Service. Other Available Funds, as defined in the Bond Resolution, include the unencumbered balances in the Coverage Fund and the Surplus Fund. However, Other Available Funds to be included in the debt service coverage calculation shall not exceed 25.0 percent of the current year Debt Service. Pursuant to the Bond Resolution, annual debt service coverage must be at least 1.25.

Annual debt service coverage, shown on **Table V-11**, for the period 2012 through 2018 is projected to fluctuate between a high of 1.76 in 2013 Estimate to a low of 1.61 in 2017. The reduction in coverage is due to increased future debt, and projected decreases in the depreciation charges included in the airline terminal rate base. Despite this decline, debt service coverage is projected to exceed the 1.25 minimum requirements throughout the forecast period. If the request to extend the $4.50 PFC rate does not receive the required approvals, the impact to annual debt service coverage would be minimal at best provided the Airport decided to complete the projects and rate-base the associated costs. Such an action will result in an increase in the airline CPE.

The Bond Resolution permits the issuance of one or more additional series of bonds on a parity with bonds that are currently outstanding provided that certain conditions are met. To meet the Additional Bonds Test, the County can provide a certificate executed on its behalf by an Authorized Officer, can be delivered, setting forth (i) the Net Revenues for the last audited Fiscal Year and (ii) the maximum Debt Service (including without duplication, related Credit Facility Obligations) on all Outstanding Bonds and the Bonds to be issued in any Fiscal Year; demonstrating that such Net Revenues, together with Other Available Funds, equal an amount not less than 125% of such Debt Service (including, without duplication related Credit Facility Obligations). Alternatively, to meet the Additional Bonds Test, the County can provide a certificate prepared by the Airport Consultant, can be delivered, setting forth for each of the three Fiscal Years commencing with the Fiscal Year following that in which Projects financed with Additional Bonds are estimated to be completed, the projected Net Revenues, the projected Other Available Funds, and the maximum Debt Service on all Outstanding Bonds and the Additional Bonds to be issued in any Fiscal Year; and demonstrating that for each such Fiscal Year the projected Net Revenues, together with the projected Other Available Funds, will be an amount not less than 125% of such Debt Service (including without duplication, related Credit Facility Obligations).

4. Sensitivity Analysis

Projected annual net discretionary cash flow and debt service coverage calculated under the alternate enplanement forecast, which assumes an average annual increase in enplanements of 0.7 percent from 2013 to 2018, (as presented in **Section IV)** are essentially the same as under the base enplanement forecast. This is attributable to the nature of the Airport's cost center residual airline rates and charges methodology and the application of PFC Revenues. Under the alternate enplanement forecast, the lower projected non-airline revenues result in decreased credits to the airlines, thereby increasing the airline space rentals. In addition, airline space rentals are also decreased in the alternate scenario because it is assumed Frontier will end operations in January of 2014 and will no longer lease space at the Airport. Therefore, the variations in non-airline revenues are essentially offset by corresponding (opposite) variations in airline revenues under the alternate enplanement forecast scenario. However, the lower projected enplanements under the alternate enplanement scenario would result in lower annual PFC Revenues during the forecast period. Although the Airport's PFC authority would not change under the alternate enplanement scenario, it would take a longer period of time to collect the approved PFC collection amount.

Projected PFC Revenues, under the alternate enplanement scenario, remain sufficient to pay PFC-eligible debt service costs relating to the Series 2013A Bonds. However, the projected PFC Revenues under the alternative enplanement scenario would not be sufficient to pay PFC eligible debt service on anticipated future bond issues. Therefore, Airport System Management would likely have to consider changes to its CIP, which may include the following:

a) Defer certain CIP projects until PFC Revenues or other revenues are available;

b) Issue additional GARBs to fund projects that are currently anticipated to be funded with PFC Revenues.

If Airport System Management decides to defer certain CIP projects, PFC Revenues could be sufficient to fund all of the PFC projects, although the timing of the projects in the CIP could be substantially impacted (option "a" above). If additional GARBs are issued to fund project costs which are currently anticipated to be funded with PFC Revenues, the cost per enplanement would increase (option "b" above). However, if Airport System Management proceeds with the planned CIP even with the further reduction in traffic, then the CPE assuming the issuance of additional GARBs, would range from $8.65 to $10.93. Based on the range of airline cost per enplanement as shown above, the projected airline cost per enplanement at the Airport under the alternate enplanement forecast scenario (assuming no capital projects are delayed) would place the Airport near the high end of the range. However, the airline costs at other airports will likely increase in the future as capital projects are completed.

TABLE V-11
MILWAUKEE COUNTY AIRPORT SYSTEM
CASH FLOW AND DEBT SERVICE COVERAGE
FOR YEARS 2012 - 2018

Cash Flow and	ACTUAL	BUDGET	ESTIMATE	PROJECTED				
Debt Service Coverage	2012	2013	2013	2014	2015	2016	2017	2018
AIRPORT SYSTEM REVENUES								
TOTAL REVENUES	$83,891,630	$89,327,332	$87,012,397	$88,298,102	$94,128,447	$99,289,576	$103,431,605	$107,152,843
O&M EXPENSES	58,660,142	63,280,478	60,208,131	62,419,700	64,506,598	66,751,765	69,157,722	71,620,610
NET REVENUES	$25,231,488	$26,046,854	$26,804,266	$25,878,402	$29,621,850	$32,537,811	$34,273,882	$35,532,233
NET DISCRETIONARY CASH FLOW								
Net Revenues	$25,231,488	$26,046,854	$26,804,266	$25,878,402	$29,621,850	$32,537,811	$34,273,882	$35,532,233
Less: Debt Service								
G.O. Bonds	$183,456	$133,285	$133,285	$133,719	$36,587	$36,208	$36,072	$0
Series 2003A Bonds	586,406	569,531	569,531	-	-	-	-	-
Series 2004A Bonds	2,542,150	2,541,650	2,541,650	2,538,400	2,542,400	2,543,150	2,540,650	2,539,900
Series 2005A Bonds	1,534,390	1,535,190	1,535,190	1,535,790	2,581,190	2,580,028	2,580,715	2,577,990
Series 2005B Bonds	1,046,000	1,043,800	1,043,800	1,045,200	-	-	-	-
Series 2006A Bonds	1,836,900	1,837,900	1,837,900	1,837,700	1,841,300	1,838,500	1,839,500	1,840,250
Series 2006B Bonds	436,500	413,250	413,250	390,250	367,500	-	-	-
Series 2007A Bonds	932,363	934,863	934,863	931,363	932,113	931,863	935,613	933,113
Series 2009A Bonds	579,669	579,669	579,669	579,669	1,069,669	1,069,969	1,068,556	1,070,356
Series 2009B Bonds	513,275	492,000	492,000	473,200	-	-	-	-
Series 2010A Bonds	1,442,343	1,442,343	1,442,343	1,442,343	2,457,343	2,456,894	2,460,094	2,460,594
Series 2010B Bonds	6,430,250	6,211,000	6,211,000	5,992,500	5,769,750	5,548,000	5,327,250	5,107,500
Series 2013A Bonds [1]	-	-	177,507	597,218	3,480,638	3,478,388	3,478,638	3,481,138
Series 2013B Bonds	-	-	33,917	504,113	488,513	467,913	452,513	432,113
Future Bonds [1]	-	-	-	-	-	1,940,557	4,562,996	4,562,996
Less: Deposits to Coverage Fund	-	-	622,512	-	-	1,140,749	-	-
Less: Depreciation	3,725,576	3,751,618	3,751,618	3,564,037	3,385,835	3,216,543	3,055,716	2,902,930
Less: Reimbursement of Tax Levy	-	-	-	-	-	-	-	-
Net Discretionary Cash Flow	$3,442,210	$4,560,755	$4,484,232	$4,312,900	$4,669,013	$5,289,051	$5,935,570	$7,623,353
COVERAGE CALCULATION								
Net Revenues	$25,231,488	$26,046,854	$26,804,266	$25,878,402	$29,621,850	$32,537,811	$34,273,882	$35,532,233
Add Other Available Funds:								
Series 2003A Bonds Coverage	$146,602	$142,383	$142,383	$0	$0	$0	$0	$0
Series 2004A Bonds Coverage	635,538	635,413	635,413	634,600	635,600	635,788	635,163	634,975
Series 2005A Bonds Coverage	383,598	383,798	383,798	383,948	645,298	645,007	645,179	644,498
Series 2005B Bonds Coverage	261,500	260,950	260,950	261,300	-	-	-	-
Series 2006A Bonds Coverage	459,225	459,475	459,475	459,425	460,325	459,625	459,875	460,063
Series 2006B Bonds Coverage	109,125	103,313	103,313	97,563	91,875	-	-	-
Series 2007A Bonds Coverage	233,091	233,716	233,716	232,841	233,028	232,966	233,903	233,278
Series 2009A Bonds Coverage	144,917	144,917	144,917	144,917	267,417	267,492	267,139	267,589
Series 2009B Bonds Coverage	128,319	123,000	123,000	118,300	-	-	-	-
Series 2010A Bonds Coverage	360,586	360,586	360,586	360,586	614,336	614,223	615,023	615,149
Series 2010B Bonds Coverage	1,607,563	1,552,750	1,552,750	1,498,125	1,442,438	1,387,000	1,331,813	1,276,875
Series 2013A Bonds Coverage	-	-	44,377	149,305	870,159	869,597	869,659	870,284
Series 2013B Bonds Coverage	-	-	8,479	126,028	122,128	116,978	113,128	108,028
Future Bonds Coverage	-	-	-	-	-	485,139	1,140,749	1,140,749
Net Revenues plus Other Available Funds	$29,701,550	$30,447,153	$31,257,421	$30,345,339	$35,004,453	$38,251,626	$40,585,513	$41,783,720
Debt Service:								
Series 2003A Bonds	586,406	569,531	569,531	-	-	-	-	-
Series 2004A Bonds	2,542,150	2,541,650	2,541,650	2,538,400	2,542,400	2,543,150	2,540,650	2,539,900
Series 2005A Bonds	1,534,390	1,535,190	1,535,190	1,535,790	2,581,190	2,580,028	2,580,715	2,577,990
Series 2005B Bonds	1,046,000	1,043,800	1,043,800	1,045,200	-	-	-	-
Series 2006A Bonds	1,836,900	1,837,900	1,837,900	1,837,700	1,841,300	1,838,500	1,839,500	1,840,250
Series 2006B Bonds	436,500	413,250	413,250	390,250	367,500	-	-	-
Series 2007A Bonds	932,363	934,863	934,863	931,363	932,113	931,863	935,613	933,113
Series 2009A Bonds	579,669	579,669	579,669	579,669	1,069,669	1,069,969	1,068,556	1,070,356
Series 2009B Bonds	513,275	492,000	492,000	473,200	-	-	-	-
Series 2010A Bonds	1,442,343	1,442,343	1,442,343	1,442,343	2,457,343	2,456,894	2,460,094	2,460,594
Series 2010B Bonds	6,430,250	6,211,000	6,211,000	5,992,500	5,769,750	5,548,000	5,327,250	5,107,500
Series 2013A Bonds	-	-	177,507	597,218	3,480,638	3,478,388	3,478,638	3,481,138
Series 2013B Bonds	-	-	33,917	504,113	488,513	467,913	452,513	432,113
Future Bonds	-	-	-	-	-	1,940,557	4,562,996	4,562,996
Total GARB Debt Service	$17,880,246	$17,601,196	$17,812,619	$17,867,746	$21,530,415	$22,855,259	$25,246,523	$25,005,949
DEBT SERVICE COVERAGE	**1.66**	**1.73**	**1.75**	**1.70**	**1.63**	**1.67**	**1.61**	**1.67**

[1] Net of capitalized interest.

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APPENDIX B

AIRPORT SYSTEM FINANCIAL INFORMATION

An independent public accounting firm audits the County annually. The County's audited Basic Financial Statements for the fiscal years ended December 31, 2008 through 2012 are included in the County's 2008 through 2012 Comprehensive Annual Financial Reports (CAFR), respectively. This appendix presents financial information of the Airport System, which has been excerpted from the County's CAFR for the fiscal years ended December 31, 2008 through 2012. The Airport System is operated as an enterprise fund of the County. The Airport System's financial statements are prepared on the full accrual basis of accounting.

The Airport System financial information is presented in the 2008 through 2012 CAFRs as a separate column on the proprietary fund statements, which are part of the County's Basic Financial Statements. Copies of the County's CAFRs are available on-line: http://county.milwaukee.gov/ComprehensiveAnnualF12237.htm

COUNTY OF MILWAUKEE
Balance Sheet - Airport System
December 31
(In Thousands)

	2008	2009	2010	2011	2012
Assets					
Current Assets:					
Cash and Investments	$ 29,968	$ 31,997	$ 47,526	$ 38,878	$ 47,852
Cash and Investments - Revenue Bonds	28,575	29,269	50,026	43,678	34,419
Receivables:					
Accounts (Net of Allowances for Uncollectible Accounts and Contractual Adjustments)	3,140	3,116	3,433	5,197	6,452
Due from Other Governments (Grants)	3,813	8,427	5,486	4,849	10,104
Total Current Assets	65,496	72,809	106,471	92,602	98,827
Noncurrent Assets:					
Capital Assets:					
Land and Land Improvements	163,830	182,780	188,580	220,144	214,564
Building and Improvements	282,976	286,976	312,309	316,215	316,215
Furniture, Machinery and Equipment	8,579	11,772	13,593	16,731	17,254
Construction in Progress	13,041	23,569	21,003	31,739	63,924
Total Capital Assets	468,426	505,097	535,485	584,829	611,957
Less: Accumulated Depreciation	(193,785)	(208,838)	(225,552)	(244,126)	(264,396)
Net Capital Assets	274,641	296,259	309,933	340,703	347,561
Total Assets	$ 340,137	$ 369,068	$ 416,404	$ 433,305	$ 446,388
Liabilities					
Current Liabilities:					
Accounts Payable	$ 2,437	$ 3,484	$ 5,553	$ 2,894	$ 2,941
Accrued Liabilities	182	359	2,018	2,037	2,080
Accrued Interest Payable	815	823	1,302	788	753
Unearned Revenues	7,502	8,325	10,582	7,014	12,313
Bonds Payable - General Obligation	1,210	1,165	292	159	136
Bonds Payable - Revenue Bonds	7,520	7,865	8,210	8,510	8,630
Compensated Absences	1,547	1,525	1,534	1,332	1,544
Capital Leases	144	196	180	241	211
Other Liabilities	10	10	10	16	16
Total Current Liabilities	21,367	23,752	29,681	22,991	28,624
Long-Term Liabilities:					
Bonds Payable - General Obligation	3,766	2,616	519	368	237
Bonds Payable - Revenue Bonds	169,295	175,765	200,378	191,374	182,257
Compensated Absences	1,423	1,524	1,312	1,170	1,119
Other Post Employment Benefits	4,097	5,686	8,060	9,705	11,046
Capital Leases	101	185	210	293	174
Total Long-Term Liabilities	178,682	185,776	210,479	202,910	194,833
Total Liabilities	200,049	209,528	240,160	225,901	223,457
Net Position					
Unrestricted	2,281	4,926	8,669	3,256	386
Restricted for:					
Debt Service	14,000	14,253	14,836	15,161	15,288
Capital Assets Needs	5,115	5,113	5,057	8,039	10,450
Commitments	--	--	--	--	2,216
Net Investment in Capital Assets	118,692	135,248	147,682	180,948	194,591
Total Net Position	140,088	159,540	176,244	207,404	222,931
Total Liabilities and Net Position	$ 340,137	$ 369,068	$ 416,404	$ 433,305	$ 446,388

COUNTY OF MILWAUKEE
Statement of Revenues, Expenses, and Changes in Net Position
Airport System
For the Years Ended December 31
(In Thousands)

	2008	2009	2010	2011	2012
Operating Revenues:					
Rentals and Other Service Fees	$ 60,632	$ 57,431	$ 64,477	$ 70,996	$ 67,204
Admissions and Concessions	13,574	13,552	15,154	16,244	16,098
Total Charges for Services	74,206	70,983	79,631	87,240	83,302
Other Revenues	15	14	13	14	4
Total Operating Revenues	74,221	70,997	79,644	87,254	83,306
Operating Expenses:					
Personnel Services	20,895	19,685	22,488	25,301	24,119
Contractual Services	18,472	16,350	16,847	19,490	19,503
Intra-County Services	10,412	9,354	9,598	9,977	9,346
Commodities	3,183	4,073	4,018	5,094	4,917
Depreciation and Amortization	14,107	15,054	16,747	18,915	20,269
Maintenance	487	481	1,600	1,182	649
Client Payments	1,258	--	--	--	--
Other	--	304	1,195	30	32
Total Operating Expenses	68,814	65,301	72,493	79,989	78,835
Operating Income (Loss)	5,407	5,696	7,151	7,265	4,471
Nonoperating Revenues (Expenses):					
Intergovernmental Revenues	--	179	309	159	579
Nonoperating Revenue	--	--	--	--	--
Gain on Sale of Capital Asset	18	--	--	--	--
Investment Income	1,417	945	162	313	219
Interest Expense	(8,618)	(9,004)	(10,199)	(10,194)	(9,066)
Total Nonoperating Revenues (Expenses)	(7,183)	(7,880)	(9,728)	(9,722)	(8,268)
Income (Loss) Before Contributions and Transfers	(1,776)	(2,184)	(2,577)	(2,457)	(3,797)
Capital Contributions	10,354	23,119	25,284	35,767	23,037
Transfers In	97	1,393	--	--	2,597
Transfers Out	(2,758)	(2,876)	(6,003)	(2,150)	(6,310)
Changes in Net Position	5,917	19,452	16,704	31,160	15,527
Net Position - Beginning	134,171	140,088	159,540	176,244	207,404
Net Position - Ending	$ 140,088	$ 159,540	$ 176,244	$ 207,404	$ 222,931

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SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION

APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF RESOLUTION

The following is a brief summary of certain provisions of the General Bond Resolution pursuant to which the Bonds are to be issued. This summary is not intended to be definitive and is qualified in it entirety by express reference to the General Bond Resolution for the complete terms thereof.

Definitions of Certain Terms

"Act" means Section 66.0621 of the Wisconsin Statutes, as amended, recreated or renumbered from time to time.

"Additional Bonds" means Bonds other than the initial Series of Bonds issued under the Resolution.

"Airline Leases" means the Airline Leases between the County and the airlines which use the Airport System, as amended from time to time.

"Airport Consultant" means an individual, firm or corporation in the airport management consulting business, from time to time appointed by the County which has a wide and favorable reputation for special skill and knowledge in methods of the development, operation, management and financing of airports and airport facilities, but which, in the case of an individual, is not a member of the County Board of Supervisors or an officer or employee of the County, and in the case of a firm or corporation, does not have a partner, director, officer or employee who is a member of the County Board of Supervisors or an officer or employee of the County.

"Airport System" means General Mitchell International Airport and Lawrence J. Timmerman Airport, which are now owned and operated by the County, aid all properties of every nature in connection with such Airports or any other airport facilities now or hereafter owned by the County, including, without limitation, runways, hangars, loading facilities, repair shops, garages, storage facilities, terminals, retail stores in such terminals, restaurants, parking structures and areas and all other facilities necessary or convenient for the operation of the Airports, together with any improvements and extensions thereto, all real and personal property of every nature comprising part of and used or useful in connection therewith, and all appurtenances, contracts, leases, franchises and other intangibles.

"Authorized Officer" means the Director of the Airport System or any other person designated by the County.

"Bondowner" or "Owner" means any person who shall be the registered owner of any Outstanding Bond or Bonds, except that when Bonds are in book-entry form, it means the beneficial owners of the Bonds.

"Bonds" means the revenue bonds issued from time to time under the Resolution. Such revenue bonds may be issued in the form of Serial Bonds, Term Bonds, capital appreciation bonds, Variable Rate Bonds, bond anticipation notes, and other forms of indebtedness authorized by the Act, if and only to the extent that the County is then authorized to issue such obligations under the Act.

