

In the opinion of Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the 2010 Bonds is (i) excluded from gross income for federal income tax purposes, except for interest on any 2010 Bond for any period during which such 2010 Bond is held by a “substantial user” of the facilities financed by the 2010 Bonds or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986 and (ii) not treated as a “preference item” in calculating the alternative minimum tax imposed on individuals and corporations under Section 57(a)(5) of the Internal Revenue Code of 1986 and not includable in the adjusted current earnings of corporations under Section 56(g) of the Internal Revenue Code of 1986 for purposes of calculating the alternative minimum tax imposed on such corporations.

\$310,000,000
Love Field Airport Modernization Corporation
Special Facilities Revenue Bonds, Series 2010
(Southwest Airlines Co. – Love Field Modernization Program Project)

Dated: Date of Initial Issuance

Due: November 1, 2040

The Love Field Airport Modernization Corporation (the “*Issuer*”) is issuing its Special Facilities Revenue Bonds, Series 2010 (Southwest Airlines Co. – Love Field Modernization Program Project) (the “*2010 Bonds*”) to finance the acquisition, construction, expansion, installation and equipping of certain capital improvements at Dallas Love Field (the “*Airport*”). The 2010 Bonds are being issued pursuant to a Trust Indenture dated as of November 1, 2010 (the “*Indenture*”), between the Issuer and Wells Fargo Bank, National Association, as trustee (the “*Trustee*”). The City of Dallas, Texas (the “*City*”) has entered into an Amended and Restated Lease of Terminal Building Premises dated as of February 13, 2009 and effective retroactively as of October 1, 2008 (the “*Amended Lease*”) with Southwest Airlines Co. (“*Southwest*”) whereby the City has leased certain existing facilities at the Airport to Southwest during the development and construction of a significant redevelopment and modernization of the Airport (a program referred to as the “*Love Field Modernization Program*” or the “*LFMP*”) and has agreed to lease certain improved facilities at the Airport to Southwest upon completion of the LFMP. The City, the Issuer and Southwest have entered into a Special Facilities Agreement dated as of November 1, 2010 (the “*Facilities Agreement*”) whereby the City has agreed to cause the Issuer to issue the 2010 Bonds to finance certain portions of the LFMP and Southwest has agreed to make payments sufficient to pay the principal of, premium, if any, and interest on the 2010 Bonds (the “*Facilities Payments*”). The 2010 Bonds are payable solely from and are secured solely by a first lien on and pledge of certain payments to be made by Southwest to the Issuer pursuant to the Facilities Agreement and other funds constituting the Trust Estate under the Indenture. The payment of the principal of, premium, if any, and interest on the 2010 Bonds will be unconditionally guaranteed by

Southwest Airlines Co.

pursuant to a Guaranty dated as of November 1, 2010 by Southwest in favor of the Trustee (the “*Guaranty*”).

THE OBLIGATION TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2010 BONDS IS A SPECIAL OBLIGATION OF THE ISSUER, AND IS PAYABLE SOLELY FROM THE FACILITIES PAYMENTS TO BE MADE BY SOUTHWEST PURSUANT TO THE TERMS OF THE FACILITIES AGREEMENT AND OTHER FUNDS CONSTITUTING THE TRUST ESTATE UNDER THE INDENTURE, AS WELL AS ANY AMOUNTS RECEIVED UNDER THE GUARANTY. NO OTHER PUBLIC ENTITY, INCLUDING THE CITY, THE STATE OF TEXAS, ANY OTHER POLITICAL SUBDIVISIONS THEREOF, OR ANY OTHER PUBLIC BODY, IS OBLIGATED, DIRECTLY, INDIRECTLY, CONTINGENTLY, OR IN ANY OTHER MANNER TO PAY SUCH PRINCIPAL, PREMIUM, IF ANY, OR INTEREST FROM ANY SOURCE WHATSOEVER. THE 2010 BONDS SHALL NOT BE CONSIDERED GENERAL OBLIGATIONS OF THE BOARD OF DIRECTORS OF THE ISSUER (EITHER INDIVIDUALLY OR COLLECTIVELY), THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THE REGISTERED OWNERS OF THE 2010 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE 2010 BONDS OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION, OR FROM ANY OTHER FUNDS EXCEPT THE SOURCES DESCRIBED HEREIN. NO PROPERTY SHALL BE ENCUMBERED BY ANY LIEN OR SECURITY INTEREST FOR THE BENEFIT OF THE REGISTERED OWNERS OF THE 2010 BONDS.

The 2010 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“*DTC*”). DTC will act as securities depository for the 2010 Bonds. Purchases of the 2010 Bonds will be made in book-entry form, in denominations of \$5,000 and any integral multiple thereof. Purchasers of the 2010 Bonds will not receive certificates representing their interest in the 2010 Bonds purchased. So long as Cede & Co. is the registered owner of the 2010 Bonds, DTC, through its participants, will make payments of principal, premium, if any, and interest on the 2010 Bonds to Beneficial Owners. See “THE 2010 BONDS – Book-Entry-Only System.”

\$310,000,000 5.25% Term Bond due November 1, 2040, Yield 5.375%, CUSIP 54714FAA8

The 2010 Bonds will bear interest from their date of initial issuance and delivery, payable on May 1, 2011 and on each November 1 and May 1 thereafter until maturity or redemption prior to maturity.

The 2010 Bonds are subject to optional, make-whole optional and mandatory redemption prior to maturity as described herein. See “THE 2010 BONDS – Redemption Prior to Maturity.”

The purchase and ownership of the 2010 Bonds involve significant investment risk and may not be suitable for all investors. This cover page contains information for quick reference only. It is not a summary of this issue. Prospective purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision. See “RISK FACTORS” and “APPENDIX A – INFORMATION ABOUT SOUTHWEST AIRLINES CO.” for a discussion of certain factors that should be given particular attention by prospective purchasers of the 2010 Bonds.

The 2010 Bonds are offered, subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriters subject to receipt of approval of the Attorney General of the State of Texas and the approving legal opinion of McCall, Parkhurst & Horton L.L.P., and Escamilla, Poneck & Cruz, LLP, Co-Bond Counsel. The General Counsel of Southwest will pass upon certain legal matters for Southwest. Katten Muchin Rosenman LLP and Mahomes Bolden & Warren PC will pass upon certain legal matters for the Underwriters. It is expected that delivery of the 2010 Bonds in book-entry form will take place through the facilities of DTC on or about November 18, 2010.

Goldman, Sachs & Co.

BofA Merrill Lynch

Ramirez & Co., Inc.

Citi

Comerica Securities, Inc.

Wells Fargo Securities

LOVE FIELD AIRPORT MODERNIZATION CORPORATION

BOARD MEMBERS:

Ryan Evans, President

Dan Weber, Vice President

Corrine Steeger, Secretary-Treasurer

Bob Montgomery (ex officio)

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CO-FINANCIAL ADVISORS

First Southwest Company, Dallas, Texas

Estrada Hinojosa & Company, Inc., Dallas, Texas

The information contained in this Official Statement (which term shall be deemed to include the Appendices to this Official Statement and all documents incorporated herein by reference) has been obtained in part from the Love Field Airport Modernization Corporation (the “Issuer”), Southwest Airlines Co. (“Southwest”) and other sources deemed reliable. The information contained under the heading “UNDERWRITING” has been obtained from the underwriters named on the cover page hereof (collectively, the “Underwriters”). The information concerning The Depository Trust Company (“DTC”) has been obtained from DTC. The Issuer neither has nor assumes any responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the headings “THE ISSUER”, “BACKGROUND INFORMATION” and “LITIGATION – *ISSUER*.”

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their 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.