"Capital Improvement Reserve Fund" means the Airport Capital Improvement Reserve Fund created by the Resolution.

"Capitalized Interest Account" means the Capitalized Interest Account created in the Special Redemption Fund by the Resolution.

"Code" means the Internal Revenue Code of 1986. as amended.

"Construction Fund" means the Airport Revenue Bond Construction Fund created by the Resolution.

"Consulting Engineer" means any registered or licensed professional engineer, any firm of such engineers, any licensed professional architect, or any firm of such architects, from time to time appointed and designated by the County who has a wide and favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, airports and airport facilities and who is entitled to practice and is practicing as such under the laws of the State of' Wisconsin; but who, in the case of an individual, is not a member of the County Board of Supervisors or an officer or employee of the County and, in the case of a firm or corporation, does not have a partner, director, officer or employee who is a member of the County Board of Supervisors or an officer or employee of the County.

"County" means Milwaukee County, Wisconsin.

"Coverage Fund" means the Coverage Fund created by the Resolution.

"Credit Facility" means any letter or line of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security and/or liquidity in respect of Bonds.

"Credit Facility Obligations" means repayment or other obligations incurred by the County in respect of draws or other payments or disbursements made under a Credit Facility, but only if such obligations have a lien on Revenues with the same priority as the lien thereon of the Bonds.

"Debt Service" means with respect to each Fiscal Year the aggregate of the following amounts to be set aside (or estimated to be required to be set aside) in the Interest and Principal Account in the Fiscal Year.

(a) the amount required to pay the interest coming due and payable on Outstanding Bonds;

(b) the amount required to pay principal coming due and payable on Outstanding Bonds (whether at maturity or by mandatory redemption); and

(c) the amount of redemption premium, if any, payable on Outstanding Bonds required to be redeemed in that Fiscal Year.

"Debt Service" shall not include the following with respect to any Bonds at the time of calculation then Outstanding: (a) debt service paid or to be paid from Bond proceeds or from earnings thereon or from any subsidy from the United States of America for that purpose; or (b) interest and principal on Bonds to the extent such interest or principal is to be paid from (i) amounts previously credited to the Interest and Principal Account, or (ii) any other available amounts irrevocably deposited hereunder for the payment of such interest or principal.

"Event of Default" means an Event of Default as defined in the Resolution.

"Fiscal Year" means the fiscal year of the County with respect to the Airport System as established from time to time. The Fiscal Year is now the twelve-month period ending December 31.

"Fitch" means Fitch IBCA, Inc., or any successor rating agency.

"General Obligation Bond Fund" means the Airport General Obligation Bond Fund created by the Resolution.

"Interest and Principal Account" means the Interest and Principal Account created in the Special Redemption Fund by the Resolution.

"Moody's" means Moody's Investors Service, Inc., or any successor rating agency.

"Net Revenues" means (i) for any period or year which has concluded at the time the calculation is made, the aggregate of the Revenues after deducting for such past period or year the aggregate of the Operation and Maintenance Expenses; and (ii) for any future period or year the aggregate of the Revenues that is estimated for such future period or year, after deducting for such future period or year the aggregate of the estimated Operation and Maintenance Expenses in such future year or period.

"Operation and Maintenance Expenses" means the reasonable and necessary expenses (under generally accepted accounting principles) of administering, operating, maintaining, and repairing the Airport System, and shall include, without limitation, the following items: (a) costs of collecting Revenues and of making any refunds therefrom lawfully due others: (b) engineering, auditing, legal and other overhead expenses directly related to the administration, operation, maintenance, and repair of the Airport System: (c) costs of all or a portion of the salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing, with respect to officers and employees of the County which are properly allocable to the Airport System: (d) costs of repairs. replacements, renewals and alterations occurring in the usual course of business of the Airport System: (e) taxes, assessments and other governmental charges, or payments in lieu thereof, imposed on the Airport System or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airport System or otherwise imposed on the Airport System or the operation thereof or income therefrom: (f) costs of utility services with respect to the Airport System; (g) costs and expenses of general administrative overhead of the County allocable to the Airport System: (h) costs of equipment, materials and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property allocable to the Airport System: (i) contractual services and professional services for the Airport System, including but not limited to, legal services, accounting services and services of financial consultants and airport consultants; (j) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport System or Revenues or any other moneys held hereunder or required hereby to be held or deposited hereunder, (k) costs of carrying out the provisions of the Resolution, including Trustee and Paying Agents' fees and expenses: costs of insurance required hereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport System or Revenues; and costs of recording, mailing and publication; and (I) all other costs and expenses of administering, operating, maintaining and repairing the Airport System arising in the routine and normal course of business; provided, however, the term "Operation and Maintenance Expenses" shall not include: (1) costs of extensions, enlargements, betterments and improvements to the Airport System or reserves therefor: (2) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business: (3) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; (4) allowances for depreciation and amounts for capital replacements or reserves therefor: and (5) operation and maintenance costs and expenses pertaining to any Special Facilities.

"Operation and Maintenance Reserve Fund" means the Airport Revenue Bond Operation and Maintenance Reserve Fund created by the Resolution.

"Operation and Maintenance Reserve Fund Requirement" means an amount equal to one-sixth (1/6) of the estimated Operation and Maintenance Expenses of the Airport System for that Fiscal Year. as set forth in the Airport's annual budget.

"Opinion of Bond Counsel" means a written opinion of an attorney at law or a firm of attorneys acceptable to the County and the Trustee, if any, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Other Available Funds" means, for any Fiscal Year, the amount of unencumbered funds on deposit or anticipated to he on deposit, as the case may be, on the first day of such Fiscal Year in the Coverage Fund and the Surplus Fund; provided, however, that for purposes of issuing Additional Bonds and demonstrating compliance with the rate covenant described below, the amount of such funds treated as "Other Available Funds" for any Fiscal Year shall not exceed 25% of Debt Service in that Fiscal Year.

"Outstanding" with respect to a Bond has the meaning set forth in the Resolution. The Resolution provides that any Bond shall no longer be deemed to be Outstanding under the Resolution:

(i) when the Bond has been canceled or surrendered for cancellation, or has been purchased by the Trustee from moneys held by it under the Resolution (other than at the option of the owner thereof prior to its maturity); or

(ii) when payment of the principal or the redemption price of the Bond, plus interest on the principal to the due date (whether at maturity or upon redemption or otherwise) or to the date set for payment in the case of an overdue Bond, either (a) has been made or (b) has been provided for by irrevocably setting aside in escrow with the Trustee, if any, or with another suitable bank or trust company for the purpose (1) moneys sufficient to pay the principal or redemption price and interest or (2) Permitted Investments (which for the purposes of this definition shall include only those obligations described in item (1) of the definition of Permitted Investments) maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal or redemption price and interest when required, and when all proper fees and expenses of the Trustee and Paying Agents pertaining to the Bond have been paid or provided for to the satisfaction of the Trustee and Paying Agents.

"Passenger Facility Charge" means the charge imposed at the Airport System pursuant to the Aviation Safety and Capacity Expansion Act of 1990, as amended or recreated from time to time, the Federal Aviation Regulations issued pursuant to said Act, as amended from time to time, and the Records of Decision of the Federal Aviation Administration relating to the Passenger Facility Charge, as amended or supplemented from time to time.

"Paying Agent" means the Trustee as to all the Bonds and, as to Bonds of a particular Series, the alternate Paying Agent or Agents (if any) designated for the payment of the principal of, premium, if any, and interest on the Series of Bonds in the Supplemental Resolution providing for their issuance.

"Permitted Investments" means any of the following, if and only to the extent that they are legal for the investment of funds of the County under Section 66.0603(lm) of the Wisconsin Statutes, as amended, recreated or renumbered from time to time:

(1) United States Treasury bills, bonds and notes or securities for which the full faith and credit of the United States are pledged for the payment of principal and interest (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) and securities which represent an undivided interest in such direct obligations;

(2) Obligations issued by the following United States government agencies which represent the full faith and credit of the United States: the Export-Import Bank, the Farm Credit Financial Assistance Corporation, the Farmers Home Administration, the General Services Administration, the U.S. Maritime Administration, the Small Business Administration, the Government National Mortgage Association, the U.S. Department of Housing and Urban Development (PHAs) and the Federal Housing Administration;

(3) Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation or senior debt obligations of other government-sponsored agencies, provided that such agencies are approved by each bond insurer then providing insurance for any Series of Bonds;

(4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association, including the Trustee, or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured at all times by collateral security described in clause (I) or (2) of this definition and in which the Trustee has a perfected security interest, and which collateral (a) is held by the Trustee or a third party agent, (b) is not subject to liens or claims of third parties, (c) has a market value determined as frequently and in an amount sufficient to satisfy the collateralization levels required by each of the Rating Agencies, and (d) is required to be liquidated due to a failure to maintain the requisite collateral level, provided that such repurchase agreement shall be acceptable to each bond insurer then providing insurance for any Series of Bonds;

(5) Bankers' acceptances which are issued by a commercial bank organized under the laws of any state of the United States or a national banking association, including the Trustee, eligible for purchase by the Federal Reserve System, which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P; provided, that such bankers' acceptances may not mature more than two hundred seventy (270) days after the date of purchase; and provided, further, that ratings on a holding company may not be considered the rating of such commercial bank;

(6) Commercial paper of "prime" quality which is rated at the time of purchase in the single highest classification "P-1" by Moody's and "A-1+" by S&P, issued by a corporation that is organized and operating within the United States, that has total assets in excess of $500,000,000 and that has an "A" or equivalent or higher rating for its long term debt as rated by Moody's and S&P at the time of purchase; provided that the commercial paper may not mature more than one hundred eighty (180) days after the date of purchase:

(7) A taxable or tax-exempt government money market portfolio restricted to obligations with maturities of one (I) year or less, and either issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America and rated at the time of purchase "AAAm" or "AAAm-G" or better by S&P;

(8) Any investment contract or other security meeting the requirements of Section 66.0603(Im) of the Wisconsin Statutes, as amended, recreated or renumbered from time to time;

(9) Any investment agreement approved in writing by each bond insurer then providing insurance for any Series of Bonds, such investment agreement to be supported by appropriate opinions of counsel; and

(10) Any other investment approved in writing by each bond insurer then providing insurance for any Series of Bonds.

"PFC Revenues" means the proceeds of the Passenger Facility Charge or any analogous charge or fee that may hereafter be levied with respect to the Airport System which are received and retained by the County and any investment earnings thereon.

"Project" means any additions, improvements and extensions to the Airport System, including the acquisition of land, equipment or other property for the Airport System.

"Project Costs" means all costs of carrying out a Project and, without limiting the generality of the foregoing, may include (i) all preliminary expenses. (ii) the cost of acquiring all property, franchises, casements and rights necessary or convenient for the Project, (iii) engineering and legal expenses. (iv) expenses for estimates of costs and revenues, (v) expenses for plans, specifications and surveys, (vi) other expenses incident or necessary to determining the feasibility or practicability of the enterprise, (vii) administrative expenses, (viii) construction costs, (ix) permitting and impact fees, (x) interest on the Bonds issued to finance construction of the Project during the estimated period of construction and for a reasonable period thereafter, and (xi) such other expenses as may be incurred in the financing of the Project or in carrying it out, placing it in operation (including the provision of working capital) and in the performance of things required or permitted by the Act in connection with the Project.

"Regulations" means the regulations of the United States Department of the Treasury issued under the Code, as amended.

"Reserve Account" means the Reserve Account created in the Special Redemption Fund by the Resolution.

"Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) maximum annual Debt Service on Outstanding Bonds during the then current or any future Fiscal Year, (b) 125% of the average annual Debt Service on Outstanding Bonds, or (c) 10% of the Principal Amount (as defined below) of all Outstanding Bonds upon original issuance thereof, but shall not in any event exceed the maximum amount permitted to be on deposit in the Reserve Account pursuant to the Code and Regulations. For purposes of this paragraph, "Principal Amount" shall mean the stated principal amount of the issue, except that with respect to an issue that has more than a de minimis amount (as defined in Section 1.148-I (b) of the Regulations) of original issue discount or premium, it shall mean the issue price of that issue (net of pre-issuance accrued interest.)

"Resolution" means the General Bond Resolution, as amended or supplemented from time to time by Supplemental Resolutions.

"Revenue Fund" means the Airport Revenue Fund created by the Resolution.

"Revenues" means all moneys received from any source by the Airport System or by the *County* with respect to the Airport System, including, without limitation, all rates, fees, charges, rents and other income derived from the ownership or operation of the Airport System, including investment earnings on the funds and accounts established in the Resolution to the extent provided therein. Revenues shall not include PFC Revenues, except to the extent PFC Revenues are specifically designated as included in Revenues as provided in the Resolution. Revenues shall also not include any Airport System fund balances on hand as of the date of adoption of the Resolution which represent overrecovery amounts to which the airlines have a claim pursuant to the Airlines Leases. Unless and to the extent otherwise provided by Supplemental Resolution, "Revenues" do not include (a) the proceeds of Bonds or other borrowings by the County. (b) the proceeds of grants and gifts for limited purposes or the proceeds of the disposition of property financed by such grants and gifts. (c) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance, (d) all income and revenue collected and received with respect to properties and facilities which are not included in the definition of Airport System, (e) Special Facility Revenues, or (f) PFC Revenues.

"S&P" means Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies, Inc., or any successor rating agency.

"Serial Bonds" means Bonds other than Term Bonds.

"Series" or "Series of Bonds" or "Bonds of a Series" means a series of Bonds authorized by the Resolution.

"Special Facility" shall mean any facility, structure, equipment or other property, real or personal, which is at the Airport System or a part of any facility or structure at the Airport System and which is designated as a Special Facility pursuant to the Resolution.

"Special Facility Bonds" shall mean any revenue bonds, notes, bond anticipation notes, commercial paper, certificates of participation in a lease agreement or other evidences of indebtedness for borrowed money issued by the County to finance a Special Facility, the principal of, premium, if any, and interest on which are payable from and secured by the Special Facility Revenues derived from such Special Facility, and not from or by Revenues.

"Special Facility Revenues" shall mean the revenues earned from or with respect to a Special Facility and which are designated as such by the County to the extent they are needed to pay debt service on Special Facility Bonds or to meet other requirements of a Special Facility Bond financing, including but not limited to contractual payments to the County under a loan agreement, lease agreement or other written agreement with respect to the Special Facility by and between the County and the person, firm, corporation or other entity, either public or private, as shall operate, occupy or otherwise use the Special Facility. Special Facility Revenues shall not include any ground rentals received by the County with respect to a Special Facility.

"Special Redemption Fund" means the Airport Revenue Bond Special Redemption Fund created by the Resolution.

"Supplemental Resolution" means a resolution adopted by the County under Article 2 providing for the issuance of Bonds, and shall also mean a resolution adopted by the County under Article 9 amending or supplementing the Resolution.

"Surplus Fund" means the Airport Revenue Bond Surplus Fund created by the Resolution. "Trustee" means the Trustee appointed pursuant to the Resolution and its successor or successors.

"Term Bonds" means Bonds which are subject to mandatory sinking fund redemption prior to maturity as specified in the Supplemental Resolution providing for their issuance. A Series of Bonds may include both Serial Bonds and Term Bonds and may include more than one set of Term Bonds, each of which has its own maturity date.

"Trustee" means the Trustee appointed pursuant to the Resolution and its successor or successors.

"Variable Rate Bonds" means Bonds issued under this Resolution, the interest rate on which is not established at a fixed or constant rate to maturity.

Pledge of Revenues

The Bonds are special obligations of the County. The principal of, premium, if any, and interest on the Bonds are payable solely from, and are secured equally and ratably by, a pledge of Net Revenues of the Airport System.

Creation of Funds; Flow of Funds

The Resolution creates the following funds and accounts:

- Revenue Fund
- PFC Revenue Account
- Operation and Maintenance Fund
- Special Redemption Fund

- Interest and Principal Account
- Reserve Account
- Capitalized Interest Account
- General Obligation Bond Fund
- Operation and Maintenance Reserve Fund
- Coverage Fund
- Capital Improvement Reserve Fund
- Surplus Fund

All of the funds, other than the Special Redemption Fund, will be held by the County. The Special Redemption Fund will be held by the Trustee.

Revenue Fund. Upon the issuance of the initial Series of Bonds the County shall deposit all of the Revenues into the Revenue Fund as promptly as practical after receipt (other than the Revenues expressly required or permitted by the Resolution to be credited to or deposited in any other account or fund). Within the Revenue Fund, the County shall create a "PFC Revenue Account" into which the County shall pay all PFC Revenues. However, such PFC Revenues shall be applied to pay debt service on Bonds only to the extent that such PFC Revenues are specifically pledged to payment of Bonds and are allocable to projects financed through the issuance of Bonds. Any remaining PFC Revenues shall be applied to pay the costs of PFC approved projects in accordance with applicable federal regulations.

The County shall transfer funds from the Revenue Fund into the following funds in the following order of priority, in accordance with the Resolution:

(1) Operation and Maintenance Fund. Revenues shall first be used to pay Operation and Maintenance Expenses. There shall be charged against the Revenue Fund, and credited to the Operation and Maintenance Fund, a sum sufficient to provide for payment of the Operation and Maintenance Expenses of the Airport System as they are incurred.

(2) Special Redemption Fund. There has been created a Special Redemption Fund, which will be held by the Trustee to pay debt service on the Bonds.

(a) Interest and Principal Account. Within the Special Redemption Fund a separate account has been created known as the "Interest and Principal Account," which shall be used to pay the interest on, and principal and redemption price of, the Bonds. No later than the tenth day of each calendar month, there shall be paid from the Revenue Fund into the Interest and Principal Account the amount necessary to pay the interest next coming due on the Outstanding Bonds, less amounts already on deposit therein and available for such purpose, divided by the number of months remaining to such interest payment date, and the amount necessary to pay the principal next coming due on the Outstanding Bonds, whether such principal is being paid at maturity or upon mandatory redemption, less amounts already on deposit therein and available for such purpose, divided by the number of months remaining to such payment date.

(b) Reserve Account. Within the Special Redemption Fund there has also been created a separate account titled the "Reserve Account." The purpose of the Reserve Account is to provide a reserve for the payment of the principal or redemption price of and interest on the Bonds. There shall be deposited from the proceeds of each Series of Bonds into the Reserve Account the amount necessary so that there will be on deposit in the Reserve Account immediately after their issuance an amount equal to the Reserve Requirement. The Reserve Requirement may also be satisfied by crediting to the Reserve Account a surety bond or other credit facility in lieu of the deposit of cash, as discussed in more detail below.

Unless there is adequate provision made through the Airline Leases to permit the County to charge the airlines for principal due on the Bonds as such, the County, as part of the annual budget required pursuant to the Resolution, shall determine whether the depreciation charges to the airlines for that Fiscal Year under the Airline Leases (the "Depreciation Charges") will equal or exceed the principal to come due (whether at maturity or by mandatory redemption) on all Outstanding Bonds in that Fiscal Year (the "Principal"). If Depreciation Charges do not equal or exceed such Principal, the County shall immediately notify the Trustee of the projected shortfall, and the Trustee shall, on the first day of the Fiscal Year, transfer an amount equal to the projected shortfall from the Reserve Account to the Interest and Principal Account to make up the projected shortfall. The resulting deficiency in the Reserve Account shall be replenished from the Revenue Fund within 12 months as provided in the Resolution. The amount necessary to make such replenishment shall be included in the annual budget for that Fiscal Year.

(c) Capitalized Interest Account. Within the Special Redemption Fund there has also been created a separate account titled the "Capitalized Interest Account." Amounts on deposit in the Capitalized Interest Account shall be used to pay capitalized interest on Bonds. Upon the issuance of each Series of Bonds, there shall be deposited into the Capitalized Interest Account the amount of proceeds of the Bonds, if any, designated for that purpose in the Supplemental Resolution authorizing the issuance of such Series of Bonds. Such amounts shall be transferred to the Interest and Principal Account on the first day of the Fiscal Year in which the interest on such Series of Bonds is due.