This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purpose. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the Issuer or Southwest since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the Issuer, the City, Southwest or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. Some statements in this Official Statement made by Southwest (or otherwise made by Southwest or on Southwest’s behalf from time to time in other reports, filings with the Securities and Exchange Commission, news releases, conferences, Internet postings, or otherwise) that are not historical facts may be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on, and include statements about, Southwest’s estimates, expectations, beliefs, intentions, or strategies for the future, and the assumptions underlying these forward-looking statements. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “will”, “should”, and similar expressions. Although Southwest believes these forward-looking statements are reasonable as and when made, forward-looking statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed in or indicated by Southwest’s forward-looking statements or from historical experience or Southwest’s present expectations. Factors that could cause these differences include, but are not limited to, those set forth below under “RISK FACTORS”.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2010 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CUSIP is a registered trademark of the American Bankers Association. The CUSIP number has been assigned by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association, and is included solely for convenience of the Bondholders. The Issuer and the Underwriters were not responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness on the 2010 Bonds or as indicated herein.

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**OFFICIAL STATEMENT
OF THE
LOVE FIELD AIRPORT MODERNIZATION CORPORATION**

Relating to its

\$310,000,000

**SPECIAL FACILITIES REVENUE BONDS, SERIES 2010
(SOUTHWEST AIRLINES CO. – LOVE FIELD MODERNIZATION PROGRAM PROJECT)**

INTRODUCTION

This Official Statement, including the cover, the table of contents and the Appendices, provides certain information with respect to the issuance and sale by the Love Field Airport Modernization Corporation (the “Issuer”) of \$310,000,000 aggregate principal amount of Special Facilities Revenue Bonds, Series 2010 (Southwest Airlines Co. – Love Field Modernization Program Project) (the “2010 Bonds”). The information contained herein is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Official Statement. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in “APPENDIX B – MASTER GLOSSARY” attached hereto.

Purpose

The proceeds of the 2010 Bonds will be used to: (i) finance a portion of the costs of the development and construction by Southwest Airlines Co. (“Southwest”) of a new terminal building complex, aircraft parking apron, fuel systems, baggage handling system, roadways, and certain other new and renovated facilities (the “Project”) at Dallas Love Field (the “Airport”) for use by Southwest, as the primary user, and other commercial air carriers; (ii) reimburse payments made by Southwest for costs related to the Project (collectively, the “Project Costs”) prior to the issuance of the 2010 Bonds, in an amount not to exceed \$100,000,000, including interest thereon at the prime rate published in *The Wall Street Journal* plus 400 basis points; (iii) pay a portion of interest on the 2010 Bonds through May 1, 2013; and (iv) finance the costs of issuance of the 2010 Bonds, including Underwriters’ discount, provided, however, that no more than two percent of the proceeds of the 2010 Bonds shall be used for the payment of the costs of issuance. For a more detailed description of the sources and use of proceeds of the 2010 Bonds, see “SOURCES AND USES OF 2010 BOND PROCEEDS” herein. For a more detailed description of the improvements funded with the proceeds of the 2010 Bonds, see “THE PROJECT” herein.

The 2010 Bonds

The 2010 Bonds are being issued by the Issuer pursuant to the Constitution and laws of the State of Texas (the “State”), including particularly, Subchapter D of Chapter 431, Texas Transportation Code, as amended (the “Act”), a resolution of the City of Dallas, Texas (the “City”) adopted on January 27, 2010 (the “City Resolution”), a resolution of the Issuer adopted on October 27, 2010 (the “Issuer Resolution”), and a Trust Indenture, dated as of November 1, 2010 (the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The City Resolution authorized the Issuer to issue bonds, in one or more series, in an aggregate principal amount not to exceed \$500,000,000, in connection with the acquiring and constructing of the elements of the LFMP defined in the Facilities Agreement (as hereinafter described) as the Project.

The Trustee is also acting as the paying agent and as bond registrar for the 2010 Bonds. The 2010 Bonds are secured by and payable from the Facilities Payments to be made by Southwest pursuant to the Facilities Agreement as hereinafter described and other funds constituting the Trust Estate under the Indenture. The 2010 Bonds are also secured by any amounts that may become payable under the Guaranty issued by Southwest as hereinafter described.

The 2010 Bonds will be dated the date of initial issuance and delivery thereof, will bear interest from such date at the rate set forth on the cover page of this Official Statement, and will be payable on each May 1 and November 1, commencing on May 1, 2011, and at maturity or earlier redemption. Interest on the 2010 Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 2010 Bonds will mature on November 1, 2040, subject to the optional, make-whole optional and mandatory redemption prior to maturity as described herein under “THE 2010 BONDS – Redemption Prior to Maturity”, and the option to purchase in lieu of redemption prior to maturity as described herein under “THE 2010 BONDS – Purchase in Lieu of Redemption.”

The Issuer will issue the 2010 Bonds only in book-entry form in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), as securities depository. Purchasers of the 2010 Bonds will not receive physical delivery of the 2010 Bonds. So long as Cede & Co., as nominee of DTC, is the registered owner, references to Bondholders or registered owners shall mean Cede & Co., and shall not mean the beneficial owners of the 2010 Bonds. See “THE 2010 BONDS – Book-Entry-Only System.” If the DTC book-entry system is discontinued, the principal of and premium, if any, on the 2010 Bonds will be payable at the corporate trust office of the Trustee and interest will be paid by check or draft drawn on the Trustee and mailed to registered owners of the 2010 Bonds as such appear of record as of the fifteenth day of the month next preceding each such payment date (the “Record Date”).

Pursuant to the Facilities Agreement, the Issuer has agreed to issue additional bonds in connection with the Project at a future date (“Additional Bonds”), in the amounts specified by and at the direction of Southwest (so long as Southwest is not in default in respect of any of its obligations to the Issuer under the Facilities Agreement and subject to the satisfaction of certain other conditions set forth in the Facilities Agreement), provided that the aggregate principal amount of the 2010 Bonds and any Additional Bonds in connection with acquiring and constructing elements of the LFMP defined in the Facilities Agreement as the Project may not exceed \$500,000,000. The proceeds of any Additional Bonds will be used to pay or to reimburse Southwest for costs incurred by Southwest for any one or more of the following: (a) any remaining Project Costs, (b) the issuance and sale of the Additional Bonds and other costs reasonably related to the financing thereof, and (c) the refunding of any Outstanding 2010 Bonds. Southwest anticipates directing the issuance of Additional Bonds in calendar year 2012 in connection with acquiring and constructing elements of the LFMP defined in the Facilities Agreement as the Project in an amount not expected to exceed \$190,000,000. See “APPENDIX C – SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – FACILITIES AGREEMENT”. Bonds may be issued in excess of \$500,000,000 in connection with acquiring and constructing elements of the LFMP, if such issuance of bonds in excess of \$500,000,000 is approved by the Board of Directors of Southwest and the City Council of the City.

Security for the 2010 Bonds

The 2010 Bonds are special obligations of the Issuer and the Issuer will pay the principal of, premium, if any, and interest on the 2010 Bonds solely from the Facilities Payments to be made by Southwest pursuant to the Facilities Agreement, any amounts received under the Guaranty (as hereinafter described) and other funds constituting the Trust Estate under the Indenture. It is anticipated that certain moneys derived from federal grants and PFCs relating to the Project will be used to pay debt service, but only to the extent such moneys are available for such use, and neither the Issuer nor the City is obligated

to make other sources of funds available to defray debt service on the 2010 Bonds should such federal grants or PFCs relating to the Project not be received by the City. See “PRINCIPAL FINANCE DOCUMENTS – Facilities Agreement”. Investors are advised to look to and rely solely upon the Facilities Payments to be made by Southwest pursuant to the Facilities Agreement and the Guaranty as security for the payment of principal of, premium, if any, and interest on the 2010 Bonds. The obligation of Southwest to make the Facilities Payments pursuant to the Facilities Agreement is absolute and unconditional and is not subject to any defense or any right of set-off, counterclaim, abatement or otherwise. See “SOUTHWEST”, “PRINCIPAL FINANCE DOCUMENTS” and “SECURITY FOR THE 2010 BONDS” for more detailed information regarding Southwest, the Facilities Agreement and Southwest’s obligation to make Facilities Payments.

THE 2010 BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE FACILITIES PAYMENTS TO BE MADE BY SOUTHWEST PURSUANT TO THE FACILITIES AGREEMENT AND OTHER FUNDS CONSTITUTING THE TRUST ESTATE UNDER THE INDENTURE, AS WELL AS ANY AMOUNTS RECEIVED UNDER THE GUARANTY. NO OTHER PUBLIC ENTITY, INCLUDING THE CITY, THE STATE, ANY OTHER POLITICAL SUBDIVISION THEREOF, OR ANY OTHER PUBLIC BODY, IS OBLIGATED, DIRECTLY, INDIRECTLY, CONTINGENTLY, OR IN ANY OTHER MANNER TO PAY SUCH PRINCIPAL, PREMIUM, IF ANY, OR INTEREST FROM ANY SOURCE WHATSOEVER. THE 2010 BONDS SHALL NOT BE CONSIDERED GENERAL OBLIGATIONS OF THE BOARD OF DIRECTORS OF THE ISSUER (EITHER INDIVIDUALLY OR COLLECTIVELY), THE CITY, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THE REGISTERED OWNERS OF THE 2010 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE 2010 BONDS OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION, OR FROM ANY OTHER FUNDS EXCEPT THE SOURCES DESCRIBED HEREIN. NO PROPERTY SHALL BE ENCUMBERED BY ANY LIEN OR SECURITY INTEREST FOR THE BENEFIT OF THE REGISTERED OWNERS OF THE 2010 BONDS.

Payment of the principal of, premium, if any, and interest on the 2010 Bonds is guaranteed by Southwest pursuant to a Guaranty dated November 1, 2010 executed by Southwest in favor of the Trustee for the benefit of the registered owners of the 2010 Bonds (the “Guaranty”). See “PRINCIPAL FINANCE DOCUMENTS – Guaranty” and “SECURITY FOR THE 2010 BONDS – Guaranty” herein, and “SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – GUARANTY” in APPENDIX C attached hereto.

The purchase and ownership of the 2010 Bonds involve significant investment risk and may not be suitable for all investors. See “RISK FACTORS” herein and “APPENDIX A – INFORMATION ABOUT SOUTHWEST AIRLINES CO.” attached hereto.

Miscellaneous

Certain information regarding Southwest is included or incorporated by reference in this Official Statement. This information is not designed to be comprehensive and prospective investors should rely on their own examination of Southwest and the risks associated therewith. Investors are advised not to rely on the financial viability of the Airport or the Project as security for repayment of principal of, premium, if any, and interest on the 2010 Bonds.

The following are brief descriptions of the background information with respect to the Project, Southwest, the Issuer, the Principal Finance Documents and the Project. APPENDIX A to this Official Statement furnishes, or incorporates by reference, certain information with respect to Southwest. APPENDIX B to this Official Statement sets forth capitalized terms used in this Official Statement.

APPENDIX C to this Official Statement contains summaries of the Principal Project Documents. APPENDIX D to this Official Statement sets forth the proposed form of opinion of Co-Bond Counsel. APPENDIX E to this Official Statement sets forth the proposed form of continuing disclosure undertaking to be entered into by Southwest with respect to the 2010 Bonds.

The descriptions in this Official Statement of the Five Party Agreement, the Program Development Agreement, the Amended Lease, the Facilities Agreement, the Revenue Credit Agreement, the Guaranty and the Indenture do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents. The descriptions in this Official Statement of the 2010 Bonds are qualified in their entirety by reference to the form of the 2010 Bonds and the provisions with respect to the 2010 Bonds included in the aforesaid documents. Copies of such documents may be obtained during the initial offering period from the principal offices of the Underwriters and after the initial delivery of the 2010 Bonds, at the designated corporate trust office of the Trustee.

The information contained in this Introduction is only a brief description and a full review should be made of this entire Official Statement, including information incorporated by reference into this Official Statement, as well as the documents summarized or described in this Official Statement. This Introduction is expressly qualified by reference to this entire Official Statement. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change without notice.

BACKGROUND INFORMATION

Dallas Love Field is a medium hub airport, located in and owned by the City, serving the Dallas metropolitan region and the Dallas-Fort Worth metroplex. Southwest is headquartered adjacent to the Airport and has operated out of the Airport since Southwest began passenger service in 1971. The Airport is a principal station in the route system of Southwest, and Southwest is the dominant airline at the Airport in terms of air traffic activity.

The International Air Transportation Competition Act of 1979, as amended (the “IATCA”), imposed restrictions on the provisions of air transportation to and from the Airport. The applicable portion of the IATCA, commonly known as the “Wright Amendment”, affected Southwest’s scheduled service by prohibiting the carrying of nonstop and through passengers on commercial flights between the Airport and most states outside of Texas. Due to the restrictions set forth in the Wright Amendment, a customer could not purchase a single ticket between the Airport and most states outside of Texas.

In 2006, Southwest, the City and certain other parties entered into an agreement (the “Five Party Agreement”), pursuant to which the parties thereto agreed to seek to eliminate restrictions on air service at the Airport set forth in the Wright Amendment. In addition, the City and Southwest agreed to implement a significant redevelopment of portions of the Airport, including the modernization of the existing terminal facilities at the Airport (a program referred to as the “Love Field Modernization Program” or the “LFMP”). The United States Congress passed the Wright Amendment Reform Act of 2006 (the “Reform Act”), which repealed through service and ticketing restrictions contained in the Wright Amendment, thereby allowing the purchase of a single ticket between the Airport and any U.S. destination (while still limiting nonstop service to and from most states). The Reform Act also provides for the substantial repeal of the remaining interstate flight restrictions on the Airport contained in the Wright Amendment on October 13, 2014.

In furtherance of the implementation of the LFMP, the City created the Issuer, and the City, the Issuer and Southwest entered into the Program Development Agreement, dated as of January 15, 2009 (the “Program Development Agreement”). The Program Development Agreement provides for the

development and construction of the LFMP by the City and Southwest and defines the roles and responsibilities of each of the City and Southwest with respect to certain portions of the LFMP. Pursuant to the Program Development Agreement, the responsibility for the development and construction of the portion of the LFMP consisting of the Project was assigned to Southwest. The Program Development Agreement also provides that, at the request of Southwest, the Issuer shall issue bonds in one or more series to finance the Project, including the reimbursement of Southwest for Project Costs paid by Southwest prior to the delivery of the 2010 Bonds. In addition, the Program Development Agreement sets forth the standards and procedures for the construction of the LFMP elements and the Project, including insurance and bonding requirements.

In addition, the City and Southwest entered into the Amended and Restated Lease of Terminal Building Premises, executed on February 13, 2009 and effective retroactively as of October 1, 2008 (the “Amended Lease”), which, among other things, governs the operations and use of the Airport by Southwest during and after the implementation of the LFMP and contains other provisions that are consistent with accomplishing the terms of the Five Party Agreement. Pursuant to the Amended Lease, Southwest will have the right to use certain portions of the Project upon the completion of the LFMP.