(3) General Obligation Bond Fund. There has been created a special fund known as the "Airport General Obligation Bond Fund." Moneys in the General Obligation Bond Fund shall be used to pay debt service on general obligation bonds or promissory notes of the County issued for Airport System purposes and to reimburse the County for such debt service payments for which it has not previously been reimbursed. On or before the tenth day of each month but in no event prior to making the required deposit to the Special Redemption Fund, the County shall pay from the Revenue Fund into the General Obligation Bond Fund an amount so that sufficient amounts will be available, together with other available funds, to provide for the timely payment of debt service on all of the County's general obligation bonds or promissory notes heretofore and hereafter issued for Airport System purposes and for the reimbursement of the County for such payments which it has previously made and for which it has not yet been reimbursed.

(4) Operation and Maintenance Reserve Fund. There has been created a special fund known as the "Airport Revenue Bond Operation and Maintenance Reserve Fund." On or before the tenth day of each month but in no event prior to making the required deposit to the Special Redemption Fund, the County shall pay from the Revenue Fund to the Operation and Maintenance Reserve Fund an amount equal to the lesser of (i) one-twelfth of the Operation and Maintenance Reserve Fund Requirement (defined as one-sixth of annual Operation and Maintenance Expenses) or (ii) the amount necessary so that the balance in the fund is not less than the Operation and Maintenance Reserve Fund Requirement.

Moneys in the Operation and Maintenance Reserve Fund may be transferred to the Operation and Maintenance Fund to pay Operation and Maintenance Expenses, or to the Interest and Principal Account to make up any deficiency in the amount needed to pay principal, redemption price or interest on the Bonds.

(5) Coverage Fund. There has been created a special fund known as the "Coverage Fund." The Coverage Fund shall be funded in an amount equal to 25% of the annual Debt Service on all Outstanding Bonds for which a deposit in the Coverage Fund is required by the Supplemental Resolution (the "Coverage Fund Requirement"). Upon the issuance of any Series of Bonds or Additional Bonds for which a deposit in the Coverage Fund is required by the Supplemental Resolution, either (a) an amount necessary to satisfy the Coverage Fund Requirement (calculated by taking into account the Debt Service on the Bonds being issued) shall be deposited in the Coverage Fund at the time of the issuance of such Bonds or (b) the County shall covenant, in the Supplemental Resolution authorizing the Bonds, to deposit monthly on the tenth day of each month, commencing with the first month after the issuance of the Bonds and continuing until the Coverage Fund Requirement is on deposit in the Coverage Fund, an amount equal to one-thirty-sixth of the difference between the Coverage Fund Requirement upon the issuance of the Bonds and the amount on deposit in the Coverage Fund on the date of issuance of the Bonds.

Amounts on deposit in the Coverage Fund may be transferred to the Operation and Maintenance Fund to make up any deficiency in that Fund or to the Interest and Principal Account in the event of a deficiency in that Account.

If the amount in the Coverage Fund is less than the Coverage Fund Requirement (or such lesser amount which is required to be on deposit therein as provided in the Resolution on January 1 of any year, the County shall forthwith make up the deficiency from the Revenue Fund by making monthly deposits on or before the tenth day of each month thereafter, but in no event prior to making the required deposits to the funds set forth above, and continuing until the Coverage Fund Requirement is on deposit in the Coverage Fund, in an amount equal to one-twelfth of the deficiency. If the amount in the Coverage Fund is greater than the Coverage Fund Requirement on January 1 of any year, the excess shall be dealt with in the manner provided for earnings from the investment of the Coverage Fund.

If there is adequate provision made through the Airlines Leases to permit the County to charge the airlines an amount so that Net Revenues (without counting Other Available Funds) are sufficient to comply with the rate covenants discussed below, then the Coverage Fund may be dissolved and discontinued and funds therein shall be dealt with in the manner provided for earnings from the investment of the Coverage Fund.

(6) Capital Improvement Reserve Fund. There has been created a special fund known as the "Capital Improvement Reserve Fund. On or before the tenth day of each month, but in no event prior to making the required deposit to the Special Redemption Fund, there shall be deposited into the Capital Improvement Reserve Fund an amount equal to the depreciation payments received pursuant to the Airline Leases less the amounts deposited to the Interest and Principal Account of the Special Redemption Fund and the General Obligation Bond Fund representing principal of Bonds or general obligation bonds or promissory notes of the County. In addition, there shall be deposited into the Capital Improvement Reserve Fund from the Revenue Fund, on or before the 10th day of each month, but in no event prior to making the required deposits to the funds set forth above, any amounts required by a resolution authorizing the issuance of subordinate airport revenue obligations. Moneys in the Capital Improvement Reserve Fund shall be used to finance capital projects at the Airport System in accordance with the terms of the Airline Leases or to pay debt service on subordinate airport revenue bonds.

(7) Surplus Fund. There has been created a special fund known as the "Airport Revenue Bond Surplus Fund." Moneys in the Surplus Fund shall first be used when necessary to meet requirements of the Operation and Maintenance Fund, the Special Redemption Fund, including the Reserve Account, the General Obligation Bond Fund, the Operation and Maintenance Reserve Fund and the Capital Improvement Reserve Fund and the Coverage Fund. Any money remaining in the Surplus Fund at the end of any Fiscal Year may be used only as permitted and in the order specified in Section 66.069(1)(c) of the Wisconsin Statutes and provided further that such money may only be used for Airport System purposes.

Construction Fund. There has also been created a special fund known as the "Construction Fund." Moneys in the Construction Fund shall be applied to the payment of the Project Costs of the respective Projects for which the Bonds are issued, or, to the extent they represent funds borrowed to pay capitalized interest on Bonds, shall be transferred to the Interest and Principal Account on the first day of the Fiscal Year that they will be needed for that purpose.

Investment of Funds. The Resolution provides that, except as otherwise provided therein, all income from the investment of any fund or account established under the Resolution (including net profit from the sale of any investment) shall be retained in that fund or account until such fund or account is fully funded in accordance with the terms of the Resolution, and, thereafter, shall be treated as Revenue and deposited in the Revenue Fund, except that all income from the investment of the Reserve Account, when the Reserve Requirement is on deposit therein shall be transferred to the Interest and Principal Account and used for the purposes thereof For the period until the date of substantial completion of a Project financed by Bonds (or until the Project is discontinued) income accruing from investment of the proceeds of Bonds issued to finance or refinance the Project which have been deposited in the Capitalized Interest Account, the Construction Fund or the Reserve Account, including income on the income, shall when received be deposited in the Construction Fund, or, if so directed by the County, in the Interest and Principal Account, or as otherwise provided by the Supplemental Resolution under which the Bonds are issued for the Project. Any loss from investment of a fund or account shall be charged to the fund or account but, unless otherwise made up, shall be set off against income from investment of the fund or account which would otherwise be deposited in another fund or account.

Reserve Account

As discussed above, the Resolution establishes a Reserve Account into which the County must deposit and maintain the Reserve Requirement. The moneys on deposit in the Reserve Account shall be used and applied to pay principal, redemption premium, and interest on the Bonds due and owing when a deficiency exists in the amounts on deposit for such purpose in the Interest and Principal Account of the Special Redemption Fund. Investments in the Reserve Account are valued at the market value thereof unless the Trustee determines that a lower valuation is necessary by reason of uncertainty of payment thereof or anticipated loss on sale prior to maturity.

In lieu of the deposit of moneys in the Reserve Account, or in substitution of moneys previously deposited therein, the County at any time may cause to be so credited a letter or line of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security and/or liquidity in respect of Bonds (a "Credit Facility") for the benefit of the Bondholders equal to the difference between the Reserve Requirement and all other amounts then on deposit (or, in the case of substitution of moneys previously on deposit therein, the amount remaining on deposit) in the Reserve Account. Any funds in the Reserve Account that are subsequently replaced by a Credit Facility will be transferred to the Interest and Principal Account or the Construction Fund, as the County directs, provided that the County may transfer such funds to any other fund or account under the

Resolution upon receipt of an Opinion of Bond Counsel to the effect that such transfer will not adversely affect the tax-exempt nature of the interest on any Series of Outstanding Bonds. The Credit Facility shall be payable on any date on which moneys will be required to be withdrawn from the Reserve Account and applied to the payment of the principal or redemption price of or interest on any Bonds of such Series when such withdrawals cannot be made by amounts credited to the Reserve Account.

Additional Bonds

The Resolution permits the issuance of one or more additional Series of Bonds on a parity with Outstanding Bonds ("Additional Bonds") upon certain conditions. Any such series of Additional Bonds may be issued only upon the filing of the following with the Trustee:

(1)(a) A certificate of the County that to the best of the knowledge and belief of the Authorized Officer executing the Certificate, no Event of Default exists, and (b) a certificate of the Trustee that there is no Event of Default of which it has actual knowledge;

(2) A certificate of the County, executed on its behalf by an Authorized Officer, setting forth (i) the Net Revenues for the last audited Fiscal Year and (ii) the maximum Debt Service (including, without duplication, related Credit Facility Obligations) on all Outstanding Bonds and the Bonds to be issued in any Fiscal Year; and demonstrating that such Net Revenues, together with Other Available Funds, equal an amount not less than 125% *of* such Debt Service (including, without duplication, related Credit Facility Obligations); or, alternatively, a certificate prepared and signed by an Airport Consultant, setting forth for each of the three Fiscal Years commencing with the Fiscal Year following that in which the Projects financed by such Additional Bonds are estimated to be completed, the projected Net Revenues, the projected Other Available Funds, and the maximum Debt Service on all Outstanding Bonds and the Additional Bonds to be issued in any Fiscal Year; and demonstrating that for each such Fiscal Year the projected Net Revenues, together with the projected Other Available Funds, will be in an amount not less than 125% of such Debt Service (including, without duplication, related Credit Facility Obligations).

(3) A certified copy of the Supplemental Resolution providing for the issuance of the Additional Bonds: and

(4) An Opinion of Bond Counsel that the conditions precedent to the issuance of the Additional Bonds have been satisfied.

The certificates required by subparagraph (2) above shall not be required in connection with the issuance of Additional Bonds to pay costs of completing a Project for which Bonds have been previously issued; provided that the principal amount of such Additional Bonds issued under this paragraph shall not exceed 15% of the original principal amount of the Bonds previously issued for such Project; and provided further that Additional Bonds shall not be issued under this paragraph unless there has been filed with the Trustee a certificate of the Consulting Engineer (i) stating that the Project has not materially changed from its description in the Supplemental Resolution authorizing the Bonds initially issued to pay the Project Costs of the Project, (ii) estimating the revised aggregate Project Costs of the Project, (iii) stating that the revised aggregate Project Costs of such Project cannot be paid in full with moneys available for such Project in the Construction Fund, and (iv) stating that the issuance of the Additional Bonds is necessary to provide funds for the completion of the Project.

The certificates required by subparagraph (2) above shall not be required in connection with the issuance of Bonds to refund Bonds, provided that the average annual Debt Service on the refunding Bonds shall not be greater than the average annual Debt Service on the Bonds being refunded, but such certificates shall be required in the case of Bonds issued to refund obligations other than Bonds (including the issuance of Bonds to retire notes issued in anticipation of Bonds) as if the Bonds were being issued for the Projects financed by the refunded obligations.

In the Resolution, the County covenants that, until there is adequate provision made through the Airline Leases to permit the County to charge the airlines for principal due on Bonds as such, all Bonds issued under the Resolution will have amortization schedules such that in each Fiscal Year the scheduled depreciation on then existing Airport System facilities plus the scheduled depreciation on any new Airport System Projects then being financed with Bonds will equal or exceed the amount of principal of Bonds falling due in such Fiscal Year.

<u>Issuance of Subordinate Securities and Special Facility Bonds</u>

The Resolution provides that the County may issue subordinate lien securities for the purpose of the Airport System payable from the Revenues deposited in the Capital Improvement Reserve Fund.

The Resolution also includes provisions under which the County may issue Special Facility Bonds for the purpose of constructing a Special Facility at the Airport. A Special Facility is any facility, structure, equipment or other property, real or personal, which is at the Airport or a part of any facility or structure at the Airport and which is designated as a Special Facility by Supplemental Resolution. Such Supplemental Resolution shall provide that revenues earned by the County from or with respect to such Special Facility shall constitute Special Facility Revenues and shall not be included as Revenue. Any such Special Facility Bonds are required to be payable solely from Special Facility Revenue and will not be a charge or claim against the Revenue Fund or any other fund or account designated in the Resolution.

No Special Facility Bonds shall be issued by the County unless there shall have been filed with the Trustee a certificate of an Airport Consultant to the effect that:

(i) The estimated Special Facility Revenues with respect to the proposed Special Facility shall be at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions), premium of and interest on such Special Facility Bonds as and when the same shall become due, all costs of operating and maintaining such Special Facility not paid by a party other than the County, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same shall become due; and

(ii) The estimated Net Revenues calculated without including the Special Facility Revenues and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses will be sufficient so that the County will be in compliance with its rate covenant during each of the five Fiscal Years immediately following the issuance of such Special Facility Bonds.

<u>Covenants of the County</u>

<u>Rate Covenant.</u> The County has covenanted in the Resolution to impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and to revise the same from time to time when necessary, and collect the income, rents, receipts and other moneys derived therefrom, so that in each Fiscal Year the Revenues will be at all times at least sufficient to provide for the payment of all amounts necessary to make the required deposits in such Fiscal Year under the Resolution.

In addition, the County is required to establish and collect rates, rentals, fees and charges sufficient so that in each Fiscal Year the aggregate of the Revenues after deducting for such year the aggregate of the Operation and Maintenance Expenses ("Net Revenues"), together with Other Available Funds (defined as the amount of unencumbered funds on deposit on the first day of the fiscal year in the Coverage Fund and the Surplus Fund in an amount up to 25% of Debt Service in the Fiscal Year), will be at least equal to 125% of Debt Service on all Bonds Outstanding including, without duplication, any repayment or other obligations incurred by the County in respect of draws or other payments or disbursements made under a Credit Facility, but only if such obligations have a lien on Revenues on the same priority as the lien thereof. PFC Revenues are treated as Revenues under the rate covenant only to the extent they are actually applied during the Fiscal Year to pay debt service on Bonds issued to finance or refinance Projects to which the PFC Revenues relate.

The failure to comply with the rate covenant, in the immediately preceding paragraph, does not constitute a default by the County under the Resolution if (i) the County promptly (a) causes an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fee and charges for the Airport System in order to provide funds for all the payments and other requirements described in the first paragraph above; (b) considers the recommendations of the Airport Consultant: and (c) takes such action as the County, in its discretion, deems necessary to comply with the rate covenant described in the immediately preceding paragraph, and (ii) in the following Fiscal Year, Net Revenues, together with Other Available Funds, are at least sufficient to meet the rate covenant described in the immediately preceding paragraph.

Annual Budget. At least sixty (60) days before the beginning of each Fiscal Year the County shall file a preliminary, annual Airport System operating budget with the Trustee. At least one (I) day before the beginning of each Fiscal Year the County shall adopt the annual Airport System operating budget and shall file a summary of such budget with the Trustee. As soon as such budget is published, but in no event later than February 1 of the year to which it relates, the County shall file a copy of such budget with the Trustee. The County may at any time adopt and file with the Trustee an amended or supplemental operating budget for the Fiscal Year then in progress. The budget shall show projected Operation and Maintenance Expenses, Debt Service and other payments from the Revenue Fund and the Revenues to be available to pay the same. The County shall not incur aggregate Operation and Maintenance Expenses in any Fiscal Year in excess of the aggregate amount shown in the annual budget as amended and supplemented except in case of emergency and shall promptly file a written report of any such excess expenditure with the Trustee.

Operation Maintenance and Improvement of the Airport System. The County will maintain, preserve, keep and operate or cause to be maintained, preserved, kept and operated, the properties constituting the Airport System (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good and efficient repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character. The County will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to said properties, and construct additions and improvements thereto and extensions and betterments thereof which are economically sound, so that at all times the business carried on in connection therewith shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost.

Insurance. The County shall carry insurance with generally recognized responsible insurers with policies payable to the County against risks, accidents, or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport System; provided that the County may be self-insured against such risks, accidents or casualties to the extent appropriate to governmental procedure and policy. In the event of loss or damage to property covered by the insurance, the County shall promptly repair, replace or reconstruct the damaged or lost property to the extent necessary for the proper conduct of its operations and shall apply the proceeds of the insurance for that purpose to the extent needed; provided that no such repair, replacement or construction shall be required if the County files a certificate with the Trustee signed by an Authorized Officer to the effect that repair, replacement or reconstruction of the damaged or destroyed property is not in the best interest of the County and that failure to repair, replace or reconstruct the damaged or destroyed property will not cause Revenues in any future Fiscal Year of the County to be less than an amount sufficient to enable the County to comply with all covenants and conditions of this Resolution or impair the security or the payment of the Bonds. If the County elects to undertake the repair, replacement or reconstruction of the damaged or destroyed property and such proceeds of the aforesaid insurance are insufficient for such purpose, the amount of such insufficiency may be satisfied from moneys available within the Surplus Fund for any lawful purpose of the County. Any excess proceeds from property insurance shall be deposited in the Interest and Principal Account or, if the County receives an Opinion of Bond Counsel to the effect that the proposed use of such proceeds will not adversely affect the tax-exempt status of any Outstanding Bonds issued hereunder, in any other fund or account hereunder as directed by the County.

Within sixty (60) days after the close of each Fiscal Year, the County shall file with the Trustee a certificate describing the insurance then in effect.

Not to Encumber or Dispose of the Revenues or Properties of the Airport System. Except as set forth below, the County shall not sell, mortgage, lease or otherwise dispose of or encumber the Revenues or any properties of the Airport System.

(A) The County may sell, lease, or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport System the disposal of which will not impede or prevent the use of the Airport System or its facilities for the conduct of air transportation or air commerce and which in the reasonable judgment of the County has become unserviceable, unsafe or no longer necessary in the operation of the Airport System or which is to be or has been replaced by other property of substantially equal revenue-producing capability and of substantially equal utility for the conduct of air transportation or air commerce. Proceeds of a sale, lease or other disposition pursuant to this paragraph shall be applied as determined by the County; provided, however, that to the extent that the original construction or acquisition of such properties or facilities was financed from moneys derived from grants or passenger facility charges, then such proceeds shall be deposited in a manner consistent with the conditions agreed to by the County with any governmental authority, or imposed on the County by law or any governmental authority, in obtaining such grants or passenger facility charges.

(B) The County may execute leases, licenses, easements and other agreements of or pertaining to properties constituting the Airport System in connection with the operation of the Airport System in the normal and customary course of business thereof, according to the County's policy regarding rates, rentals, fees and charges of the Airport System, which rates, rentals, fees and charges shall be part of Revenues and which properties shall remain part of the Airport System, but any such leasing shall not be inconsistent with the provisions of the Resolution, and no lease shall be entered into by which the security of and payment for the Bonds might be impaired or diminished. The County may enter into leases, licenses, easements and other agreements in connection with Special Facilities pursuant to and in accordance with the provisions of the Resolution.

(C) If any portion of the properties of the Airport System is taken by eminent domain, any moneys received by the County as a result shall be deposited in the Interest and Principal Account, Construction Fund or Capital Improvement Reserve Fund, as the County shall determine.

(D) The County may apply the Revenues as provided in the Resolution, may encumber the Revenues for the benefit of the Bondowners to the extent and in the manner provided in the Resolution and may otherwise encumber the Revenues to the extent and in the manner provided in the Resolution.

<u>Other Leases and Contracts.</u> The County shall perform all contractual obligations undertaken by it under leases or agreements pertaining to or respecting the Airport System and shall enforce its rights thereunder. The County shall not enter into any contract or lease pertaining to the Airport System by which the rights, payment or security of the Bonds might be impaired or diminished.

<u>Books of Account; Annual Audit.</u> The County shall keep proper books and accounts relating to the Airport System and shall cause such books and accounts to be audited annually by a recognized independent firm of certified public accountants, and within one hundred eighty (180) days after the end of each Fiscal Year, the County shall file such audited financial statement with the Trustee. In addition to other matters required by law or sound accounting or auditing practice, the financial statement shall cover the transactions in the funds and accounts held by the Trustee or County under the Resolution. The report of the auditor shall state whether there has come to the attention of the auditor in the course of its examination any default by the County with respect to the Resolution or the Bonds and, if so, the nature of the default.

<u>Payment of Taxes and Other Claims.</u> The County shall make timely payments of all taxes, assessments and other governmental charges lawfully imposed upon the properties constituting the Airport System or upon the Revenues, as well as all lawful claims for labor, materials and supplies which, if not paid, might become a lien or charge upon any part of the Airport System, or upon any of the Revenues, or could impair the security of the Bonds; but the failure to do so will not be considered a violation of this Section so long as the County is in good faith contesting the validity of the tax, assessment, charge or claim.

<u>Government Approval.</u> The County will perform any construction, reconstructions, and restorations of, improvements, betterments and extensions to, and equipping and furnishing of, and will operate and maintain the Airport System at standards required in order that the same may be approved by the proper and competent Federal government authority or authorities for the landing and taking off of aircraft, and as a terminal point of the County for the receipt and dispatch of passengers, property and mail by aircraft.

<u>Compliance With Terms of Grant-in-aid; Application Thereof:</u> The County shall comply with the requirements of the federal government with respect to grants -in-aid accepted by the County.

<u>To Carry Out Projects.</u> The County will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, improvement, betterment, extension, addition, reconstruction, restoration, equipping and furnishing of any properties certain costs of which are to be paid from the proceeds of Bonds or from any other moneys held hereunder. Notwithstanding the foregoing, the County may discontinue a Project by written notice to the Trustee, with a certificate of the Airport Consultant stating that, by reason of change in circumstance not

reasonably expected at the time of the issuance of the Bonds, completion of the Project (or work) is no longer consistent with custom in the airport industry or is no longer necessary for the proper operation of the Airport System. The moneys for the Project in the Construction Fund not needed to pay Project Costs of the Project (as determined by a certificate of the Airport Consultant) shall be deposited in the Interest and Principal Account and used to pay debt service on Bonds.

Compliance with Applicable Law. The County shall comply with all applicable federal, state and local law in the operation and administration of the Airport System.

Events of Default and Remedies

Events of Default. There shall be an "Event of Default" if any of the following occurs:

(1) If there is a default in the payment of the principal of or redemption premium, if any, on any of the Bonds when due, whether at maturity or by proceedings for redemption or otherwise.

(2) If there is a default in the payment of any interest on any Bond, when due.

(3) If the County defaults in the performance of any other covenant or agreement contained in the Resolution and the default continues for thirty (30) days after written notice to the County by the Trustee, or to the County and the Trustee by the holders of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds, provided that if the default is one that can be remedied but cannot be remedied within that thirty day period, the Trustee may grant an extension of the thirty day period if the County institutes corrective action within that thirty day period and diligently pursues that action until the default is remedied.

(4) If an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the County or the whole or any substantial part of the Airport System, (b) granting relief in involuntary proceedings with respect to the County under the federal Bankruptcy Code, or (c) assuming custody or control of the County or of the whole or any substantial part of the Airport System under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of the entry of the order, judgment or decree.

(5) If the County (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of the Airport System, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the County or of the whole or any substantial part of the Airport System.

Inspection of Records. If an Event of Default happens and has not been remedied, the books of record and account of the County relating to the Airport System shall at all times be subject to the inspection and use of the Trustee, the Owners of at least five per cent (5%) in principal amount of the Outstanding Bonds and their agents and attorneys.

Payment of Funds to Trustee; Application of Funds. If an Event of Default happens and has not been remedied, the County upon demand of the Trustee shall pay over and transfer to the Trustee (i) all funds and investments then held by the County in the funds and accounts held by it under the Resolution and (ii) as promptly as practicable all other or subsequent Revenues.

After a transfer of a fund or account under this paragraph, the Trustee shall administer the fund or account until all Events of Default have been cured.

If at any time the available funds are insufficient for the payment of the principal or redemption price and interest then due on the Bonds, the following funds and accounts (other than funds held in trust for the payment or redemption of particular Bonds) shall be used in the order named:

Interest and Principal Account
Capitalized Interest Account
Reserve Account
Surplus Fund
Capital Improvement Reserve Fund
Operation and Maintenance Reserve Fund
Coverage Fund
General Obligation Bond Fund
Construction Fund

and the County shall promptly restore from the Revenue Fund any amount taken for this purpose from any fund or account other than the Interest and Principal Account. The moneys shall be applied in the following order of priority:

First, to the payment of all unpaid interest on Bonds then due (including any interest on overdue principal and, to the extent permitted by law, interest on overdue interest at the same rate) in the order in which the same became due, and, if the amount available is sufficient to pay the unpaid interest which became due on any date in part but not in full, then to the payment of that interest ratably; and

Second, to the payment ratably of the unpaid principal or redemption price of Bonds then due.

Whenever moneys are to be so applied, they shall be applied by the Trustee at such times as it shall determine, having due regard to the amount available and the likelihood of additional moneys becoming available. The Trustee shall use an interest payment date as the date of payment unless it deems another date more suitable. On the date fixed for payment interest shall cease to accrue on the amounts of principal and interest to be paid on that date to the extent that the necessary moneys have been made available for payment. The Trustee shall give such notice of the date as it may deem appropriate and shall not be required to make payment to the Owner of any Bond unless the Bond is presented for appropriate endorsement.

Interest on overdue principal and interest (to the extent permitted by law) shall accrue and be payable daily but, for the purpose of applying the order of priority prescribed by this Section (and of calculating interest on interest), it shall be treated as if it became due on the regular interest payment dates.

Suits at Law or in Equity. (A) As provided in the Act, any Owner or Owners of the Bonds and the Trustee shall have the right in addition to all other rights:

(1) By mandamus or other suit, action or proceedings in any court of competent jurisdiction, to enforce their rights against the County, the County Board of Supervisors and any other proper officer, agent or employee of any of them, including the right to require the County, the County Board of Supervisors and any proper officer, agent or employee of any of them, to fix and collect rates, rentals, fees and charges adequate to carry out any agreement made in the Resolution as to rates, rentals, fees and charges, or to carry out the pledge of Revenues made by the Resolution, and to require the County, the County Board of Supervisors and any officer, agent or employee of any of them to carry out any other covenants or agreements made in the Resolution or in the Bonds and to perform their duties under the Act; and

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of the Owner or Owners of the Bonds under the Resolution or any Supplemental Resolution.

(B) As authorized by the Act, the County confers upon the Owners of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds and upon the Trustee the right in case of an Event of Default:

(1) By suit, action or proceedings in any court of competent jurisdiction to obtain the appointment of a receiver of the whole or any part or parts of the Airport System. If a receiver is appointed he may enter and take possession of the same, operate and maintain it, and collect and receive all Revenues arising from it in

the same manner as the County itself might do and shall deposit the Revenues in a separate account or accounts and apply the same in accordance with the obligations of the County.

(2) By suit, action or proceeding in any court of competent jurisdiction to require the County to account as if it were the trustee of an express trust.

(C) All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds and without producing them at the trial or other proceedings.

(D) The Owners of not less than a majority in principal amount of the Outstanding Bonds may direct the time, method and place of conducting any remedial proceeding available to the Trustee, provided that the Trustee is provided with adequate security and indemnity and shall have the right to decline to follow the direction (i) if the Trustee is advised by counsel that the action or proceeding may not lawfully be taken or (ii) if the Trustee determines in good faith that the action or proceeding would involve the Trustee in personal liability or that the action or proceeding would be unjustly prejudicial to the owners of Bonds not parties to the direction.

Remedies Not Exclusive. No remedy conferred by the Resolution upon the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or provided at law or in equity or by statute.

Waivers of Default. No delay or omission of the Trustee or of any Owner of Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or be construed to be a waiver of the Event of Default.

The Owners of Bonds with an aggregate principal amount in excess of fifty percent (50%) in principal amount of the Outstanding Bonds may on behalf of the Owners of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of the principal or redemption price of and interest on any of the Bonds. No such waiver shall extend to any subsequent or other default.

Notice of Events of Default. Within sixty (60) days after the occurrence of an Event of Default becomes known to the Trustee, the Trustee shall mail notice of the Event of Default to the Bondowners, unless the Event of Default has been cured before the giving of the notice; provided that the Trustee shall give the notice as promptly as the interests of the Bondowners appear to require and shall be protected in withholding notice if the board of directors, the executive committee, or a trust committee of the Trustee determines in good faith that the withholding of the notice is in the interests of the Bondowners.

Amendments and Supplements

Without Consent of Bondowners. The County may from time to time, without the consent of any Bondowner, adopt Supplemental Resolutions, (i) to provide for the issuance of Additional Bonds pursuant to the Resolution; (ii) to make changes in the Resolution which may be required to permit the Resolution to be qualified under the Trust Indenture Act of 1939, as amended; and (iii) for any one or more of the following purposes:

1. To cure or correct any ambiguity, defect or inconsistency in the Resolution;

2. To add additional covenants and agreements of the County for the purpose of further securing the payment of the Bonds;

3. To limit or surrender any right, power or privilege reserved to or conferred upon the County by the Resolution;

4. To confirm any lien or pledge created or intended to be created by the Resolution;

5. To confer upon the Owners of the Bonds additional rights or remedies or to confer upon the Trustee for the benefit of the Owners of the Bonds additional rights, duties, remedies or powers;

6. To make any other change in the Resolution which does not, in the opinion of the Trustee, have a material adverse impact on the interests of the Owners of the Bonds; and

7. To modify the Resolution in any other respect; provided that the modification shall not be effective until after the Outstanding Bonds cease to be Outstanding, or until the Bondowners consent pursuant to the Resolution.

The written concurrence of the Trustee shall be required for any Supplemental Resolution described in (ii) or (iii) above.

<u>With Consent of Bondowners.</u> With the written concurrence of the Trustee and the consent of the Owners of Bonds with an aggregate principal amount in excess of fifty percent (50%) in principal amount of the Outstanding Bonds, the County may from time to time adopt Supplemental Resolutions for the purpose of making other changes in the Resolution; provided, however, that, without the consent of the Owner of each Bond which would be affected, no Supplemental Resolution shall (1) change the maturity date for the payment of the principal of any Bond or the dates for the payment of interest on the Bond or the terms of the redemption of the Bond, or reduce the principal amount of any Bond or the rate of interest on the Bond or the redemption price, (2) reduce the percentage of consents required under this proviso for a Supplemental Resolution, or (3) give to any Bond any preference over any other Bond; and provided further that, without the consent of the Owners of Bonds with an aggregate principal amount in excess of fifty percent (50%) in principal amount of the Outstanding Term Bonds of each Series and maturity which would be affected, no Supplemental Resolution shall (a) change the amount of any sinking fund installments for the retirement of Term Bonds or the due dates of the installments or the terms for the purchase or redemption of Bonds from the installments, or (b) reduce the percentage of consents required under this proviso for a Supplemental Resolution.

It shall not be necessary that the consents of the Owners of the Bonds approve the particular wording of the proposed Supplemental Resolution if the consents approve the substance. After the Owners of the required percentage of Bonds have filed their consents with the Trustee, the Trustee shall mail notice to the Bondowners in the manner provided in the Resolution. No action or proceeding to invalidate the Supplemental Resolution or any of the proceedings for its adoption shall be instituted or maintained unless it is commenced within sixty (60) days after the mailing of the notice. The validity of a Supplemental Resolution shall not be affected by any failure to give notice by mail or by any defect in the mailed notice.

<u>Defeasance</u>

<u>Discharge of Pledge: Bonds No Longer Deemed Outstanding.</u> The obligations of the County under the Resolution and the pledge, covenants and agreements of the County made in the Resolution shall be discharged and satisfied as to any Bond and the Bond shall no longer be deemed to be Outstanding under the Resolution:

(i) when the Bond has been canceled or surrendered for cancellation, or has been purchased by the Trustee from moneys held by it under the Resolution (other than at the option of the Owner prior to the scheduled maturity date); or

(ii) when payment of the principal or the redemption price of the Bond, plus interest on the principal to the due date (whether at maturity or upon redemption or otherwise) or to the date set for payment in the case of an overdue Bond, either (a) has been made or (b) has been provided for by irrevocably setting aside in escrow with the Trustee, if any, or with another suitable bank or trust company for the purpose (1) moneys sufficient to pay the principal or redemption price and interest or (2) Permitted Investments (which for the purposes of this Section shall include only those obligations described in item (1) of the definition thereof) maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal or redemption price and interest when required, and when all proper fees and expenses of the Trustee and Paying Agents pertaining to the Bond have been paid or provided for to the satisfaction of the Trustee and Paying Agents.

When a Bond is deemed to be no longer Outstanding under the Resolution pursuant to clause (i) or (ii)(a) above or, if the Bond has become due, pursuant to clause (ii)(b), it shall cease to draw interest. When a Bond is deemed to be no longer Outstanding under the Resolution pursuant to either clause (i) or clause (ii) above, it shall no longer be secured by the Resolution except for the purpose of payment from the moneys or Permitted Investments set aside for its payment pursuant to clause (ii)(b).

Notwithstanding the foregoing, in the case of Bonds which are to be redeemed prior to their stated maturities, no deposit under clause (ii)(b) above shall operate as a discharge and satisfaction until the Bonds have been irrevocably called or designated for redemption and proper notice of the redemption has been given or provision satisfactory to the Trustee has been irrevocably made for giving the notice.

Any moneys deposited with the Trustee as provided in this Section may be invested and reinvested in Permitted Investments of the types described earlier in this Section maturing in the amounts and times as required and any income from the investment not required for the payment of the principal or redemption price and interest on the Bonds shall be paid to the County and credited to the Revenue Fund.

In the event that the Resolution is defeased with respect to Bonds pursuant to this Section, the Trustee shall mail notice of the defeasance to the Owners of those Bonds within ninety (90) days after the defeasance.

Notwithstanding any provision of any other Section of the Resolution, all moneys or Permitted Investments set aside pursuant to this Section for the payment of the principal or redemption price of and interest on Bonds shall be held in trust and used solely for the payment of the particular Bonds with respect to which the moneys or Permitted Investments have been set aside.

The County may at any time surrender to the Trustee for cancellation Bonds which the County has acquired, and the Bonds shall thereupon be deemed paid and no longer Outstanding.

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINION

[PROPOSED FORM OF OPINION OF CO-BOND COUNSEL]

(To Be Dated the Date of Issuance)

Milwaukee County, Wisconsin
County Courthouse
901 North 9th Street
Milwaukee, Wisconsin 53233

Re: Milwaukee County, Wisconsin
$47,095,000 Airport Revenue Bonds, Series 2013A

The Airport Revenue Bonds, Series 2013A (the "*Bonds*") of Milwaukee County, Wisconsin (the "*County*") are in fully registered form; are dated the date hereof; are in denominations of $5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on December 1 of each of the years and in the principal amounts as set forth below, and bear interest, payable on June 1 and December 1 of each year, commencing on December 1, 2013, at the interest rates per annum, as follows:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE	YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2015	$1,045,000	5.00%	2025	$1,710,000	5.25%
2016	1,095,000	5.00	2026	1,795,000	5.25
2017	1,150,000	5.00	2027	1,890,000	5.25
2018	1,210,000	5.00	2028	1,990,000	5.25
2019	1,270,000	5.00	2029	2,095,000	5.25
2020	1,330,000	5.00	2030	2,205,000	5.00
2021	1,400,000	5.00	2031	2,315,000	5.25
2022	1,470,000	5.00	2032	2,435,000	5.25
2023	1,540,000	5.25	2033	2,565,000	5.00
2024	1,625,000	5.25	2038	14,960,000	5.25

The Bonds maturing on and after December 1, 2024, are subject to redemption at the option of the County prior to maturity as a whole or in part on December 1, 2023, and on any date thereafter, at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest to the date fixed for redemption. The Bonds maturing on December 1, 2038, are subject to mandatory sinking fund redemption on December 1 of the years and in the principal amounts set forth in the Bonds, at a redemption price of 100% of the principal amount thereof being redeemed.

The Bonds are being issued pursuant to Section 66.0621, *Wisconsin Statutes*, as supplemented and amended, for the purpose of improving and extending the airport system of the County (the *"Airport System"*).

We have examined the documents which we deem pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the County Board of Supervisors of the County, including without limitation resolutions adopted by the County Board of Supervisors of the County on June 22, 2000 (the *"General Resolution"*), and on February 7, 2013. On the basis of such examination, we are of the opinion that the Bonds have been lawfully authorized and issued under the laws of the State of Wisconsin; that they are the lawful and enforceable obligations of the County in accordance with their terms, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; that they are payable, together with certain outstanding Airport Revenue Bonds, Series 2003A, dated January 1, 2003, Airport Revenue Bonds, Series 2004A, dated March 31, 2004, Airport Revenue Bonds, Series 2005A, dated December 22, 2005, Airport Revenue Refunding Bonds, Series 2005B, dated December 22, 2005, Airport Revenue Bonds, Series 2006A, dated November 16, 2006, Airport Revenue Refunding Bonds, Series 2006B, dated November 16, 2006, Airport Revenue Bonds, Series 2007A, dated November 15, 2007, Airport Revenue Bonds, Series 2009A, dated December 21, 2009, Airport Revenue Refunding Bonds, Series 2009B, dated December 21, 2009, Airport Revenue Bonds, Series 2010A, dated October 14, 2010, and Airport Revenue Refunding Bonds, Series 2010B, dated October 14, 2010, and Airport Revenue Refunding Bonds, Series 2013B, dated the date hereof, of the County (collectively, the *"Outstanding Bonds"*), with which the Bonds rank on a parity, solely from the net revenues of the Airport System of the County; and that the form of Bond prescribed for said issue is proper. The conditions precedent to the issuance of Additional Bonds (as defined in the General Resolution) set forth in Section 2.4 of the General Resolution have been satisfied.

Said resolutions permit, within the limitations therein provided, the issuance of additional bonds payable from the net revenues of the Airport System on a parity with the Bonds and the Outstanding Bonds.

It is also our opinion that, subject to the compliance by the County and others with certain covenants, under present law, interest on the Bonds (i) is excludible from the gross income of the owners thereof for Federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the property financed with the proceeds of the Bonds or any person considered to be related to such person [within the meaning of the Internal Revenue Code of 1986, as amended (the *"Code"*)]; however, such interest is included as an item of tax preference in computing the Federal alternative minimum tax for individuals and corporations under the Code. Failure to comply with certain of such covenants of the County and others could cause the interest on the Bonds to be includible in gross income for Federal income tax purposes retroactively to the date of the issuance of the Bonds. Ownership of the Bonds may result in other Federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or any other information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the County and others with respect to certain material facts solely within the respective knowledge of the County and such other persons. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

CLJarik/ljk

[PROPOSED FORM OF OPINION OF CO-BOND COUNSEL]

(To Be Dated the Date of Issuance)

Milwaukee County, Wisconsin
County Courthouse
901 North 9th Street
Milwaukee, Wisconsin 53233

Re: Milwaukee County, Wisconsin
$3,330,000 Airport Revenue Refunding Bonds, Series 2013B

The Airport Revenue Refunding Bonds, Series 2013B (the "*Bonds*") of Milwaukee County, Wisconsin (the "*County*") are in fully registered form; are dated the date hereof; are in denominations of $5,000 each and integral multiples thereof; are appropriately lettered and numbered; mature serially on December 1 of each of the years and in the principal amounts as set forth below, and bear interest, payable on June 1 and December 1 of each year, commencing on December 1, 2013, at the interest rates per annum, as follows:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2014	$390,000	4.00%
2015	390,000	4.00
2016	385,000	4.00
2017	385,000	4.00
2018	380,000	2.25
2019	365,000	2.50
2020	355,000	3.00
2021	345,000	3.375
2022	335,000	3.625

The Bonds are not subject to redemption prior to maturity.