In connection with the proposed construction and financing of the LFMP, including the scope and phasing of the LFMP and the costs associated therewith, the City has engaged various consultants who have provided written reports to the City. Such reports do not address the ability of Southwest to pay the Facilities Payments in support of the 2010 Bonds or the impact the payment by Southwest of Facilities Payments in support of the 2010 Bonds would have on the creditworthiness of Southwest. The reports provided to the City in connection with the LFMP were prepared solely for the benefit of the City and the Issuer. The reports provided to the City in connection with the LFMP and general information relating to the Airport and the LFMP can be found at www.dallas-lovefield.com/airportnews/airportnews.html. Neither the City, the Issuer, the Underwriters nor Southwest make any representation as to the accuracy, completeness or adequacy of the information made available to the public through the cited website or in any of the written reports provided to the City in connection with the LFMP contained on such website, and such information should not be relied on by the purchasers of the 2010 Bonds in making their investment decision. The 2010 Bonds are special obligations of the Issuer, payable solely from the Facilities Payments to be made by Southwest, any amounts received under the Guaranty and other funds constituting the Trust Estate under the Indenture. No other public entity, including the City, the State, any other political subdivision thereof or any other public body, including the Airport System, is obligated in any manner to pay debt service on the 2010 Bonds. Bondholders shall never have the right to demand payment of the 2010 Bonds from Airport System revenues or any other funds except the sources described herein. See “SECURITY FOR THE 2010 BONDS”.

SOUTHWEST

Southwest is a major passenger airline that provides scheduled air transportation in the United States. Southwest principally provides point-to-point, rather than hub-and-spoke, service. This allows Southwest to maximize the use of key assets, including aircraft, gates, and employees, and also facilitates Southwest’s ability to provide its markets with frequent, conveniently timed flights and low fares. Based on the most recent data available from the U.S. Department of Transportation, in July 2010, Southwest was the largest air carrier in the United States, as measured by the number of originating passengers boarded.

Southwest has predominantly served short-haul routes with high frequencies. Over recent years, Southwest has complemented this service with medium to long-haul routes, including transcontinental service.

Southwest operates with a low cost structure, that is designed to allow it to charge low fares. Southwest's low cost structure is facilitated by Southwest's utilization of a single aircraft type, its operationally efficient point-to-point route structure, and its highly productive employees.

Southwest commenced service on June 18, 1971, with three Boeing 737 aircraft serving three Texas cities: Dallas, Houston and San Antonio. As of September 30, 2010, Southwest had 547 active Boeing 737 aircraft serving 69 cities in 35 states throughout the United States. Southwest operates more than 3,100 flights a day and employs nearly 35,000 employees system wide. Southwest has announced that it will begin service in 2011 to Charleston, South Carolina, Greenville/Spartanburg, South Carolina, and New York – New Jersey through Newark Liberty International Airport.

On September 26, 2010, Southwest entered into a definitive agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways ("AirTran") for a combination of cash and Southwest's common stock. The closing of the transaction is subject to certain regulatory clearance and fulfillment of customary closing conditions. Based on current operations, the combined organization would have nearly 43,000 employees, serve more than 100 million customers, and operate 685 active aircraft consisting of 599 Boeing 737s and 86 Boeing 717s.

Southwest's principal executive offices are located at 2702 Love Field Drive, P.O. Box 36611, Dallas, Texas 75235, and its telephone number is (214) 792-4000. For further information about Southwest, see "APPENDIX A – INFORMATION ABOUT SOUTHWEST AIRLINES CO."

ISSUER

The Issuer is a non-profit local government corporation established to act on behalf of the City, duly organized and validly existing under the Constitution and the laws of the State, including the Act. The Issuer was created by the City to facilitate the development of the LFMP and to act on behalf of the City in the performance of its governmental functions to promote the development of the geographic area of the City included at or in the vicinity of the Airport, and in furtherance of the promotion, development, encouragement and maintenance of employment commerce, aviation activity, tourism and economic development in the City. The Issuer is authorized by the Act and the Resolution adopted by the Board of Directors of the Issuer (the "Board") to issue the 2010 Bonds for the purpose of financing the costs related to the Project (as described below), to secure the payment of principal and interest on the 2010 Bonds by a pledge of the amounts payable by Southwest under the Facilities Agreement, and to enter into the Facilities Agreement and the Indenture. Under the Issuer's Articles of Incorporation, approval by the Board and the City is required prior to the issuance and delivery of the 2010 Bonds. The 2010 Bonds will constitute the first series of obligations issued by the Issuer.

The Issuer does not represent or warrant in any way the accuracy or completeness of any information in this Official Statement, including the Appendices hereto, and assumes no liability or responsibility therefore, other than the information under this heading and under the headings "BACKGROUND INFORMATION" and "LITIGATION - *Issuer*" herein, but solely in connection with references made to the Issuer therein.

PRINCIPAL FINANCE DOCUMENTS

Facilities Agreement

Southwest, the City and the Issuer entered into the Special Facilities Agreement, dated as of November 1, 2010 (the "Facilities Agreement"), to facilitate the construction of the Project. The Facilities Agreement, among other things, provides further details with respect to the 2010 Bonds to be

issued by the Issuer pursuant to the Amended Lease and the Program Development Agreement to finance the development and construction of the Project, and obligates Southwest to make certain payments to the Issuer that are sufficient to pay the debt service on the 2010 Bonds when due, including the principal of, premium, if any, and interest due thereon (the "Facilities Payments"). The Facilities Agreement provides that the Facilities Payments to be made by Southwest, together with any amounts held by the Trustee in the Debt Service Fund available to offset the Facilities Payments in accordance with the Facilities Agreement, are the sole source of funds to be used by the Issuer to make debt service payments on the 2010 Bonds. Pursuant to the Facilities Agreement, the amount of each Facilities Payment will be reduced by the amount, if any, of the passenger facilities charges ("PFCs") and federal grant payments that have been approved by the Federal Aviation Administration (the "FAA") for use in connection with the Project and that have been deposited in and are held by the Trustee in the Debt Service Fund, which is available for the payment of debt service on the 2010 Bonds. In addition, the Facilities Agreement contemplates the issuance of Additional Bonds by the Issuer for the payment of Project Costs in amounts specified by and at the direction of Southwest, provided that Southwest is not in default under the Facilities Agreement, certain other conditions set forth in the Facilities Agreement are satisfied and, in accordance with the City Resolution, the aggregate principal amount of the 2010 Bonds and any Additional Bonds issued in connection with acquiring and constructing elements of the LFMP defined in the Facilities Agreement as the Project may not exceed \$500,000,000.

The Facilities Agreement terminates upon the expiration or earlier termination of the Revenue Credit Agreement entered into between the City and Southwest simultaneously with the execution of the Facilities Agreement (the "Revenue Credit Agreement"). The term of the Revenue Credit Agreement will commence on the date of delivery of the 2010 Bonds and will expire once all of the bonds issued by the Issuer to finance the LFMP are no longer outstanding in accordance with their terms and all reimbursement payments under the Revenue Credit Agreement have been made to Southwest; provided, however, that the Revenue Credit Agreement will terminate (i) in the event that Southwest fails to make any Facilities Payment required under the Facilities Agreement, or (ii) at the option of the City, if Southwest has offered, conferred or agreed to confer any benefit upon a City employee or official that such City employee or official is prohibited by law from accepting. See "SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – FACILITIES AGREEMENT" in APPENDIX C attached hereto. Notwithstanding the termination of the Revenue Credit Agreement and the Facilities Agreement prior to the date upon which the 2010 Bonds are no longer outstanding, Southwest will remain absolutely and unconditionally obligated to make payments of the principal of, premium, if any, and interest on the 2010 Bonds pursuant to the Guaranty.

Pursuant to the Amended Lease, the rent payable by Southwest to the City will include rates and charges sufficient to pay, among other expenses of the Airport, the debt service on the 2010 Bonds. Accordingly, in consideration of Southwest's obligation to make Facilities Payments, the City and Southwest entered into the Revenue Credit Agreement simultaneously with the execution of the Facilities Agreement. The Revenue Credit Agreement provides for, among other things, the reimbursement to Southwest by the City for Facilities Payments made by Southwest under the Facilities Agreement to the extent that the City receives certain Airport System revenues sufficient for such purpose.