The Bonds are being issued pursuant to Section 66.0621, *Wisconsin Statutes*, as supplemented and amended, for the purpose of refunding certain outstanding obligations of the County, which were originally issued to improve and extend the airport system of the County (the "*Airport System*").

We have examined the documents which we deem pertinent to the validity of the Bonds, including the certified record evidencing the authorization of the Bonds by the County Board of

Supervisors of the County, including without limitation resolutions adopted by the County Board of Supervisors of the County on June 22, 2000 (the *"General Resolution"*), and on February 7, 2013. On the basis of such examination, we are of the opinion that the Bonds have been lawfully authorized and issued under the laws of the State of Wisconsin; that they are the lawful and enforceable obligations of the County in accordance with their terms, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion; that they are payable, together with certain outstanding Airport Revenue Bonds, Series 2003A, dated January 1, 2003, Airport Revenue Bonds, Series 2004A, dated March 31, 2004, Airport Revenue Bonds, Series 2005A, dated December 22, 2005, Airport Revenue Refunding Bonds, Series 2005B, dated December 22, 2005, Airport Revenue Bonds, Series 2006A, dated November 16, 2006, Airport Revenue Refunding Bonds, Series 2006B, dated November 16, 2006, Airport Revenue Bonds, Series 2007A, dated November 15, 2007, Airport Revenue Bonds, Series 2009A, dated December 21, 2009, Airport Revenue Refunding Bonds, Series 2009B, dated December 21, 2009, Airport Revenue Bonds, Series 2010A, dated October 14, 2010, and Airport Revenue Refunding Bonds, Series 2010B, dated October 14, 2010, and Airport Revenue Bonds, Series 2013A, dated the date hereof, of the County (collectively, the *"Outstanding Bonds"*), with which the Bonds rank on a parity, solely from the net revenues of the Airport System of the County; and that the form of Bond prescribed for said issue is proper. The conditions precedent to the issuance of Additional Bonds (as defined in the General Resolution) set forth in Section 2.4 of the General Resolution have been satisfied.

Said resolutions permit, within the limitations therein provided, the issuance of additional bonds payable from the net revenues of the Airport System on a parity with the Bonds and the Outstanding Bonds.

It is also our opinion that, subject to the compliance by the County and others with certain covenants, under present law, interest on the Bonds is excludible from the gross income of the owners thereof for Federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the property financed and refinanced with the proceeds of the Bonds or any person considered to be related to such person [within the meaning of the Internal Revenue Code of 1986, as amended (the *"Code"*)]; however, such interest on the Bonds is included as an item of tax preference in computing the Federal alternative minimum tax for individuals and corporations under the Code. Failure to comply with certain of such covenants of the County and others could cause the interest on the Bonds to be includible in gross income for Federal income tax purposes retroactively to the date of the issuance of the Bonds. Ownership of the Bonds may result in other Federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or any other information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the County and others with respect to certain material facts solely within the respective knowledge of the County and such other persons. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of result. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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APPENDIX E

CONTINUING
DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the *"Disclosure Certificate"*) is executed, and delivered by Milwaukee County, Wisconsin (the *"Issuer"*) in connection with the issuance of its Airport Revenue Bonds, Series 2013A, dated the date hereof, in the aggregate principal amount of $47,095,000 (the *"Series 2013A Bonds"*) and its Airport Revenue Refunding Bonds, Series 2013B, dated the date hereof, in the aggregate principal amount of $3,330,000 (the *"Series 2013B Bonds"* and, together with the Series 2013A Bonds, the *"Bonds"*). The Bonds are being issued pursuant to a General Bond Resolution duly adopted by the County Board of Supervisors of the Issuer (the *"Governing Body"*) on June 22, 2000, and respective Supplemental Resolutions duly adopted by the Governing Body of the Issuer on February 7, 2013 (collectively, the *"Resolutions"*) and delivered to Merrill Lynch, Pierce, Fenner & Smith Incorporated, on its own behalf and on behalf of others (the *"Purchaser"*), on the date of this Disclosure Certificate. Pursuant to the respective Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the owners of the Bonds in order to assist the Participating Underwriters (as hereinafter defined), within the meaning of the Rule (as defined herein), in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to the owners of the Bonds shall include the beneficial owners of the Bonds. This Disclosure Certificate constitutes the written undertaking required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the respective Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with United States generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"EMMA" means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

"Final Official Statement" means the final official statement dated August 1, 2013, elivered in connection with the Bonds, which is available from the Municipal Securities Rulemaking Board (MSRB).

"*Fiscal Year*" means the fiscal year of the Issuer.

"*Governing Body*" means the County Board of Supervisors of the Issuer or such other body, as may hereafter be the chief legislative body of the Issuer.

"*Issuer*" means Milwaukee County, Wisconsin, which is the obligated person with respect to the Bonds.

"*Issuer Contact*" means the Capital Finance Manager of the Issuer who can be contacted at the Office of the Comptroller, Milwaukee County Courthouse, Room 301, 901 North Ninth Street, Milwaukee, Wisconsin 53233, telephone: (414) 278-4396, facsimile: (414) 223-1245.

"*MSRB*" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"*Participating Underwriter*" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds (including the Purchaser) required to comply with the Rule in connection with the primary offering of the Bonds.

"*Reportable Event*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*Rule*" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"*SEC*" means the Securities and Exchange Commission.

Section 3. Provision of Annual Report and Audited Financial Statements. (a) The Issuer shall, not later than 270 days after the end of each Fiscal Year, commencing with the year that ended December 31, 2013, provide EMMA with an Annual Report, which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of a Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to EMMA when and if available.

(b) If the Issuer is unable or fails to provide to EMMA an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to EMMA.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by EMMA. MSRB Rule G-32 currently requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. AIRLINE - AIRPORT USE AND LEASE AGREEMENT—pages 23-24

2. AIRLINE RATES AND CHARGES—pages 25-27

3. Table: MILWAUKEE COUNTY AIRPORT SYSTEM REVENUE—page 30

4. Table: MILWAUKEE COUNTY AIRPORT SYSTEM TOTAL AIRPORT SYSTEM O&M EXPENSES—page 32

5. AIRPORT SYSTEM INDEBTEDNESS—pages 36-37

6. Table: MILWAUKEE COUNTY AIRPORT SYSTEM CASH FLOW AND DEBT SERVICE COVERAGE—page 39

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference. Each filing made pursuant to this Disclosure Certificate shall contain the CUSIP numbers of the Bonds. Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by EMMA. MSRB Rule G-32 currently requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

Section 5. Reportable Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax-exempt status of the securities;

7. Modification to rights of security holders, if material;

8. Securities calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever a Reportable Event occurs, the Issuer shall promptly file (not in excess of ten (10) days after the occurrence of the Reportable Event) a notice of such occurrence with EMMA.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by EMMA. MSRB Rule G-32 currently requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

Section 6. *Termination of Reporting Obligation*. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. *Issuer Contact; Dissemination Agent*. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the respective Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. *Amendment; Waiver*. Notwithstanding any other provision of the respective Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause this Disclosure Certificate to violate the Rule. The provisions of this Disclosure Certificate or any provision hereof shall be null and void in the event that the Issuer delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of this Disclosure Certificate may be amended without the consent of the owners of the Bonds, but only upon the delivery by the Issuer to EMMA of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Report disclosure or Reportable Events disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Issuer shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Disclosure Certificate.

Section 9. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Reportable Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of the occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of the occurrence of a Reportable Event.

Section 10. *Default.* (a) The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of reportable events, except as otherwise described in the Final Official Statement.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the respective Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds or under the respective Resolutions and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 14th day of August, 2013.

____
Chairwoman of the County Board

____
County Clerk

Approved as to Form:	Countersigned:
Acting Corporation Counsel	County Executive
	Comptroller

Date: August 14, 2013

APPENDIX F

SUMMARY OF
AIRLINE LEASES

SUMMARY OF AIRLINE LEASES

The following is a summary of certain provisions of the AUA. The summary is subject in all respects to the detailed and complete provisions of the AUA; copies of the AUA may be inspected at General Mitchell International Airport, 5300 South Howell Avenue, Milwaukee, Wisconsin 53207.

SUMMARY OF THE AUA

DEFINITIONS

When used in this Appendix, such terms shall have the meanings given to them by the language employed in this Appendix defining such terms unless the context clearly indicates otherwise. Capitalized terms not defined in this Appendix, but defined in the Official Statement, shall have the meanings given to them in the Official Statement. The following terms shall have the following meanings in this Appendix:

"*Accounting System*" means the system for collection, allocation, and reporting of revenues, expenses, and debt service associated with the operation of Airport Cost Centers and the Airport System as a whole, which was established by the County to provide data to support the calculation of airline rates and fees required under the AUA.

"*Additional Bonds*" shall mean the additional parity revenue Bonds and PFC-Backed Airport Revenue Bonds which the County reserves the right to issue in the future as provided in the Bond Resolution and obligations issued to refund any of the foregoing on a parity with the Bonds.

"*ADF Depreciation Account*" shall mean that account with such name established in the AUA.

"*Affiliate*" shall mean any commercial air transportation company designated in writing by each Airline as an affiliate that is operating under the same flight code designator and either (1) is a parent or subsidiary of the Airline or is under the common ownership and control of the Airline or (2) is under contract (*e.g.*, capacity purchase agreement) with the Airline in respect to such operation. Each Affiliate shall execute an operating agreement with the County with terms consistent with the AUA. Each of Affiliate's Originating Passengers, Enplaned Passengers and landed weight shall be counted and recorded jointly with the Airline's and rents and fees shall be at the same rate. The Rents and Landing Fees for the Airline calculated in accordance with the AUA shall include the Originating Passengers and landed weight of each of its Affiliates. Each Airline shall serve as financial guarantor for all rentals and landing fees incurred by the Airline and its Affiliate(s).

"*Aircraft Parking Apron*" shall mean that part of the Ramp Area contiguous to the arrival and departure gates at the Airport, as shown in the AUA, which is used for the parking of aircraft and support vehicles and the loading and unloading of passengers and cargo.

“*Airline*” shall mean each airline that has signed the AUA.

“*Airline-Airport Affairs Committee*” or “*AAAC*” shall mean a Committee composed of a representative of each Signatory Airline and Signatory Cargo Airline to consult and coordinate with the County in matters related to the planning, promotion, development, operation and financing of the Airport System.

“*Airline Non-Public Space*” shall mean areas available to be rented by one or more airlines on an exclusive, joint use or common use basis that are not accessible to the public or airline passengers without an escort, including concourse lower level offices, concourse upper level offices, ticket counter offices, baggage makeup areas, holdroom stairwells and baggage tug tunnels.

“*Airline Premises*” shall mean Exclusive Use Premises, Preferential Use Premises and Joint Use Premises.

“*Airline Public Space*” shall mean areas available to be rented by one or more Airlines on an exclusive, joint use or common use basis that are accessible to the public or airline passengers without an escort, including ticket counters, e-ticketing machine areas, club rooms, gate holdrooms, baggage service offices and baggage claim areas.

“*Airport*” shall mean General Mitchell International Airport, owned and operated by the County.

“*Airport Concession Revenues*” shall mean all concession revenues earned at the Airport including, but not limited to, the items listed in the AUA and described below in subsection (B) under the caption “LANDING FEE RATES.”

“*Airport Development Fund Account*” or “*ADFA*” shall mean that account established in the AUA.

“*Airport System*” shall mean the Airport and the Lawrence J. Timmerman Airport.

“*Airport Terminal Building*” shall mean the main terminal and the International Arrivals Building at the Airport and the appurtenances thereto, including skywalks, as shown in the AUA.

“*AUA*” shall mean each Airline – Airport Use and Lease Agreement between the County and Airline, as the same may be amended or supplemented from time to time.

“*Bond Resolution*” shall mean the General Bond Resolution adopted June 22, 2000, and as further amended and supplemented from time to time, that is the authorizing document for all outstanding revenue Bonds issued to finance facilities at the Airport.

“*Bonds*” shall mean the bonds authorized by the Bond Resolution and issued by the County and all Additional Bonds and other obligations issued as permitted by the Bond Resolution, including Existing Bonds, General Airport Revenue Bonds, PFC-Backed Airport

Revenue Bonds and General Obligation Bonds, but does not include Special Facility Revenue Bonds.

"Calendar Year" shall mean the then-current annual accounting period of the County for its general accounting purposes, which is the period of twelve consecutive calendar months ending with the last day of December of any year.

"Capital Improvement" shall mean any improvement or equipment having a useful life of greater than one year and a total cost of at least $200,000, which is amortized or depreciated over its estimated useful life.

"Capital Improvement Reserve Fund" or *"CIRF"* shall mean that fund with such name established in the Bond Resolution and as further described in the AUA.

"Commencement Date" shall mean 12:01 A.M. on October 1, 2010 if the AUA is executed by an Airline within ninety (90) days of October 1, 2010, otherwise the Commencement Date shall be the date on which the AUA is signed.

"Common Use" shall mean the nonexclusive use in common by an Airline and other duly authorized tenants of Airport facilities and appurtenances together with all improvements, equipment, and services which have been or may hereafter be provided for such Common Use.

"Common Use Premises" means the areas leased by the County to an Airline for use by the Airline in common with all other air transportation companies, whether or not signatory to the AUA, as shown in the AUA.

"Cost Centers" means the areas (and functional activities associated with such areas) used in accounting for the amortization, the depreciation, the debt service and the Operation and Maintenance Expenses of the Airport for the purposes of calculating rents, fees, and charges, as shown in the AUA and as may hereafter be modified or expanded, and as more particularly described below:

(A) *"Airfield Cost Center"* means areas of the Airport used for the landing, taking-off, taxiing and movement of aircraft, including runways, taxiways, navigational aids, hazard designation and warning devices, the cargo airline aprons, aircraft deicing areas, airfield security roads and fencing, blast fencing, lighting, clear zones and safety areas, aviation easements, including land utilized in connection therewith or acquired for such future purpose or to mitigate aircraft noise, and associated equipment and facilities, the acquisition, construction or installation cost of which is wholly or partially paid by the County. The net requirement of Timmerman Airport will be included in the Airfield Cost Center.

(B) *"Former 440th Military Base"* means the land and improvements conveyed to the County that formerly housed the USAF 440th Airlift Wing. The revenues, expenses and debt service and other fund requirements of the Former 440th

Military Base shall be calculated to determine its net income or loss. The entire net income or loss shall be allocated to the Airfield Cost Center.

(C) *"Aircraft Parking Apron Cost Center"* shall mean that portion of the Ramp Area immediately adjacent to the Airport Terminal Building that is used for the parking of aircraft and support vehicles and the loading and unloading of passengers and cargo.

(D) *"Passenger Loading Bridges Cost Center"* means the passenger loading bridges and appurtenant equipment acquired by the County in accordance with the AUA, and available for use at any of the Gates in the Airport Terminal Building.

(E) *"Terminal Cost Center"* means the area comprising the passenger terminal complex including all supporting and connecting structures and facilities and all related appurtenances to said building and concourses, excluding County-owned loading bridges. The Terminal Cost Center includes the revenues and expenses of the International Arrivals Building (IAB). The Terminal Cost Center also includes Airport Concession Revenues, of which ninety percent (90%) of those revenues listed in the AUA and described in subsection (B) under the caption "TERMINAL BUILDING RENTS" is credited to the Terminal Cost Center and ten percent (10%) is credited to the Airport Development Fund Account.

(F) *"Other Cost Centers"* - the County reserves the right under the AUA to establish other subsidiary cost centers.

"Cost of Capital" shall mean five percent (5%) per annum.

"Debt Service Coverage Fund" shall mean the fund by that name established under the Bond Resolution which shall at all times equal 25% of the Debt Service Requirement.

"Debt Service Reserve Fund" shall mean the Reserve Account established within the Airport Revenue Bond Special Redemption Fund under the Bond Resolution which shall at all times equal 100% of the Debt Service Requirement.

"Debt Service Requirement" shall mean the total, as of any particular date of computation for any particular period or year, the (a) scheduled amounts required during such period or year for the payment of principal of and interest on all Bonds, during such period or Calendar Year and (b) other amounts required by the Bond Resolution.

"Director" shall mean the Airport Director or Acting Airport Director as from time-to-time appointed by the County and shall include such person or persons as may from time-to-time be authorized in writing by the County Executive or by the Transportation and Public Works Director of the County to act for him with respect to any or all matters pertaining to the AUA.

“*Enplaned Passengers*” means all revenue and non-revenue originating, on-line transfer, and off-line transfer passengers boarded at the Airport.

“*Exclusive Use Premises*” shall mean those premises leased to an Airline for the Airline’s sole use and occupancy subject to the rules, regulations, and provisions of any federal, state, county and municipal jurisdiction, as shown in the AUA.

“*Existing Bonds*” shall mean the General Obligation Bonds, PFC-Backed Airport Revenue Bonds and General Airport Revenue Bonds authorized and issued by the County before the Effective Date of the AUA in whole or in part for Airport System facilities and improvements, and remaining outstanding, are set forth in the AUA.

“*Federal Aviation Administration,*” hereinafter referred to as FAA, shall mean that agency of the United States Government created and established under the Federal Aviation Act of 1958, or its successor, which is vested with the same or similar authority.

“*Five Year CIP*” means the Five Year Capital Improvement Program for calendar years 2011 to 2015, as described in the AUA.

“*General Obligation Bonds*” shall mean any General Obligation Bonds and/or bond anticipation notes authorized and issued by the County of Milwaukee for construction of or on the Airport.

“*General Airport Revenue Bonds*” or “*GARBs*” shall mean any bonds and/or bond anticipation notes secured by general airport revenues authorized and issued by the County of Milwaukee for construction of or on the Airport.

“*Joint Use Premises*” means the ticket counters and baggage make-up areas leased by County for use by one or more airlines.

“*Leased Premises*” shall mean the Exclusive Use Premises, Preferential Use Premises, Joint Use Premises and Common Use Premises leased to an Airline by the County.

“*Major Maintenance Project – Expensed*” shall mean any improvement or equipment having a total cost of less than $50,000, which is expensed in one year.

“*Major Maintenance Project – Capitalized*” shall mean any improvement or equipment having a useful life of greater than one year and a total cost of at least $50,000 but not more than $200,000, funded by the Capital Improvement Reserve Fund, which is amortized or depreciated over five years or those funded by the Airport Development Fund Account, the cost of which is not amortized or depreciated. No MII approval is required in order for the County to proceed with a Major Maintenance Project – Capitalized.

“*Majority-In-Interest*” or “*MII*” means those Signatory Airlines (and Signatory Cargo Airlines only with respect to projects located in the Airfield Cost Center or the Former 440th Military Base) that: (i) represent no less than 51% in number of the Signatory Airlines (and

Signatory Cargo Airlines, for applicable projects), and (ii) paid no less than 51% of the total rents, fees, and charges paid by all Signatory Airlines (and Signatory Cargo Airlines, for applicable projects) during the immediately preceding Fiscal Year. No airline shall be deemed to be a Signatory Airline or a Signatory Cargo Airline for purposes of this definition if such airline is under an Event of Default pursuant to, and has received notice in accordance with, the AUA.

"*Maximum Gross Certificated Landing Weight*" means the maximum weight, in one thousand (1,000) pound units, at which each aircraft operated by an Airline is authorized by the Federal Aviation Administration to land, as recited in the Airline's flight manual governing that aircraft.

"*Net Financing Requirement*" shall mean the amount of project cost remaining to be funded after deducting federal and state grant proceeds, PFC revenues, ADFA funds and any other equity funding not recoverable from airline rates and charges.

"*Net Financing Requirement Cap*" shall mean one hundred percent (100%) of the Net Financing Requirement as shown in the Five Year CIP in the AUA.