See "SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – FACILITIES AGREEMENT" in APPENDIX C attached hereto.

Indenture

The 2010 Bonds are being issued pursuant to the Indenture between the Issuer and the Trustee. Pursuant to the Indenture, the 2010 Bonds are secured by a first lien on and pledge of (i) the interest of the Issuer in the Construction Fund and the Debt Service Fund created by the Indenture, and (ii) all of the

Issuer's right, title and interest in and to the Facilities Agreement relating to the 2010 Bonds (other than the Issuer's right to fees, expenses and indemnification pursuant to the terms of the Facilities Agreement), including specifically, all of the Issuer's right, title and interest in and to the Facilities Payments under the Facilities Agreement (clauses (i) and (ii) together are referred to herein as the "Trust Estate"). The Indenture also provides that the obligation to pay the principal of, premium, if any, and interest on the 2010 Bonds is a special obligation of the Issuer, and is payable solely from the Facilities Payments to be made by Southwest pursuant to the Facilities Agreement. In addition, the Indenture provides that certain federal grant payments and PFCs available to the City and approved by the FAA for use in connection with the Project will be contributed by the City toward defraying a portion of the Project Costs or the payment of principal and interest due on the 2010 Bonds, and if so made available, such amounts shall be deposited to the credit of designated accounts within the Construction Fund and the Debt Service Fund established under the Indenture. Should the federal grants and PFCs anticipated to be made available not be realized at the levels currently anticipated, the City is not obligated to contribute any other funds for this purpose.

See "SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – INDENTURE" in APPENDIX C attached hereto.

Guaranty

Payment of the principal of, premium, if any, and interest on the 2010 Bonds is absolutely and unconditionally guaranteed by Southwest pursuant to the Guaranty executed by Southwest in favor of the Trustee, for the benefit of the Bondholders, when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise.

The obligations of Southwest under the Guaranty shall be an absolute, unconditional, present and continuing guaranty of payment and not of collection, and Southwest waived thereunder, any right to require that any resort be had by the Trustee or the Bondholders to pursue (1) the Trustee's or any Bondholder's rights against any other party, (2) any other right or remedy available to the Trustee or any Bondholder by contract, applicable law or otherwise, or (3) any security (other than moneys on deposit in the funds or accounts held by the Trustee under the Indenture) held by or for the benefit of the Bondholders for payment of the principal of, premium, if any, or interest on the 2010 Bonds, or interest on overdue interest or premium on the 2010 Bonds.

The obligations of Southwest under the Guaranty shall be absolute, unconditional and immediately enforceable when each payment is due and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the 2010 Bonds and, to the extent permitted by law, interest on overdue interest or premium, shall have been paid in full or duly provided for in accordance with the Indenture and, to the extent permitted by law, such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event.

The Trustee shall have the right, power and authority to do all things it deems necessary or advisable to enforce the provisions of the Guaranty and protect the interest of the Bondholders.

See "SECURITY FOR THE 2010 BONDS – Guaranty" herein, and "SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – GUARANTY" in APPENDIX C attached hereto.

THE PROJECT

General

The development and construction of the Project is part of the LFMP, which is an on-going program of improvements and renovations to the terminal facilities, concourse and ancillary facilities at the Airport to be undertaken by the City and Southwest pursuant to the Program Development Agreement, the Amended Lease and the Facilities Agreement. The LFMP includes the design and construction of all of the facilities, infrastructure systems and equipment for the operation of a modernized future terminal complex at the Airport, including a new terminal building, aircraft parking apron, aircraft hydrant fueling system, baggage handling system, roadways and terminal curbside improvements, and other supporting infrastructure. The scope of and responsibility for the LFMP is subject to change upon the mutual agreement of the City and Southwest.

Pursuant to the Program Development Agreement and the Amended Lease, Southwest has accepted responsibility for the portion of the LFMP consisting of (A) the development, design and construction of a new terminal concourse and certain other new and renovated facilities at the Airport; (B) the reconstruction and replacement of the existing aircraft apron; and (C) expanding the terminal area roadways (collectively referred to herein as the Project).

Pursuant to the Program Development Agreement and the Amended Lease, the City has accepted responsibility for certain other portions of the LFMP, including redevelopment of the cell phone lot, the relocation of certain existing airfield electrical vaults and the expansion of a remote central receiving facility (collectively, the "City Projects"). Proceeds of the 2010 Bonds may be used to finance some, but not all, of the City Projects.

The development and construction of the Project will include: (A) in connection with the design and construction of a new passenger terminal building and other related facilities, (i) the relocation of airlines, Airport tenants and City departments during the construction and development of the Project, (ii) the installation of airline equipment, procurement of finishes and the installation of baggage systems, jet bridges and airline fixtures and equipment (including preconditioned air systems, baggage handling systems, ground power systems and potable water systems within the terminal complex), (iii) the construction of new terminal facilities, including the construction of a new ticketing wing, the renovation of the existing main lobby, the expansion and renovation of the existing baggage claim wing, the phased construction of a new concourse with 20 gates, the associated demolition of existing facilities and gates, and the distribution of primary utilities from the control utility plant to the new terminal facility, (iv) the expansion of the terminal area roadways, including the lower-level departure roadway and the upper-level arrivals roadway, and (v) the construction and relocation of certain existing support facilities to facilitate the redevelopment of the terminal complex and the demolition of the existing terminal and other facilities; and (B) the reconstruction and replacement of the existing aircraft apron at the Airport, including portions of the aircraft apron related to drainage and utilities, the installation of a new hydrant fueling system (including fuel lines, pits and valves) and the related relocation of all existing City water mains, and improvements to certain other taxiway and infrastructure related to the new aircraft apron.

Upon completion of the Project, the new terminal wing at the Airport will contain approximately 814,000 square feet of enclosed space in the aggregate, which represents an increase of approximately 39% in functional terminal space as a result of the construction of the Project. The new passenger terminal building will include: (i) a new 421,000 square foot concourse to accommodate 20 aircraft gates, together with associated passenger loading bridges, airline equipment systems, aircraft parking ramp areas and taxi lanes and associated lighting, signage and ramp striping; (ii) a new 39,000 square foot ticketing hall; (iii) a renovated 140,000 square foot main terminal lobby; (iv) a new 77,000 square foot baggage

claim area, including four inbound bag claim systems, and two oversized claim devices; (v) a new in-line automatic explosive detection screening and baggage handling system; and (vi) new building space, fixtures and equipment to support passenger screening equipment.

In addition to the new passenger terminal building, the Project will include: (a) the improvements to the Airport's east satellite building; (b) a newly constructed 56,000 square foot general use building, to be used by Southwest for cargo, provisioning and ground support equipment maintenance; (c) a replacement aircraft apron; (d) newly installed underground utilities in connection with the replacement of the existing apron and hydrant fuel system; (e) a newly installed hydrant fueling system integrated into the existing bulk fuel tank farm located on the west side of the Airport, complete with in-ground hydrant fuel pits and a truck fill rack; (f) newly installed taxiway lighting and signage; and (g) newly installed taxiway fillets.

Construction Status

Construction of the Project commenced in March of 2009 and as of October 27, 2010 was approximately 16% complete. The City and Southwest have agreed to work toward completion of the LFMP, including the Project, by October 2014.

SOURCES AND USES OF 2010 BOND PROCEEDS

The proceeds of the 2010 Bonds will be used to: (i) finance a portion of the costs of the development and construction of the Project by Southwest; (ii) reimburse payments made by Southwest for Project Costs prior to the issuance of the 2010 Bonds, in an amount not to exceed \$100,000,000, including interest thereon at the prime rate published in *The Wall Street Journal* plus 400 basis points; (iii) pay a portion of interest on the 2010 Bonds through May 1, 2013; and (iv) finance the costs of issuance of the 2010 Bonds, including Underwriters' discount, provided, however, that no more than two percent of the proceeds of the 2010 Bonds shall be used for the payment of the costs of issuance. The following is an estimate of the sources and uses of the proceeds of the 2010 Bonds, excluding accrued interest:

Sources:

Principal Amount of 2010 Bonds	\$310,000,000.00
Less Original Issue Discount	\$ 5,747,400.00
TOTAL SOURCES OF FUNDS	\$304,252,600.00

Uses:

Project Construction Account ⁽¹⁾	\$267,034,334.05
Capitalized Interest Account ⁽²⁾	\$ 33,032,654.95
Costs of Issuance and Underwriters' Discount ⁽³⁾	\$ 4,185,611.00
TOTAL USES OF FUNDS	\$304,252,600.00

¹ The reimbursement of payments made by Southwest for Project Costs prior to the issuance of the 2010 Bonds including interest thereon will be paid by the Trustee from amounts on deposit in the Project Construction Account.

² Capitalized interest in an amount sufficient to pay interest on the 2010 Bonds through December 1, 2012.

³ Estimated amount to provide for legal, consulting and Issuer fees, auditor fees, rounding, rating agency fees, printing costs, Underwriters' discount and other associated costs of issuance.

THE 2010 BONDS

General

The 2010 Bonds will be issued and delivered in the aggregate principal amount set forth on the cover page of this Official Statement, bearing interest at the fixed rate of interest set forth on the cover of this Official Statement, effective from the date of delivery, and will mature on November 1, 2040, subject to the optional, make-whole optional and mandatory redemption prior to maturity, and the purchase in lieu of redemption option, as described herein. The 2010 Bonds will be issued and delivered as fully registered bonds, without interest coupons, in denominations of \$5,000 or any integral multiple thereof, numbered consecutively from R-1 upward.

Interest on the 2010 Bonds will be payable on each May 1 and November 1, commencing on May 1, 2011, and at maturity or earlier redemption, to the registered owners of the 2010 Bonds as shown on the Registration Books (as defined below) on the Record Date. Interest on the 2010 Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

So long as DTC, or its nominee, Cede & Co., shall continue to serve as securities depository for the 2010 Bonds as provided in the Indenture, payments of the principal of, premium, if any, and interest on the 2010 Bonds will be made directly to DTC or Cede & Co., as nominee for DTC, in accordance with DTC's practices and procedures. Disbursements of such payments to the beneficial owners of the 2010 Bonds are the responsibility of the Participants (as defined below).

Pursuant to the Facilities Agreement, the Issuer has agreed to issue Additional Bonds in connection with the Project at a future date, in the amounts specified by and at the direction of Southwest (so long as Southwest is not in default in respect of any of its obligations to the Issuer under the Facilities Agreement and subject to the satisfaction of certain other conditions set forth in the Facilities Agreement), provided that in accordance with the City Resolution, the aggregate principal amount of the 2010 Bonds and any Additional Bonds issued in connection with acquiring and constructing elements of the LFMP defined in the Facilities Agreement as the Project may not exceed \$500,000,000. The proceeds of any Additional Bonds may be used to pay or to reimburse Southwest for costs incurred by Southwest for any one or more of the following: (a) any remaining Project Costs, (b) the issuance and sale of the Additional Bonds and other costs reasonably related to the financing thereof, and (c) the refunding of any Outstanding 2010 Bonds. Southwest anticipates directing the issuance of Additional Bonds in calendar year 2012 in connection with acquiring and constructing elements of the LFMP defined in the Facilities Agreement as the Project in an amount not expected to exceed \$190,000,000. See "APPENDIX C – SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – FACILITIES AGREEMENT". Bonds may be issued in excess of \$500,000,000 in connection with acquiring and constructing elements of the LFMP, if such issuance of bonds in excess of \$500,000,000 is approved by the Board of Directors of Southwest and the City Council of the City.

Book-Entry-Only System

The information below describes how ownership of the 2010 Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2010 Bonds are to be paid and credited by DTC while the 2010 Bonds are registered in its nominee name. The information below concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the co-Financial Advisors and the Underwriters believe the source of such information is reliable, but none of the Issuer, the co-Financial Advisors nor the Underwriters take any responsibility for the accuracy or completeness thereof.

The Issuer and the Underwriters cannot and do not give any assurances that (1) DTC will distribute payments of debt service on the 2010 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 2010 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC. Termination of the DTC Book-Entry-Only System by the Issuer may require consent of the Participants under DTC Operational Arrangements.

General. When the 2010 Bonds are issued, only beneficial ownership interests will be available to purchasers through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). The following discussion will not apply to 2010 Bonds if issued in physical form due to the discontinuance of the DTC system. See “THE 2010 BONDS – Book-Entry-Only-System – Discontinuance of Book-Entry-Only System.”

DTC will act as securities depository for the 2010 Bonds. The 2010 Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC’s partnership nominee, or such other name as requested by an authorized representative of DTC. The 2010 Bonds will be originally issued as one fully-registered bond for each maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating 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 (the “Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. Direct Participants and Indirect Participants are collectively referred to as “Participants.” The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2010 Bond (the “Beneficial Owner”) is in turn to be recorded on the Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Bonds are to be accomplished

by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2010 Bonds, except in the event that use of the Book-Entry-Only System for the 2010 Bonds is discontinued. See “THE 2010 BONDS – Book-Entry-Only-System – *Discontinuance of Book-Entry-Only System.*”

To facilitate subsequent transfers, all 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Beneficial Owners of 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Bonds, such as redemptions, defaults and proposed amendments to the 2010 Bond documents. For example, Beneficial Owners of 2010 Bonds may wish to ascertain that the nominee holding the 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2010 Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2010 Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 2010 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of, premium, if any, and interest on the 2010 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Trustee or the Issuer on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

Discontinuance of Book-Entry-Only System. DTC may discontinue providing its services as depository with respect to the 2010 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing replacement 2010 Bonds are required to be printed and delivered.

The Beneficial Owners of the 2010 Bonds have no right to a book-entry system or a depository. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2010 Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the 2010 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the 2010 Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (b) notices that are to be given to registered owners will be given only to DTC.

Transfer, Registration and Exchange

The Issuer will keep or cause the Trustee, acting as registrar and transfer agent, to keep and maintain books for the registration and transfer of the 2010 Bonds, as provided in the Indenture (the “Registration Books”). The person or entity in whose name any 2010 Bond will be registered upon the books kept by the Trustee will be deemed and regarded as the absolute owner thereof, whether or not such 2010 Bond is overdue, and the Issuer, Southwest and the Trustee will not be affected by any notice to the contrary, and payment of or on account of the principal of, premium, if any, and interest on such 2010 Bond, will be made only to such registered owner.

The 2010 Bonds may be assigned and will be transferred only in the Registration Books upon surrender of such 2010 Bonds to the Trustee, together with proper instruments of assignment, in form and with guarantees of signatures satisfactory to the Trustee, evidencing the assignment of such 2010 Bonds, or any portion or portions thereof in any integral multiple of \$5,000, to the assignee or assignees to which such 2010 Bonds, or portion thereof, are to be transferred and registered.

To the extent of the unpaid or unredeemed principal balance or principal amount thereof, the 2010 Bonds may be converted into and exchanged for fully registered bonds, without interest coupons, payable to the registered owner or the assignee or assignees thereof, as the case may be, having the same maturity date and bearing interest at the same rate, in the denomination of \$5,000 or any integral multiple thereof, upon surrender of such 2010 Bonds to the Trustee for cancellation, together with written request thereof duly executed by the registered owner, as provided in the Indenture.