"*Non-Signatory Airline*" shall mean an airline which is not a party to the AUA.

"*Originating Passengers*" means all originating revenue passengers boarded at the Airport.

"*Operation and Maintenance Expenses*" or "*O&M*" shall mean the reasonable, lawful and necessary current expenses of the County, as determined by the County, paid or accrued in administering, operating, maintaining and repairing the Airport System. Without limiting the generality of the foregoing, the term "Operation and Maintenance Expenses" shall include all costs directly related to the Airport System, including, but not limited to: (1) costs of collecting Revenues and of making any refunds therefrom lawfully due others; (2) engineering, auditing, legal and other overhead expenses directly related to its administration, operation, maintenance and repair; (3) costs of all or a portion of the salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing with respect to officers and employees of the County which are properly allocable to the Airport System; (4) costs of repairs, replacements, renewals and alterations not constituting a Capital Improvement or a Major Maintenance Project – Capitalized, occurring in the usual course of business of the Airport System; (5) taxes, assessments and other governmental charges, or payments in lieu thereof, imposed on the Airport System or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airport System or otherwise imposed on the Airport System or the operation thereof or income therefrom; (6) costs of utility services with respect to the Airport System; (7) costs and expenses of general administrative overhead of the County allocable to the Airport System; (8) costs of equipment, materials and supplies used in the ordinary course of business not constituting a Capital Improvement or a Major Maintenance Project - Capitalized including ordinary and current rentals of equipment or other property allocable to the Airport System; (9) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport System or Revenues or any other moneys held under the Bond Resolution or required by the Bond Resolution to be held or deposited under the Bond Resolution; (10) costs of carrying out the provisions of the Bond Resolution, including trustee paying agents' fees and expenses; costs of insurance required by the Bond Resolution, or a properly allocable share of any premium of any blanket policy pertaining to the Airport System or Revenues, (11) costs of recording, mailing and publication; and (12) all other costs and expenses of administering, operating, maintaining and repairing the Airport system arising in the routine and normal course of business; *provided, however,* the term "Operation and Maintenance Expenses" shall not include: (a) costs of extensions, enlargements, betterments and improvements to the Airport System or reserves therefor; (b) reserves for operation, maintenance renewals and repairs occurring in the normal course of business; (c) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; (d) allowances for depreciation and amounts for capital replacements or reserves therefor; and (e) operation and maintenance costs and expenses pertaining to any Special Facility.

"*O&M Reserve Fund*" shall mean that fund maintained by the County in an amount at all times equal to two months of Operation and Maintenance Expenses as required by the Bond Resolution.

"*PFC*" shall mean a passenger facility charge as established by 14 CFR Part 158.

"*PFC-Backed Airport Revenue Bonds*" shall mean any Bonds and/or any bond anticipation notes secured by general airport revenues and by Passenger Facility Charges authorized and issued by the County for construction of or on the Airport.

"*Preferential Use Premises*" are those premises shown in each AUA leased to an Airline for its use and occupancy on a basis that gives the Airline priority of use over all other users, subject to the provisions of the AUA and the rules, regulations, and provisions of any federal, state, county and municipal jurisdiction.

"*Ramp Area*" shall mean the aircraft parking and maneuvering areas in the vicinity of the Airport Terminal Building.

"*Revenue Landing*" shall mean an aircraft landing at the Airport in conjunction with a flight for which such Airline makes a charge or from which revenue is derived for the transportation by air of persons or property including flights diverted from other airports, but "Revenue Landing" shall not include any landing of an aircraft which, after having taken off from the Airport, and without making a landing at any other airport, returns to land at the Airport because of meteorological conditions, mechanical or operating causes, or any other reason of emergency or precaution.

"*Revenues*" shall mean all moneys received from any source by the Airport System or by the County with respect to the Airport System, including, without limitation, all rates, fees, charges, rents and other income derived from the ownership or operation of the Airport System, including investment earnings on the funds and accounts established in the Bond Resolution to the extent provided in the Bond Resolution. Revenues shall not include any passenger facility charges described substantially in the manner provided in Section 1113 of the Federal Aviation Act of 1958, as amended, or the rules and regulations promulgated thereby, or any other similar charges that may be imposed pursuant to federal law unless all or a portion of passenger facility charges are pledged as "Revenues" under the Bond Resolution. Unless and to the extent otherwise provided by supplemental Bond Resolution, "Revenues" do not include (a) the proceeds of Bonds or other borrowings by the County, (b) the proceeds of grants and gifts for limited purposes or the proceeds of the disposition of property financed by such grants and gifts, (c) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance, (d) all income and revenue collected and received with respect to properties and facilities which are not included in the definition of Airport System, or (e) payments from any Special Facility.

"*Rules and Regulations*" means any rules, regulations, statutes and ordinances promulgated by federal, state, County or any local government for the orderly use of the Airport System by both the airlines and other tenants and users of the Airport System as the same may be amended, modified, or supplemented from time to time. Copies of the current Rules and Regulations are available upon request to the County.

"*Scheduled Air Carrier*" shall mean an air transportation company performing or desiring to perform, pursuant to published schedules, commercial air transportation services over specified routes to and from the Airport, and holding any necessary authority to provide such transportation from the appropriate federal or state agencies.

"*Signatory Airline*" shall mean a Scheduled Air Carrier which has executed the AUA with the County that includes the lease of Exclusive Use Premises and Preferential Use Premises directly from the County.

"*Signatory Cargo Airline*" shall mean a scheduled cargo carrier which has executed an agreement with the County or from the County's third party developer that includes the lease of cargo building space and preferential cargo ramp space directly from the County for a term comparable to the term of the AUA.

"*Special Facility*" shall mean any capital improvements or facilities, structures, equipment and other property, real or personal, at the Airport System, which is designated as a "Special Facility" under the Bond Resolution.

"*Special Facility Bonds*" shall mean any revenue bonds, notes, bond anticipation notes, commercial paper, certificates of participation in a lease agreement or other evidences of indebtedness for borrowed money issued by the County to finance a Special Facility, the principal of, premium, if any, and interest on which are payable from and secured by the Special Facility Revenues derived from such Special Facility, and not from or by Revenues.

"*Surplus Fund*" shall mean the fund by that name as established under the Bond Resolution.

"Timmerman Airport" shall mean the general aviation reliever airport owned by the County, as shown in the AUA.

"Total Landed Weight" means the sum of the Maximum Gross Certificated Landing Weight for all aircraft arrivals of each Airline over a stated period of time.

TERM

The term of the AUA shall begin on the Commencement Date and shall terminate at midnight on December 31, 2015, unless sooner terminated under the provisions the AUA. The term of the AUA may be extended for an additional period of five years ending December 31, 2020, upon the mutual agreement in writing of the County and an Airline by December 31, 2014, approval by the Airline of a new Five Year Capital Improvement Plan for the Years 2016 through 2020 that specifies the sources of funding for each project, and agreement on a new Net Financing Requirement Cap.

LEASED PREMISES

The County leases to each Airline, subject to the provisions of the AUA, the Airline Premises set forth in the AUA. Each Airline accepts the Airline Premises in as is condition, with no warranties or representations, expressed or implied, oral or written, made by the County or any of its agents or representatives.

The County, acting by and through the Airport Director, and an Airline may, from time to time by mutual agreement, add to or delete space from Airline Premises, but it is the intent of the County not to delete a significant amount of leased airline space unless another tenant will immediately add substantially all of the space to its premises. Any such addition shall be subject to the rates and charges set forth in the AUA and described below.

The County, acting by and through the Airport Director, shall advise an Airline, in writing, if and when the Airline is found to be operating in space other than the Exclusive Use Premises or Preferential Use Premises and such space is not displayed in the AUA. The Airline shall upon receipt of Airport Director's written Notice promptly (*i.e.*, within seventy-two (72) hours) cease its use of any and all space not leased to the Airline. In the event the Airline does not immediately cease its use of space, the County shall immediately bill the Airline for the Airline's use of the additional space and, at its option, may require the Airline to vacate the space within 30 days or execute an amendment to its lease for such additional space.

All space added to Airline Premises, pursuant to the AUA, will become Airline Premises and will be subject to all the terms, conditions, and other provisions of the AUA and the Airline shall pay to the County all rentals, fees and charges applicable to such additional premises in accordance with the terms of the AUA.

Notwithstanding the above, each Airline executing an AUA recognizes and agrees that from time to time the County's Capital Improvement Program may include Terminal Improvements which may include additions to or major renovations of the Terminal facilities. In order to facilitate the planned capital improvements, each Airline agrees to cooperate with the Airport's plan for the relocation of Airlines, as required. Each Airline further agrees that the County, at its option and upon one hundred and twenty (120) days written notice to the Airline, may recapture the premises leased to the Airline if said premises are required by the County to implement its capital improvement program. In such event, the County agrees to provide the Airline with comparable facilities, which shall be substituted for the Airline Premises in accordance with the AUA. The County further agrees to pay reasonable relocation expenses if and when the Airline is required to relocate.

PREFERENTIAL USE GATES

Gates are leased to an Airline on a preferential-use basis. The Airline shall have a priority in using its Preferential Use Gates as follows:

(A) The Airline's right to its Preferential Use Gates shall be subject to a Gate utilization requirement of three and one-half (3.5) flight departures per day for each Gate assigned to the Airline. For purposes of this Section, flight departures by Affiliates shall be counted towards the Airline's Gate utilization requirement.

(B) The Airline shall have the right to permit the occasional use of any of its Preferential Use Gates by other airlines to accommodate non-routine operational anomalies. Such use shall not be considered a sublease arrangement.

(C) If an Airline fails to meet the Gate utilization requirement set forth in the AUA as described above in subsection (A) as an average for any gate during the preceding twelve-month period, the Airline may be subject to losing its preferential right to one or more Gates. If an Airline is required by the County to relinquish any Gate(s) in accordance with the AUA as described below in subsection (D), such Gate(s) shall be deleted prospectively from the Airline's Airline Premises and the Airline's rent obligation with respect to such Gate(s) shall cease.

(D) If the County requires an Airline to relinquish one or more of its Preferential Use Gates due to a need for the gate(s) as determined by the Airport Director, the Airport Director and the Airline will confer to determine whether Gates should be relinquished, and if so, which Gates should be relinquished. If after 15 days of good faith negotiations no agreement is reached, the Airport Director shall select the Gate(s) to be relinquished. In making such selection, the Airport Director shall take into consideration the best interest of the traveling public and the operations of the Airport.

(E) If there is no Event of Default with respect to an Airline, the County shall pay all reasonable costs associated with the removal or relocation of Airline's equipment, fixtures, furniture, and signage from the relinquished Preferential Use Gate, and shall reimburse the Airline for the undepreciated value of the tenant's improvements that cannot be relocated pursuant to the provisions of this Section; *provided, however,* that in lieu of reimbursing the undepreciated value of the Airline's tenant improvements, the County may replace such tenant improvements with like improvements. If the Airline is under an Event of Default pursuant to, and has received Notice in accordance with, the AUA, the Airline shall remove or relocate its improvements at its sole cost and expense.

(F) If an Airline leases a preferential use gate but does not lease the operations areas below the gate, the Airline will be required to allow access across the Airline's Aircraft Parking Apron to others renting the operations areas below the gate.

RELOCATION OF LEASED PREMISES

In order to optimize use of Airport facilities, the County reserves the right to reassign any or all of an Airline's Airline Premises after Notice, followed by a consultation period of no less than 90 days. In making such determination, the Airport Director shall take into consideration the best interests of the traveling public and the operations of the Airport, and will be guided by all pertinent factors, including the Airline's historical and then-present space utilization, the known planned use for such premises, and the Airline's operational space adjacencies. If any such reassignment occurs, the Airline shall be assigned space reasonably comparable in size, quality, finish, and location. An Airline's costs shall not increase as a result of any relocation unless the Airline requests additional space and/or replacement space in a different Cost Center. An Airline's relocation of any of its Airline Premises resulting from such reassignment shall be at the County's sole expense. An Airline shall be reimbursed for its reasonable out-of-pocket expenses incurred as part of the relocation and for the undepreciated value of its tenant improvements that cannot be relocated; *provided, however*, that in lieu of reimbursing the undepreciated value of Airline's tenant improvements; the County may replace such tenant improvements with like improvements in the new space.

GENERAL COMMITMENT

Effective January 1, 2011, and each Calendar Year thereafter during the term of the AUA, rents, fees, and charges shall be calculated based on the principles and procedures set forth in the AUA. The methodology for the calculation of rents, fees, and charges is described in this section.

In addition, for and in consideration of County's ongoing costs and expense in constructing, developing, equipping, operating and maintaining the Airport System, each Airline, notwithstanding any provision contained in the AUA, agrees to pay County rates, fees and charges as will enable the County, after taking into account revenues derived from other users of the Airport System, to pay the principal of and interest on all Outstanding Bonds now or hereafter issued, to meet any debt service coverage requirements related to such Outstanding Bonds and to fund the funds and accounts established with respect to the Outstanding Bonds and, specifically, to make the required deposits in each Fiscal Year into the Operation and Maintenance Fund, the Special Redemption Fund, the General Obligation Bond Fund, the Operation and Maintenance Reserve Fund, the Coverage Fund, and the Capital Improvement Reserve Fund (all as defined and described in the Bond Resolution). Without limiting the generality of the foregoing, it is understood and agreed that in order to facilitate compliance with the terms of the Bond Resolution, the County may, under the AUA, impose and collect rates, rentals, fees and charges sufficient so that in each fiscal year its Net Revenues including Other

Available Funds will be at least equal to 125% of Debt Service on all Bonds outstanding including, without duplication, any Credit Facility Obligations (as defined in the Bond Resolution).

During each Calendar Year the County shall allocate to each applicable Cost Center the debt service on outstanding Bonds as shown in the AUA. Also, during each Calendar Year the County shall allocate direct and indirect Operation and Maintenance Expenses to each applicable Cost Center using the methodology described in the AUA.

PAYMENTS BY AIRLINE

Terminal Building Rents and Passenger Loading Bridge Charges. Terminal Building rents for the use of the Leased Premises, including Passenger Loading Bridge Charges shall be due and payable on the first day of each month in advance without invoice from the County.

Landing Fees. Landing fees for the preceding month shall be due and payable 20 days after the date of invoice.

Other Fees. All other rents, fees, and charges required under the AUA shall be due and payable within 20 days of the date of the invoice.

Interest Charges and Late Charges on Overdue Payment.

(i) *Interest.* Unless waived by the County Board, air carriers and air transportation companies shall be responsible for the payment of interest on amounts not remitted in accordance with the requirements of the AUA. The rate of interest shall be the statutory rate in effect for delinquent county property taxes (presently one (1) percent per month or fraction of a month) as described in s. 74.80(1), Wis. Stats. The obligation or payment and calculation thereof shall commence upon the day following the due dates established in the AUA.

(ii) *Penalty*. In addition to the interest described above, air carriers and air transportation companies shall be responsible for payment of penalty on amounts not remitted in accordance with the terms of the AUA. Said penalty shall be the statutory rate in effect for delinquent county property taxes (presently five-tenths (0.5) percent per month or fraction of a month) as described in section 6.06(1) of the Code and s. 74.80(2), Wis. Stats. The obligation for payment and calculation thereof shall commence upon the day following the due dates established in the AUA.

TERMINAL BUILDING RENTS

Each Airline shall pay the County for the use of its Exclusive Use Premises and Preferential Use Premises a monthly rent equal to the applicable Terminal Rental Rates calculated in accordance with the AUA multiplied by the amount of space in the Airline's Exclusive Use Premises and Preferential Use Premises set forth in the AUA.

Each Airline shall pay the County for the use of Common Use Premises a monthly rent based on the Terminal Rental Rates calculated in accordance with the AUA as described in this section, as follows:

(i) Common Use space shall be multiplied by the appropriate annual square foot rate calculated in accordance with the AUA. Twenty percent (20%) of the total monthly amount calculated shall be divided equally among all Signatory Airlines using the Common Use Premises.

(ii) Eighty percent (80%) of the total monthly amount calculated for each category and area shall be prorated among all Signatory Airlines using the Common Use Premises based on the ratio of each such Signatory Airline's Originating Passengers (including their Affiliates) during the calendar month for which such charges are being determined, to the total of all Originating Passengers during said calendar month.

(iii) Non-Signatory Airlines shall pay a fee per Originating Passenger established by County based upon 125% of the estimated total annual cost of the Common Use Premises divided by the estimated total annual Originating Passengers. The estimated Non-Signatory Airline common use charges shall be deducted from the common use requirement for the Signatory Airlines.

Each Airline shall pay the County for the use of Joint Use Premises a monthly rent based on the Terminal Rental Rates calculated in accordance with the AUA, as follows: Airline's monthly share of rent for the Joint Use Premises shall be calculated by the ratio of the number of its ticket counter positions divided by the total number of ticket counter positions serving the Joint Use baggage make-up area.

The rental rates for the Airport Terminal Building shall be calculated as provided in the AUA.

(A) The total costs attributable to the Terminal Cost Center shall be calculated by adding together the following:

(i) direct and indirect Operation and Maintenance Expenses, any required deposits to the O&M Reserve Fund, and Major Maintenance Projects - Expensed allocable to the Terminal Cost Center;

(ii) total debt service charged for Major Maintenance Projects - Capitalized and Capital Improvements financed with Bonds and allocable to the Terminal Cost Center put into service on or before the end of the following Calendar Year;

(iii) depreciation on land improvements, buildings and structures allocable to the Terminal Cost Center;

(iv) amortization of Major Maintenance Projects - Capitalized and Capital Improvements financed with Capital Improvement Reserve Fund funds allocable to the Terminal Cost Center that have been or will be placed in service prior to the end of the following Calendar Year;

(v) any required deposits to the Debt Service Coverage Fund resulting from the issuance of Additional Bonds allocable to the Terminal Cost Center; and

(vi) any replenishment of the Debt Service Reserve Fund, and other reserve or restricted purpose funds allocable to the Terminal Cost Center, as may be required by the Bond Resolution.

(B) The net "Terminal Requirement" shall then be calculated by subtracting from the total costs of the Terminal Cost Center ninety percent (90%) of the income from a number of Airport Concession Revenue accounts including, but not limited to:

(i) Public Parking Fees

(ii) Car rental concession fees (not including Customer Facility Charges)

(iii) Gifts, Souvenirs & Novelty Fees

(iv) Restaurant Concession Fees

(v) Catering Fees

(vi) Displays Concessions Fees

(vii) Public Transportation Concession Fees

(viii) Golf Driving Range Concession Fees

(ix) Bank Commissions

(C) The net "Terminal Requirement" shall then be further calculated by subtracting one hundred percent (100%) of the income from all other terminal cost center revenue accounts not itemized above.

(D) The annual Airport Terminal Building Rental Rates shall then be calculated by dividing the net Terminal Requirement calculated in accordance with the AUA as described above in subsections (A), (B) and (C) by the sum of (a) the total number of square feet rented by the airlines that is Airline Public Space plus (b) seventy-five percent (75%) of the number of square feet rented by the airlines that is Airline Non-Public Space in the Airport Terminal Building. The rental rate for Airline Non-Public Space shall be seventy-five percent (75%) of the rental rate for Airline Public

Space. The respective monthly Terminal Rental Rates shall be 1/12 of the annual Terminal Rental Rates.

(E) Notwithstanding the calculation methodology described above, the minimum terminal building rental rate for Airline Public Space established at the beginning of each year during the term of the AUA shall be ten dollars ($10.00) per square foot and for Airline Non-Public Space shall be seven dollars and fifty cents ($7.50) per square foot. Notwithstanding these minimum billing rates, the year-end adjustment and settlement process described below under the caption "ANNUAL READJUSTMENT OF RENTAL FEES AND CHARGES" shall apply to the Terminal Cost Center.

PASSENGER LOADING BRIDGE CHARGES

Each Airline shall pay the County a monthly use fee equal to the applicable fee calculated in accordance with the AUA multiplied by the number of County-owned passenger loading bridges in use by the Airline.