Payment of Principal and Interest

The Trustee will act as the paying agent for paying the principal of, premium, if any, and interest on the 2010 Bonds, as such payments are scheduled to occur or upon the redemption, or purchase in lieu of redemption, of any of the 2010 Bonds. Payment of principal of, premium, if any, and interest on the 2010 Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the Registration Books at the close of business on the Record Date. Upon written request by any registered owner of at least \$1 million or more aggregate principal amount of 2010 Bonds, the payment of principal of, premium, if any, and interest on the 2010 Bonds will be paid by wire transfer of immediately available funds to an account in the continental United States designated by such registered owner. If the date payment of principal, premium, if any, or interest on the 2010 Bonds is due is not a

business day, then such payment will be made on the next succeeding business day and no additional interest will accrue as a result thereof. Payments of principal of, premium, if any, and interest on any 2010 Bond will be made upon surrender of such 2010 Bond at the principal corporate trust office of the Trustee. Interest on the 2010 Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months.

For so long as the 2010 Bonds are held in the custody of DTC, the payment of the principal of, premium, if any, and interest on the 2010 Bonds will be governed by the requirements of the DTC. See “THE 2010 BONDS – Book-Entry-Only System” herein.

The 2010 Bonds are special revenue obligations of the Issuer, with the principal of, premium, if any, and interest on the 2010 Bonds being payable solely from (except to the extent payable from amounts attributable to proceeds of the 2010 Bonds), and secured solely by a first lien on and pledge of, the Facilities Payments to be made by Southwest pursuant to the Facilities Agreement, any amounts received under the Guaranty, and other funds constituting the Trust Estate and held by the Trustee under the Indenture. Southwest has agreed and is unconditionally obligated to make Facilities Payments to the Trustee in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, premium, if any, and interest on the 2010 Bonds.

Redemption Prior to Maturity

Optional Redemption

The 2010 Bonds are subject to redemption at the option of the Issuer, upon the written direction of Southwest on or after November 1, 2020, at any time and from time to time, in whole or in part, at par plus accrued interest to the date fixed for redemption.

Make-Whole Optional Redemption

Prior to November 1, 2020, the 2010 Bonds are also subject to redemption at the option of the Issuer, upon the written notice of Southwest, at any time and from time to time, in whole or in part, in such amounts as may be specified by Southwest, at a redemption price calculated by Goldman, Sachs & Co., as quotation agent, equal to the greater of:

- (a) 100% of the Amortized Value (as defined below) of such 2010 Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption; or
- (b) an amount equal to the sum of the present value of the remaining unpaid payments of principal and interest to be paid on such 2010 Bonds to be redeemed from and including the date of redemption to the stated maturity date of such 2010 Bonds, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (as defined below) for such 2010 Bonds.

The “Amortized Value” shall equal the principal amount of the 2010 Bonds to be redeemed multiplied by the price of such 2010 Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such 2010 Bonds and a yield equal to such 2010 Bonds original reoffering yield set forth on the cover of this Official Statement.

The “Applicable Tax-Exempt Municipal Bond Rate” for such 2010 Bonds will be the “Comparable AAA General Obligations” yield curve rate for the stated maturity date of such 2010 Bonds

published by Municipal Market Data five business days prior to the date of redemption. If no such yield curve rate is established for the applicable year, the “Comparable AAA General Obligations” yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the “Applicable Tax-Exempt Municipal Bond Rate” will be interpolated or extrapolated from those yield curve rates on a straight-line basis. This rate is made available daily by Municipal Market Data and is available to its subscribers through its internet address: www.tm3.com.

In calculating the Applicable Tax-Exempt Municipal Bond Rate, should Municipal Market Data no longer publish the “Comparable AAA General Obligations” yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Consensus Scale yield curve rate for the applicable year. The Consensus Scale yield curve rate is made available daily by Municipal Market Advisors and is available to its subscribers through its internet address: www.magny.org/consensus_scale/.

In the further event Municipal Market Advisors no longer publish the Consensus Scale, the Applicable Tax-Exempt Municipal Bond Rate will be determined by the Issuer's quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligations bonds rated in the highest rating category by Moody's Investors Service and Standard & Poor's Rating Services with a maturity date equal to the stated maturity date of such 2010 Bonds having characteristics (other than the rating) most comparable to those of such 2010 Bonds in the judgment of the quotation agent. Goldman, Sachs & Co. will serve as the initial quotation agent.

The “Amortized Value” shall equal the principal amount of the 2010 Bonds to be redeemed multiplied by the price of such 2010 Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such 2010 Bonds and a yield equal to such 2010 Bonds original reoffering yield set forth on the cover of this Official Statement.

The quotation agent's determination of the redemption price, including the determination of the Applicable Tax-Exempt Municipal Bond Rate, is final and binding in the absence of manifest error.

Extraordinary Optional Redemption

The 2010 Bonds are also subject to redemption at the option of the Issuer, upon the written notice of Southwest, which notice will specify a redemption date (which date may not be more than 120 days nor less than 45 days after said notice is given), at any time and from time to time, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption, upon the occurrence of any of the following events: (a) all or substantially all of the Project shall have been damaged, destroyed, condemned or taken by eminent domain, or (b) the construction or operation of the Project shall have been enjoined or prevented or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any federal, state or local regulatory body, administrative agency or other governmental body.

Mandatory Redemption

The 2010 Bonds are subject to mandatory redemption from sinking fund installments at their principal amount, without any premium, plus accrued interest thereon to such redemption date on November 1 in the years and amounts as set forth below, or if less than such amount is then outstanding, an amount equal to the aggregate principal amount of such bonds then outstanding.

<u>Year</u>	<u>Amount</u>
2028	\$ 3,380,000
2029	\$18,985,000
2030	\$19,985,000
2031	\$21,035,000
2032	\$22,135,000
2033	\$23,300,000
2034	\$24,520,000
2035	\$25,810,000
2036	\$27,165,000
2037	\$28,590,000
2038	\$30,090,000
2039	\$31,670,000
2040 [†]	\$33,335,000

[†] Final maturity

Extraordinary Mandatory Redemption

The 2010 Bonds will be redeemed by the Issuer in whole at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date, within 90 days following the receipt by the Trustee of written notice from a current or former registered owner thereof or Southwest of (a) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which Southwest has participated or has been given the opportunity to participate, and which ruling or memorandum Southwest, in its discretion, does not contest or from which no further right of judicial review or appeal exists, or (b) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which Southwest has participated or has been a party, or has been given the opportunity to participate or be a party (either such event being a “Determination of Taxability”), in either case, to the effect that, as a result of a failure to observe any covenant or agreement in the Facilities Agreement or the inaccuracy of any representation or warranty therein, the interest payable on the 2010 Bonds is included in the gross income of the holders thereof for federal income tax purposes, other than a person who is a “substantial user” or a “related person” of such substantial user within the meaning of the Internal Revenue Code of 1986, together with any amendments thereto or successor federal income tax laws (the “Code”); provided, however, that no such Determination of Taxability shall be considered to exist unless (i) the registered owner or former registered owner of the 2010 Bond involved in such proceeding or action (A) gives Southwest and the Trustee prompt notice of the commencement thereof and (B) if Southwest agrees to pay all expenses in connection therewith, offers Southwest the opportunity to control unconditionally the defense thereof, and (ii) either (A) Southwest does not agree, within 30 days of receipt of such offer, to pay such expenses and liabilities and to control such defense or (B) Southwest shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which Southwest determines to be appropriate.

No Determination of Taxability described above will result from the inclusion of interest on any 2010 Bond in the computation of minimum or indirect taxes. All of the 2010 Bonds will be redeemed upon a Determination of Taxability as described above, unless, if in the opinion of Co-Bond Counsel, or such other nationally recognized bond counsel as may be mutually acceptable to the Issuer and Southwest, a copy of which shall be delivered to the Trustee, redemption of a portion of the 2010 Bonds, the amount of such portion being specified in said opinion, would have the result that interest payable on the remaining 2010 Bonds outstanding after such redemption would not be so included in any such gross income, in which case only such portion shall be redeemed.