The Passenger Loading Bridge Charge, shall be computed as provided in the AUA and is described as follows:

(A) The total cost of the Passenger Loading Bridges Cost Center shall be calculated by adding together the following:

(i) direct and indirect Operation and Maintenance Expenses, any required deposits to the O&M Reserve Fund, and Major Maintenance Projects - Expensed, if any, allocable to the Passenger Loading Bridges Cost Center;

(ii) amortization of Major Maintenance Projects - Capitalized and Capital Improvements allocable to the Passenger Loading Bridges Cost Center and financed with Airport Capital Improvement Fund funds that have been or will be placed in service prior to the end of the following Calendar Year;

(iii) total debt service charged for Major Maintenance Projects - Capitalized and Capital Improvements allocable to the Loading Bridges and financed with bond proceeds that have been or will be placed into service on or before the end of the following Calendar Year; and

(iv) any replenishment of the Debt Service Reserve Account, and other reserve or restricted purpose funds allocable to Loading Bridge, as may be required by the Bond Resolution.

(B) The annual Passenger Loading Bridge Charge applicable to each County-owned passenger loading bridge shall be calculated by dividing the total cost and charges allocable to the Passenger Loading Bridges Cost Center in accordance with the AUA as described above in subsection (A) by the total number of County-owned passenger loading bridges then assigned for airline use or located at rented

County-Controlled gates. The monthly Passenger Loading Bridge Charge shall be 1/12 of the annual Passenger Loading Bridge Charge as calculated above.

LANDING FEE RATES

Each Airline shall pay to the County landing fee charges for Revenue Landings for the preceding month at the rate and in the amount calculated in accordance with the AUA.

The landing fee rate for the use of the Airfield shall be calculated as provided in the AUA and is described as follows:

(A) The total costs of the Airfield Cost Center shall be calculated by adding together the following:

(i) direct and indirect Operation and Maintenance Expenses, any required deposits to the O&M Reserve Fund, and Major Maintenance Projects - Expensed allocable to the Airfield Cost Center;

(ii) total debt service charged for Major Maintenance Projects - Capitalized and Capital Improvements financed with bonds and allocable to the Airfield Cost Center and put into service on or before the end of the following Calendar Year;

(iii) depreciation on land improvements, buildings and structures allocable to the Airfield Cost Center;

(iv) Amortization of Major Maintenance Projects - Capitalized and Capital improvements financed with Airport Capital Improvement Fund funds allocable to the Airfield Cost Center that has been or will be placed in service prior to the end of the following Calendar Year;

(v) any required deposits to the Debt Service Coverage Fund resulting from the issuance of Additional Bonds allocable to the Airfield Cost Center;

(vi) any replenishment of the Debt Service Reserve Fund and other reserve or restricted purpose funds allocable to the Airfield Cost Center, as may be required by the Bond Resolution; and

(vii) any net loss incurred at Timmerman Airport.

(B) The "Airfield Requirement" shall then be calculated by subtracting the following revenue items from the total costs of the Airfield Cost Center:

(i) general aviation revenues including FBO income, rentals of hangars, T-hangars and buildings and land in the Airfield Cost Center, fuel and oil charges, and utility resale and reimbursements;

(ii) air cargo building rentals;

(iii) signatory cargo airline apron fees;

(iv) Non-Signatory Airline landing fees and military use fees, if any;

(v) other non-airline revenues including other rental income, catering fees, interest charges and other miscellaneous revenues;

(vi) the net income of the Former 440th Military Base; and

(vii) any net income incurred at Timmerman Airport.

(C) The Signatory Airline landing fee rate shall be calculated by dividing the Airfield Requirement by the projected aggregate Landed Weight of all Signatory Airlines and cargo airlines for the particular Calendar Year.

APRON USE CHARGE

Each Airline shall pay the County for the use of its Apron area a monthly rent equal to the Rate calculated in accordance with the AUA multiplied by the Airline's total amount of linear feet of apron area in accordance with the AUA.

The rate for the use of the Aircraft Parking Apron shall be calculated as provided in the AUA.

(A) The total costs of the Aircraft Parking Apron Cost Center shall be calculated by adding together the following:

(i) direct and indirect Operation and Maintenance Expenses, any required deposits to the O&M Reserve Fund, and Major Maintenance Projects - Expensed allocable to the Aircraft Parking Apron Cost Center;

(ii) total debt service charged for Major Maintenance Projects - Capitalized and Capital Improvements financed with Bonds and allocable to the Aircraft Parking Apron Cost Center and put into service on or before the end of the following Calendar Year;

(iii) depreciation on land improvements, buildings and structures allocable to the Aircraft Parking Apron Cost Center;

(iv) amortization of Major Maintenance Projects - Capitalized and Capital Improvements financed with Capital Improvement Reserve Fund funds allocable to the Aircraft Parking Apron Cost Center that has been or will be placed in service prior to the end of the following Calendar Year;

(v) any required deposits to the Debt Service Coverage Fund resulting from the issuance of Additional Bonds allocable to the Aircraft Parking Apron Cost Center; and

(vi) any replenishment of the Debt Service Reserve Fund, and other reserve or restricted purpose funds allocable to the Aircraft Parking Apron Cost Center, as may be required by the Bond Resolution.

(B) The net "Apron Requirement" shall be calculated by subtracting the following revenues items from the total Aircraft Parking Apron Cost Center:

(i) Apron parking fees

(ii) Hydrant fueling fees

(C) The Aircraft Parking Apron Rate shall be calculated by dividing the net Apron Requirement of the Aircraft Parking Apron Cost Center by the total leased linear feet of Aircraft Parking Apron as measured twenty (20) feet from the face of the adjoining terminal building or as otherwise agreed upon by an Airline and the County. Each Airline's charge for use of the Aircraft Parking Apron shall be based upon its leased number of linear feet of Aircraft Parking Apron. The monthly Aircraft Parking Apron Fee shall be 1/12 of the annual Aircraft Parking Apron Fee as calculated above.

O&M CHARGES FOR JOINT USE FACILITIES

It is further understood and agreed by and between the parties that in addition to the rentals, fees, and charges described herein, each Airline, together with other Signatory Airlines occupying the Joint Use baggage makeup areas and leased ticket counter areas including all conveyor systems and walkways, will pay actual operating and maintenance costs for the Outbound Baggage Handling System (OBHS) owned and installed by the County in the shared baggage make-up area. Said operating and maintenance costs shall include labor and related overhead charges as are necessary to provide maintenance on the units.

FEES AND CHARGES FOR PARKING OF AIRCRAFT AND USE OF OTHER FACILITIES OF COUNTY

The County may, at the County's option, designate alternate parking areas for an Airline's aircraft other than the Aircraft Parking Apron described above under the caption "APRON USE CHARGE." For the parking of aircraft on such parking areas, an Airline shall pay to the County such amounts as shall be set forth in a fee schedule to be established by the County by ordinance and as same may be amended from time to time. In addition to the rentals, fees, and charges, the Airline will, for the use of other facilities of the County, including the International Arrivals Building, pay such fees or charge as the County shall set forth in the ordinance.

INTERNATIONAL ARRIVALS BUILDING FACILITIES CHARGES

An Airline shall pay charges for use of the International Arrivals Building Facilities at the rates and in the amounts established by the County.

COMMITMENT FOR AIRPORT REVENUES

The County covenants and agrees in the AUA that insofar as legally permitted to do so under federal and state law and the Bond Resolution, all revenues and receipts from rents, fees, charges, or income from any source received or accruing to the Airport System shall be used exclusively by the County for Airport System purposes as contemplated in the AUA.

RATE ADJUSTMENT

If, at any time during any Calendar Year, the County projects that the total costs attributable to the Airport Terminal Building, the total costs attributable to the Airfield Cost Center, or the aggregate Landed Weight for all Signatory Airlines, including Affiliates, will vary 10% or more from the estimates used in setting rents, fees, and charges in accordance with the provisions of the AUA, such rates may be adjusted based on the new estimates and in accordance with the principles and procedures set forth in the AUA. Such adjustments shall be made at the County's discretion and the resulting new rates shall be effective for the balance of such Calendar Year. The County shall notify an Airline of a meeting for the purpose of discussing any such rate adjustment, along with a written explanation of the basis for such rate adjustment, 45 days prior to the effective date of the new rates. Unless extraordinary circumstances warrant additional adjustments, the County shall limit any such rate adjustment to no more than once during each Calendar Year.

ANNUAL READJUSTMENT OF RENTALS FEES AND CHARGES

Following the completion of the County's accounting period 14-3 for each Calendar Year, but no later than 30 days thereafter, the County shall provide each Airline with an accounting of the total costs actually incurred, revenues and other credits actually realized (reconciled to the year-end closeout financial statements of the County), and actual Originating Passengers and total Landed Weight during such Calendar Year with respect to each of the components of the calculation of rents, fees, and charges, and the County shall recalculate the rents, fees, and charges, and provide to the Airline a settlement required for the Calendar Year based on those actual numbers. Following reasonable notification, the County shall convene a meeting with the Signatory Airlines and Signatory Cargo Airlines to discuss the calculation of the year-end settlement and shall give due consideration to the comments and suggestions made by the Signatory Airlines and Signatory Cargo Airlines before finalizing the settlement calculations.

If the Airline's Terminal Building Rents and Aircraft Parking Apron Fees paid during the Calendar Year combined are more than the required amount of Terminal Building Rents and Aircraft Parking Apron Fees as calculated during the year-end rate settlement process, such excess amount shall be transferred to the Operation and Maintenance Fund and will be refunded to the Airline by check written from the Operation and Maintenance Fund as an Operation and Maintenance Expense within 60 days following the completion of the year-end settlement calculation. Similarly, if the Airline's landing fees paid during the Calendar Year are more than the required amount of landing fees as calculated during the year-end rate settlement process, such excess amount shall be transferred to the Operation and Maintenance Fund and will be refunded to the Airline by check written from the Operation and Maintenance Fund as an Operation and Maintenance Expense within 60 days following the completion of the year-end settlement calculation. Each Signatory Airline and Signatory Cargo Airline shall receive a share of the excess amount in proportion to the total amount that they paid in landing fees during that Calendar Year. However, the year-end settlement rate process may be modified at any time in the event that the process is determined to be illegal or, in the opinion of the Airport Director or County bond counsel, that the year-end settlement will result in a higher rate of interest being paid by County on its Bonds.

If the Airline's (i) Terminal Building Rents and Aircraft Parking Apron Fees or (ii) landing fees paid during the Calendar Year are less than the required amount of (i) Terminal Building Rents and Aircraft Parking Apron Fees or (ii) landing fees as calculated during the year-end rate settlement process, such deficiencies will be billed to the Airline.

OTHER FEES AND CHARGES

Other charges payable by an Airline, in addition to those specified elsewhere in the AUA, shall be as follows:

(A) *Employee Parking Charges*. Should an Airline elect to furnish parking for its employees, such Airline shall pay to the County in advance by the first day of each December charges as are reasonably established by the County for the use of employee parking areas designated in the AUA. The County will refund to an Airline the prorated annual parking charge for parking spaces no longer used by Airline employees.

(B) *Miscellaneous*. Charges for miscellaneous items or activities not specified in the AUA (*e.g.* badges, extraordinary electrical usage, personal property storage, etc.) shall be assessed by the County as reasonably determined by the Airport Director and paid by the Airline.

An Airline shall pay all other charges which are assessed by the County for the use of other Airport facilities or for services that may be provided by the County to the Airline from time to time.

SECURITY INTERESTS

All PFCs collected by an Airline for the benefit of the County that are in the possession or control of the Airline are to be held in trust by the Airline on behalf and for the benefit of the County. To the extent that the Airline holds any property interest in such PFCs, and notwithstanding that the Airline may have commingled such PFCs with other funds, the Airline pledges to the County and grants the County a first priority security interest in such PFCs, and in any and all accounts into which such PFCs are deposited to the extent of the total amount of such PFCs (net of the airline compensation amounts allowable in accordance with 14 C.F.R. §158.53) held in such accounts.

As a guarantee by an Airline for the payment of all rents, fees, and charges, and all PFC remittances due to the County, each Airline pledges to the County and grants the County a security interest in all of its leasehold improvements and fixtures located on or used by Airline at the Airport.

AIRLINE AS GUARANTOR OF ITS AFFILIATES

Each Airline unconditionally guarantees all rents, landing fees and all PFC remittances of any of its Affiliates accrued during the period of such designation, to the extent that such Affiliate's operations at the Airport were performed for the benefit or in the name of the Airline. Upon receipt of Notice of default by any such Affiliate from the County due to nonpayment of such rents, landing fees or PFC remittances, such Airline shall pay all amounts owed to the County on demand in accordance with the payment provisions of the AUA.

MAINTENANCE AND OPERATION BY COUNTY

Each Airline will furnish janitorial service to its Exclusive Use Premises, Preferential Use Premises and its preferential Aircraft Parking Apron. Each Airline will maintain its Exclusive Use Premises, Preferential Use Premises and its preferential Aircraft Parking Apron in safe and proper working order as specified in the AUA.

Responsibility for maintenance, cleaning and operation of facilities shall be as set forth in the AUA.

The airlines may, subject to the approval of the Airport Director, establish a consortium which will be responsible for the maintenance and operation of facilities and equipment at the Airport. The Airport Director will also approve the standards to which the facilities and equipment will be maintained.

RULES AND REGULATIONS

The County shall have the right to and shall adopt and amend from time to time and enforce reasonable rules and regulations of general application, which each Airline agrees to observe and obey, with respect to each Airline's use of the Airport and its facilities, *provided* that such rules and regulations shall not be inconsistent with safety and with rules, regulations, and orders of the Federal Aviation Administration and other applicable governmental agencies and with the procedures prescribed or approved from time to time by the Federal Aviation Administration or other applicable governmental agencies with respect to the operation of Airline's aircraft.

DAMAGE, DESTRUCTION, ABATEMENT

If any part of the Airline Premises, or adjacent facilities directly and substantially affecting the use of the Airline Premises, shall be partially damaged by fire or other casualty, but said circumstances do not render Airline Premises unusable as reasonably determined by the County and the related Airline, the same shall be repaired to usable condition with due diligence by the County as provided in the AUA with no rental abatement whatsoever.

If any part of the Airline Premises, or adjacent facilities directly and substantially affecting the use of the Airline Premises, shall be so extensively damaged by fire or other casualty as to render any portion of said Airline Premises unusable but capable of being repaired, as reasonably determined by the County and the related Airline, the same shall be repaired to usable condition with due diligence by the County as provided in the AUA. In such case, the rent payable under the AUA with respect to the Airline's affected Airline Premises shall be paid up to the time of such damage and shall thereafter be abated equitably in proportion as the part of the area rendered unusable bears to total Airline Premises until such time as such affected Airline Premises shall be restored adequately for the Airline's use. The County shall use its best efforts to provide the Airline with suitable alternate facilities to continue its operation while repairs are being completed, at a rental rate not to exceed that provided in the AUA for the unusable space.

If any part of the Airline Premises, or adjacent facilities directly and substantially affecting the use of the Airline Premises, shall be damaged by fire or other casualty, and is so extensively damaged as to render any portion of said Airline Premises incapable of being repaired as reasonably determined by the County and the related Airline, the County shall notify the Airline within a period of ninety (90) days after the date of such damage of its decision to reconstruct or replace said space, *provided* the County shall be under no obligation to replace or reconstruct such Airline Premises. The rentals payable under the AUA with respect to the affected Airline Premises shall be paid up to the time of such damage and thereafter shall cease until such time as replacement or reconstructed space shall be available for use by Airline.

In the event the County reconstructs or replaces the affected Airline Premises, the County shall use its best efforts to provide the related Airline with suitable alternate facilities to continue its operation while reconstruction or replacement is being completed, at a rental rate not to exceed that provided in the AUA for the damaged space; *provided, however,* if such damaged space shall not have been replaced or reconstructed, or the County is not diligently pursuing such replacement or reconstruction within ninety (90) days after the date of such damage or destruction, the Airline shall have the right, upon giving the County thirty (30) days advance written notice, to cancel that portion of the AUA relating to the affected Airline Premises, but the AUA shall remain in effect with respect to the remainder of said Airline Premises, unless the affected Airline Premises render use of the remaining Airline Premises impracticable, in which case the Airline may terminate the entire AUA upon thirty (30) days written notice.

In the event the County does not reconstruct or replace the affected Airline Premises, the County shall meet and consult with the Airline on ways and means to permanently provide the Airline with adequate replacement space for the affected Airline Premises; *provided however*, the Airline shall have the right, upon giving the County thirty (30) days advance written notice, to cancel that portion of the AUA relating to the affected Airline Premises, but the AUA shall remain in full force and effect with respect to the remainder of said Airline Premises, unless the affected Airline Premises render use of the remaining Airline Premises impracticable, in which case Airline may terminate the entire AUA upon thirty (30) days written notice.

Notwithstanding the provisions of the AUA, in the event that due to the negligence or willful act of an Airline or of its employees (acting within the course or scope of their employment) or agents, any Airline Premises shall be damaged or destroyed by fire, other casualty or otherwise, there shall be no abatement of rent during the restoration or replacement of said Airline Premises and the Airline shall have no option to cancel the AUA under the provisions of the AUA. To the extent that the cost of repairs shall exceed the amount of any insurance proceeds payable to the County by reason of such damage or destruction, the Airline shall pay the amount of such cost to the County.

The County shall maintain levels of insurance required under the Bond Resolution, *provided*, *however*, that the County's obligations to reconstruct or replace under the provisions of the AUA shall in any event be limited to restoring the affected Airline Premises to substantially the condition that existed prior to the improvements made by the Airline and shall further be limited to the extent of insurance proceeds available to the County for such reconstruction or replacement. The Airline agrees that if the County elects to reconstruct or replace as provided in the AUA, then the Airline shall proceed with reasonable diligence and at its sole cost and expense to reconstruct and replace its improvements, signs, fixtures, furnishings, equipment and other items provided or installed by the Airline in or about the Airline Premises in a manner and in a condition at least equal to that which existed prior to its damage or destruction.

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

The County has developed a Five Year (CY 2011-CY 2015) Capital Improvement Program (*"Five Year CIP"*) for the Airport, which is attached to and incorporated within the AUA. The total projected cost of the Five Year CIP is $212,047,000 and the projected Net Financing Requirement is $59,571,000. The Net Financing Requirement Cap during the term of the AUA is established as one hundred percent (100%) of the projected Net Financing Requirement. The total cost of the Five Year CIP may be revised without MII approval as long as the Net Financing Requirement Cap is not exceeded.

COORDINATION PROCESS

By May 15 of each year and upon request, an Airline shall provide the County with an estimate of the total maximum certificated gross landed weight of all aircraft expected to be landed at the Airport by the Airline and each of its Affiliates during the following Calendar Year. If the Airline has not provided the County with the estimate of total landed weight for the following calendar year by June 1, the County shall provide its own estimate of landed weight by using the total landed weight for the Airline and its Affiliates from the previous Calendar Year and the current year.

By August 1 of each year, the County shall present to the AAAC the Airport's Operation and Maintenance and Capital Improvement budgets and the County's preliminary calculation of rent, fees, and charges for the following Calendar Year.

On or about August 1 of each year, the County shall convene a meeting with the AAAC to review and discuss the County's preliminary calculation of rents, fees, and charges for the following Calendar Year. The County shall give due consideration to the comments and suggestions made by the AAAC representatives pertaining to the Operation and Maintenance and Capital Improvement budgets and the preliminary rents, fees and charges. The County shall prepare a final calculation of rents, fees, and charges for the following Calendar Year, and will make its best efforts to provide a copy to each Airline no later than the last business day of the month preceding the start of the new Calendar Year. Notwithstanding anything else to the contrary, the County's final calculation of rents, fees, and charges shall take effect on the first day of each Calendar Year.

ADDITIONAL APPROVED CAPITAL IMPROVEMENTS

(A) Each Airline recognizes that, from time to time, the County may consider it necessary, prudent, or desirable to undertake Capital Improvements other than those identified in the Five Year CIP or, if the option to extend the term of the AUA is exercised, other than those identified in the new Five Year Capital Improvement Plan for the Years 2016 through 2020 (*"Additional Approved Capital Improvements"*).

(B) Contemporaneously with the coordination process set forth in the AUA and described above under the caption "COORDINATION PROCESS," and otherwise at any time during each Calendar Year as needed, the County shall review and discuss all such proposed Additional Approved Capital Improvements with the AAAC. Following such meeting, the relevant Additional Approved Capital Improvements shall be deemed approved.

(C) Notwithstanding the provisions of the AUA as described above in the final paragraph under the caption "FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM" and below under the caption "CAPITAL IMPROVEMENT REVIEW AND APPROVAL PROCESS," the County may undertake Additional Approved Capital Improvements, and recover the Net Requirement attributable to each such Additional Approved Capital Improvement through rents, fees, and charges, if such Additional Approved Capital Improvement is undertaken under certain circumstances described in the AUA without Airline approval.

(D) The County may also proceed with any additional Capital Improvement that does not impact Airline's rates and charges through depreciation or amortization charges.

CAPITAL IMPROVEMENT REVIEW AND APPROVAL PROCESS

If the County plans to initiate a Capital Improvement project that will result in a revised Five Year CIP for which the Net Financing Requirement will exceed the Net Financing Requirement Cap, then the County and the AAAC will follow the following process:

(A) The Airport Director shall submit a report on the proposed Capital Improvement(s) to the AAAC including for each project an estimate of its construction and operating costs, description of the work proposed, its benefits and funding sources. Subsequent to receipt of said report, the following procedural steps are established:

(B) MII of the Signatory Airlines (including Signatory Cargo Airlines, for projects located in the Airfield Cost Center or the Former 440th Military Base) will either approve, disapprove, or make no comment within thirty (30) days of receipt of the information.

(C) The AAAC may request a meeting with the Airport Director for the purpose of commenting on any proposed Capital Improvement.

(D) Each Capital Improvement referred to in the report shall be deemed approved unless written disapproval is received by the Airport Director within thirty (30) days of AAAC receipt of the report. The AAAC may, notwithstanding any prior written disapproval, rescind such action and approve in writing any Capital Improvement at any of the County's established procedural steps.

(E) The County may resubmit substantially the same Capital Improvement in the second Calendar Year for AAAC action and the aforesaid procedural steps shall again be followed.

(F) The County may proceed with any disapproved Capital Improvement at any time during the first two Calendar Year submissions, *provided, however,* that the cost of said Capital Improvement shall not at any time, directly or indirectly, become part of the calculation of residual rates, fees and charges assessed to the Signatory Airlines. However, if the County makes a Capital Improvement and an Airline subsequently decides to occupy and/or use the Capital Improvement, it shall pay such rentals, fees and charges as shall be set by the County.

(G) After the second calendar year budget submittal, should the County desire to proceed with a Capital Improvement, the aforesaid procedural steps shall again be followed.

(H) The County may proceed with any Capital Improvement during the third calendar year submission without AAAC approval and include its costs in the calculation of the airline rentals, fees and charges.

MAJOR MAINTENANCE PROJECTS — EXPENSED

For the purposes of calculating rents, fees, and charges in accordance with the AUA, the cost of Major Maintenance Projects - Expensed shall be allocated to the applicable Cost Center and expensed in the Calendar Year in which they occur. The County will make its best efforts to disclose all proposed Major Maintenance Projects - Expensed for each Calendar Year as part of the coordination process in accordance with the AUA. Each Airline recognizes, however, that certain unbudgeted Major Maintenance Projects - Expensed may be required to be undertaken during the course of any Calendar Year in order to properly operate, maintain, or repair the Airport facilities. The County reserves the right to undertake such Major Maintenance Projects - Expensed as it deems necessary; *provided, however*, that the County shall not subdivide Capital Improvements into smaller projects solely for the purpose of re-characterizing such Capital Improvements as Major Maintenance Projects - Expensed to avoid a Majority-In-Interest review in accordance with the AUA.

PASSENGER LOADING BRIDGE PROGRAM

Notwithstanding any provision in the AUA, the County may elect during the term of the AUA to: (i) replace any existing County-owned passenger loading bridges, and/or (ii) purchase passenger loading bridges to be installed at Gates lacking such equipment.

EXPENDITURES FOR PLANNING AND PRELIMINARY DESIGN

Each Airline recognizes in the AUA that, from time to time, the County may engage with outside professionals to provide planning and preliminary design services to define the scope and costs of proposed Capital Improvements. The County reserves the right to undertake such services, and the County reserves the right to include the Net Requirement of such services in the rents, fees, and charges upon completion of such Capital Improvements, or if and when such projects are ultimately cancelled. Net Requirement of planning and preliminary design for projects that proceed to construction shall be amortized over the useful life of the project. Net Requirement of planning and preliminary design of projects that are cancelled shall be amortized over five years. Contemporaneously with the coordination process set forth in the AUA, the County shall review and discuss with the Signatory Airlines any actions proposed to be taken in accordance with the AUA during the upcoming year.

ALTERATIONS AND IMPROVEMENTS BY AN AIRLINE

An Airline may construct and install, at the Airline's sole expense, such improvements in its Airline Premises as the Airline deems to be necessary for its operations under the terms and provisions set forth in the AUA. No reduction or abatement of rents, fees, and charges shall be allowed for any interference with the Airline's operations by such construction.

EVENTS OF DEFAULT AND REMEDIES

Each of the following shall constitute an "Event of Default by Airline":

(A) Any Airline fails to pay rentals, fees and charges when due, and such default continues for a period of fifteen (15) days after receipt by the Airline of written notice thereof.

(B) Any Airline fails after the receipt of written notice from the County to keep, perform or observe any term, covenant or condition of the AUA (other than as described above in subsection (A)) to be kept, performed or observed by the Airline, and such failure continues for thirty (30) days after such receipt or if by its nature such Event of Default cannot be cured within such thirty (30) day period, if the Airline shall not commence to cure or remove such Event of Default within said thirty (30) days and to cure or remove same as promptly as reasonably practicable.

(C) Any Airline shall become insolvent; shall take the benefit of any present or future insolvency statute; shall make a general assignment for the benefit of creditors; shall file a voluntary petition in bankruptcy or a petition or answer seeking a reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any other law or statute of the United States or of any state thereof; or shall consent to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property.

(D) An Order for Relief shall be entered at the request of any Airline or any of its creditors under the federal bankruptcy or reorganization laws or under any law or statute of the United States or any state thereof.

(E) A petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute shall be filed against any Airline and shall not be dismissed within sixty (60) days after the filing thereof.

(F) By or pursuant to or under the authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, or agency, an officer, receiver, trustee, or liquidator shall take possession or control of all or substantially all of the property of any Airline and such possession or control shall continue in effect for a period of fifteen (15) days.

(G) Any Airline shall become a corporation in dissolution or voluntarily or involuntarily forfeit its corporate charter other than through merger with a successor corporation, as set forth in the AUA.

(H) The rights of any Airline under the AUA shall be transferred to, pass to, or devolve upon, by operations of law or otherwise, any other person, firm, corporation, or other entity, as a result of any bankruptcy, insolvency, trusteeship, liquidation, or other proceedings or occurrence described above in subsection (C) through (G), inclusive.

(I) Any Airline shall voluntarily discontinue its operations at the Airport for a period of thirty (30) days unless otherwise agreed to by the County and the Airline.

Upon the occurrence of an Event of Default by any Airline, such Airline shall remain liable to the County for all arrearages of rentals, fees and charges payable under the AUA and for all preceding breaches of any covenant contained in the AUA. The County, in addition to the right of termination and to any other rights or remedies it may have at law or in equity, shall have the right of reentry and may remove all Airline persons and property from the Airline Premises. Upon any such removal, the Airline property may be stored in a public warehouse or elsewhere at the cost of, and for the account of, the Airline. Should the County elect to reenter, as provided in the AUA, or should it take possession pursuant to legal proceedings or pursuant to any notice provided by law, it may, at any time subsequent to an Event of Default by the Airline, terminate the AUA relating to that Airline and relet such Airline Premises and any improvements thereon or any part thereof for such term or terms (which may be for a term extending beyond the term of the AUA) and at such rentals, fees and charges and upon such other terms and conditions as the County in its sole discretion may deem advisable, with the right to make alterations, repairs or improvements on said Airline Premises. No reentry or reletting of the Airline Premises by the County shall be construed as an election on the County's part to forfeit its rights under the AUA and shall not affect the obligations of the Airline for the unexpired term of the AUA. In reletting the Airline Premises, the County shall be obligated to make a good faith effort to obtain terms and conditions no less favorable to itself than those contained in the AUA and otherwise seek to mitigate any damages it may suffer as a result of the Airline's Event of Default.

Even if the County elects to terminate the AUA, the Airline shall remain liable for and promptly pay all rentals, fees and charges accruing under the AUA until expiration of the AUA subject to the provisions of the AUA.

In the event that the County relets, rentals, fees and charges received by the County from such reletting shall be applied: *first*, to the payment of any indebtedness other than rentals, fees and charges due under the AUA from the Airline to the County; *second*, to the payment of any cost of such reletting; *third*, to the payment of rentals, fees and charges due and unpaid under the AUA; and the remaining balance, if any, shall be held by the County and applied in payment of future rentals, fees and charges as the same may become due and payable under the AUA. Should that portion of such rentals, fees and charges received from such reletting which is applied to the payment of rentals, fees and charges under the AUA, be less than the rentals, fees and charges payable during applicable periods by the Airline under the AUA, then the Airline shall pay such deficiency to the County. The Airline shall also pay to the County, as soon as ascertained, any costs and expenses incurred by the County in such reletting not covered by the rentals, fees and charges received from such reletting.

Notwithstanding anything to the contrary in the AUA, if a dispute arises between the County and the Airline with respect to any obligation or alleged obligation of the Airline to pay money, the payment under protest by the Airline of the amount claimed by the County to be due shall not waive any of the Airline's rights, and if any court or other body having jurisdiction determines that all or any part of the protested payment was not due, then the County shall as promptly as reasonably practicable reimburse the Airline any amount determined as not due.

The Airline shall pay to the County all costs, fees, and expenses incurred by the County in the exercise of any remedy upon an Event of Default by the Airline.

To the extent that the County's right to terminate the AUA as a result of an event described in this section is determined to be unenforceable under the Federal Bankruptcy Code, as amended from time to time, or under any other statute, then the Airline and any trustee who may be appointed agree: (i) to perform promptly every obligation of the Airline under the AUA until the AUA is either assumed or rejected under the Federal Bankruptcy Code; (ii) to pay on a current basis all rentals, fees, and charges set forth in the AUA; (iii) to reject or assume the AUA within sixty (60) days of a filing of a petition under the Federal Bankruptcy Code; (iv) to cure or provide adequate assurance of a prompt cure of any default of the Airline under the AUA; and (v) to provide to the County such adequate assurance of future performance under the AUA as may be requested by the County, including a tender of a Performance Guarantee as set forth in the AUA.

Notwithstanding any other legal effect of or remedy for Airline's default or breach under the AUA, any acts of default or breach under the following agreements shall also constitute a default or breach under the AUA. Any agreement related to or involving the following operations and activities at the Airport, regardless of the other parties to such agreement:

(1) The operation and management of the airport/airline hydrant fuel system;

(2) The operation and management of any portion of the Airport Terminal Building by an Airline consortium; or

(3) Any other consortium approved by the Airport Director.

TERMINATION OF LEASE BY AIRLINE

Each of the following events shall constitute an "Event of Default by County":

(A) The County fails after receipt of written notice from an Airline to keep, perform or observe any term, covenant or condition in the AUA contained to be kept, performed, or observed by the County and such failure continues for thirty (30) days or if by its nature such Event of Default cannot be cured within such thirty (30) day period, if the County shall not commence to cure or remove such Event of Default within said thirty (30) days and to cure or remove the same as promptly as reasonably practical.

(B) The permanent closure of the Airport as an air carrier airport by act of any Federal, state or local government agency having competent jurisdiction.

(C) The assumption by the United States Government or any authorized agency of the same (by executive order or otherwise) of the operation, control or use of the Airport and its facilities in such a manner as to substantially restrict Airline from conducting its operations, if such restriction be continued for a period of ninety (90) days or more.

Upon the occurrence of an Event of Default by the County, an Airline shall have the right to suspend or terminate the AUA and all rentals, fees and charges payable by the Airline under the AUA shall abate during a period of suspension or shall terminate, as the case may be. In the event that the Airline's operations at the Airport should be restricted substantially by action of any governmental agency having jurisdiction thereof, then the Airline shall, in addition to the rights of termination granted in the AUA, have the right to a suspension of the AUA, or part thereof, and abatement of a just proportion of the payments to become due under the AUA, from the time of giving written notice of such election until such restrictions shall have been remedied and normal operations restored.

INDEMNITY AND INSURANCE BY AIRLINE

Each Airline covenants and agrees under the AUA to fully indemnify and hold harmless, the County and the elected officials, employees, directors, volunteers and representatives of the County, individually or collectively, from and against any and all costs, claims, liens, damages, losses, expenses, fees, fines, penalties, proceedings, actions demands, causes of actions, liability and suits of any kind and nature, including but not limited to, personal or bodily injury, death and property damage, made upon the County to the extent directly or indirectly arising out of resulting from or related to the Airline's activities in, on or about Airline Premises, or from any operation or activity of the Airline upon the Airport Premises, or in connection with its use of Airline Premises, including any acts or omissions of the Airline, any agent, officer, director, representative, employee, consultant or subcontractor of the Airline, and their respective officers, agents, employees, directors and representatives while in the exercise or performance of the rights or duties under the AUA, all without however, the County waiving any governmental immunity or other rights available to the County under Wisconsin Law and without waiving any defenses of the parties under Wisconsin law. The provisions of this indemnity are solely for the benefit of the parties to the AUA and not intended to create or grant any rights, contractual or otherwise, to any other person or entity. The Airline shall promptly advise the County in writing of any claim or demand against the County or the Airline known to the Airline related to or arising out of the Airline's activities under the AUA and shall see to the investigation and defense of such claim or demand at Airline's cost. The County shall have the right, at its option and at its own expense, to participate in such defense without relieving Airline of any of its obligations described in this paragraph.

Each Airline has agreed to obtain and maintain the following types of insurance under the AUA:

TYPE OF INSURANCE	LIMITS OF LIABILITY
Comprehensive Airline Liability Insurance, Including Premises Liability and Aircraft Liability, in respect of all aircraft owned, used, operated or maintained by Named Insured	$100,000,000 each accident

Commercial General Liability insurance to include coverage for the following:

• General Aggregate	$10,000,000 per occurrence; $25,000,000 general aggregate or its equivalent in Umbrella or Excess Liability coverage.
(A) Premise/Operations	$10,000,000
(B) Pollution Liability*	$5,000,000/occurrence/annual aggregate

	$500,000/self–insurance retention
(C) Products/Completed Operations	$10,000,000
(D) Contractual Liability	$10,000,000
(E) Explosion, Collapse. Underground	$10,000,000
(F) Fire legal liability	
	$50,000
• Business Automobile Liability (airside and landside)	Combined Single Limit for Bodily Injury and Property Damage of
• Scheduled Autos	$5,000,000
• Owned/Leased Automobiles	
• Non–owned Automobiles	
• Hired Automobiles	
• Worker's Compensation	Statutory
• Employer's Liability	$1,000,000 / $1,000,000 / $1,000,000
• Property Insurance	Value of Airline Property on premises, to include improvements and betterments.

- If the Airline has been approved as self-funded under Wisconsin Law and complies with the County of Milwaukee Self-Insurance requirements, the County may accept the Airline's certificate of self-funding or self-insurance.

AIRPORT DEVELOPMENT FUND ACCOUNT

The County shall establish an Airport Development Fund Account (the *"ADFA"*) during the term of the AUA, which shall be a special, segregated account maintained in the Surplus Fund, and shall be subject to the terms and provisions of the Bond Resolution. The annual contributions to the ADFA are to be equal to (a) ten percent (10%) of Airport Concession Revenues described in subsection (B) under the caption "TERMINAL BUILDING RENTS" and (b) income received from the investment of monies in the ADFA. Such Fund shall be used by the Airport Director, as appropriations permit, to finance (a) future Capital Improvements or Major Maintenance Projects – Capitalized or portions thereof at the Airport or at Timmerman Airport, or (b) for any other Airport System purpose permitted by, and subject to, the permitted uses of the Surplus Fund under the terms and provisions of the Bond Resolution. The monies on deposit in the ADFA, like other monies on deposit in the Surplus Fund, are subject to the terms and provisions of the Bond Resolution which may require use of such monies in the ADFA to fund deficiencies in the other funds and accounts established and held under the Bond Resolution. The County Accounting System will not include depreciation or amortization in airline rates, fees and charges for those portions of improvements paid for by monies from the Airport Development Fund Account, from federal or state grants or from Passenger Facility Charges specifically provided for that purpose or for the cost of those projects that are paid for by other parties.

The maximum amount that may be held in the Airport Development Fund Account from time to time is $15,000,000; *provided*, that if amounts on deposit in the ADFA are less than $15,000,000 at any time, deposits will continue to be made to the ADFA. If at the end of any

Calendar Year the amount of cash in the Airport Development Fund Account exceeds $15,000,000, such excess amount shall be transferred to the Operation and Maintenance Fund and will be refunded by check written from the Operation and Maintenance Fund as an Operation and Maintenance Expense within 60 days following the completion of the year-end settlement calculation. Each Signatory Airline shall receive a share of the excess amount in proportion to the total amount that they paid in Terminal Building Rents during that calendar year.

Notwithstanding anything in the AUA to the contrary, during the term of the AUA the County may transfer up to $4,000,000 from the ADFA to the ADF Depreciation Account established pursuant to the AUA.

ADF DEPRECIATION ACCOUNT

The County shall establish an ADF Depreciation Account during the term of the AUA, which shall be a special, segregated account in the Surplus Fund, and shall be subject to the terms and provisions of the Bond Resolution. Such account shall be used by the Airport Director, as appropriations permit, to finance (a) future Capital Improvements or Major Maintenance Projects – Capitalized or portions thereof at the Airport or at Timmerman Airport, or (b) for any other Airport System purpose permitted by, and subject to, the permitted use of the Surplus Fund under the terms and provisions of the Bond Resolution. The monies on deposit in the ADF Depreciation Account, like other monies on deposit in the Surplus Fund, are subject to the terms and provisions of the Bond Resolution which may require use of such monies in the ADF Depreciation Account to fund deficiencies in the other funds and accounts established and held under the Bond Resolution. Notwithstanding anything in the AUA to the contrary, during the term of the AUA the County may expend up to $4,000,000 from the ADF Depreciation Account and include depreciation or amortization in airline rates, fees and charges resulting from these expenditures. The depreciation or amortization charges will be credited to the ADF Depreciation Account.

NON-SIGNATORY RATES

In recognition of the fact that an Airline and other airlines which are signatory to the AUA will be making a long-term commitment to pay rentals, fees, and charges for the use and occupancy of Airport, for the right to use and occupy same, the County recognizes the need, appropriateness, and equity of imposing on non-signatory airlines utilizing said Airport, by ordinance or other appropriate method, rentals, fees and charges for all such services and facilities used that are one hundred twenty-five (125) percent of the rentals, fees, and charges being imposed on Airline and other Signatory Airlines pursuant to the AUA. A Signatory Cargo Airline will be considered a Signatory Airline for the purpose of charging landing fees. The non-signatory rates will be adjusted concurrent with the adjustment of the rates of the Signatory Airlines. However, non-signatory rates may be discontinued at any time in the event that they are determined to be illegal or, in the opinion of the Airport Director or County bond counsel that the existence of non-signatory rates will result in a higher rate of interest being paid by County on Airport bonds.