Selection of 2010 Bonds for Redemption; Notice of Redemption

Except as otherwise provided in the Indenture, if less than all of the 2010 Bonds are to be redeemed, the particular 2010 Bonds to be called for redemption will be selected by lot or at random by the Trustee or such other customary method chosen by the Trustee. 2010 Bonds will be redeemed only in the principal amounts (in integral multiples of \$5,000) designated to the Trustee by Southwest on behalf of the Issuer. Notwithstanding the foregoing, during any period in which ownership of the 2010 Bonds is determined only by a book-entry at a securities depository for the 2010 Bonds, the particular 2010 Bonds to be so redeemed will be selected in accordance with the arrangements between the Issuer and the securities depository.

The Trustee will cause a notice of redemption to be mailed to the Bondholder of each 2010 Bond to be redeemed at least 30 days and not in excess of 60 days prior to the date of such redemption. Such notice will also be mailed at least 35 days prior to redemption to registered securities depositories and two or more nationally recognized municipal bond services. Such notice will be mailed a second time to any Bondholder owning 2010 Bonds that have been called for redemption if such Bondholder has not presented such 2010 Bonds for payment of the redemption price within sixty days after the redemption date. Failure to mail any such notice or defect in the mailed notice or in the mailing thereof will not affect the validity of the redemption of any other 2010 Bonds for which proper notice has been given. All 2010 Bonds, or portions thereof, called for redemption will cease to bear interest from and after the specified date of redemption and will no longer be considered outstanding.

Defeasance

Any 2010 Bonds will be deemed to have been paid within the meaning of the Indenture prior to the maturity date or redemption date thereof if there shall have been deposited with the Trustee either moneys in amounts which shall be sufficient or Defeasance Obligations (a) which shall not contain provisions permitting the redemption thereof at the option of the issuer thereof, (b) which mature no later than the earlier of (i) the date fixed for the redemption of the 2010 Bonds or (ii) the maturity date of the 2010 Bonds, and (c) the principal of and the interest on which, when due, and without any regard to reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee, shall be sufficient, to pay when due, the principal of, premium, if any, and interest due and to become due on said 2010 Bonds or portions thereof on and prior to the redemption.

The Indenture provides that "Defeasance Obligations" means any securities and obligations now or hereafter authorized by Texas law that are eligible to discharge obligations such as the 2010 Bonds. As of the date of this Official Statement, the following obligations are authorized to be used to effect a defeasance under Texas law: (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Issuer adopts or approves the proceedings authorizing the defeasance, are rated as to the investment quality by a nationally recognized investment

rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the Issuer adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease 2010 Bonds. Because the Indenture does not limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

Prior to any defeasance being deemed to have occurred under the Indenture, the Trustee must receive: (a) an opinion by an independent certified public accountant, or nationally recognized investment bank or appraisal firm that after such reinvestment the principal amount of substituted securities, together with the interest thereon and any other available cash held by the Trustee, will be sufficient to pay the principal of, and interest on, the 2010 Bonds which have not previously been paid; and (b) an unqualified opinion of Co-Bond Counsel to the effect that (i) such investment will not cause the 2010 Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code, and the Treasury Regulations promulgated pursuant to the Code (the “Regulations”) in effect on the date of such investment, or otherwise make the interest on the 2010 Bonds subject to federal income taxation, and (ii) such reinvestment is not inconsistent with the laws of the State and with all relevant documents relating to the issuance of the 2010 Bonds.

Purchase in Lieu of Redemption

Southwest, and any assigns of Southwest, have the option to purchase, at any time and from time to time, any 2010 Bonds which are subject to optional redemption, at a price equal to the then-applicable optional redemption price for the 2010 Bonds purchased. A notice of the mandatory tender and purchase will be given in substantially the same manner as a notice of optional redemption (the “Purchase Notice”). The purchase of such 2010 Bonds pursuant to the Purchase Notice is mandatory and enforceable against the Bondholders. Any 2010 Bonds not surrendered for purchase are deemed to be transferred to Southwest, its nominee or other designee (as specified by Southwest), and the only right of the prior Bondholders of such 2010 Bonds is to receive the purchase price. If less than all of the 2010 Bonds are to be purchased and DTC is the securities depository, DTC is to select the 2010 Bonds to be purchased. DTC’s practice is to select the 2010 Bonds to be purchased by lot. No purchase of the 2010 Bonds will operate to extinguish the indebtedness of the Issuer evidenced by such 2010 Bonds. If Southwest does not provide, or cause to be provided, the Trustee adequate moneys to pay the purchase price on the purchase date, then to that extent, the 2010 Bonds are not deemed to have been redeemed or purchased and will remain outstanding.

SECURITY FOR THE 2010 BONDS

General

The 2010 Bonds will be issued pursuant to the Indenture and will be special, limited obligations of the Issuer, payable solely from, and equally and ratably secured solely by, a first lien on and pledge of all of the Issuer’s right, title and interest in and to the Facilities Agreement relating to the 2010 Bonds (other than the Issuer’s right to receive fees, payment of expenses and indemnifications pursuant to the terms of the Facilities Agreement, and referred to herein as the “Unassigned Rights”), including specifically, all of its right, title and interest in and to the Facilities Payments to be made by Southwest pursuant to the Facilities Agreement, any amounts received under the Guaranty and other funds constituting the Trust Estate under the Indenture. As security for its obligations under the Indenture, the

Issuer will pledge and grant to the Trustee its interest in and to the Facilities Agreement (other than the Unassigned Rights).

THE 2010 BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE FACILITIES PAYMENTS TO BE MADE BY SOUTHWEST PURSUANT TO THE FACILITIES AGREEMENT AND OTHER FUNDS CONSTITUTING THE TRUST ESTATE UNDER THE INDENTURE, AS WELL AS ANY AMOUNTS RECEIVED UNDER THE GUARANTY. NO OTHER PUBLIC ENTITY, INCLUDING THE CITY, THE STATE, ANY OTHER POLITICAL SUBDIVISION THEREOF, OR ANY OTHER PUBLIC BODY, IS OBLIGATED, DIRECTLY, INDIRECTLY, CONTINGENTLY, OR IN ANY OTHER MANNER TO PAY SUCH PRINCIPAL, PREMIUM, IF ANY, OR INTEREST FROM ANY SOURCE WHATSOEVER. THE 2010 BONDS SHALL NOT BE CONSIDERED GENERAL OBLIGATIONS OF THE BOARD OF DIRECTORS OF THE ISSUER (EITHER INDIVIDUALLY OR COLLECTIVELY), THE CITY, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THE REGISTERED OWNERS OF THE 2010 BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE 2010 BONDS OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION, OR FROM ANY OTHER FUNDS EXCEPT THE SOURCES DESCRIBED HEREIN. NO PROPERTY SHALL BE ENCUMBERED BY ANY LIEN OR SECURITY INTEREST FOR THE BENEFIT OF THE REGISTERED OWNERS OF THE 2010 BONDS.

Facilities Agreement

Southwest will enter into the Facilities Agreement in connection with the issuance of the 2010 Bonds. The following, in addition to information provided elsewhere herein, summarizes certain provisions of the Facilities Agreement to which reference is made for the complete provisions thereof. This summary is only a brief description of certain provisions of the Facilities Agreement, it is not complete or definitive and is qualified in its entirety by reference to the full text of the Facilities Agreement. See “APPENDIX C – SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – FACILITIES AGREEMENT.”

Pursuant to the Facilities Agreement, the proceeds of the 2010 Bonds are to be deposited with the Trustee for application toward the Project Costs. Pursuant to the Facilities Agreement, Southwest is required to pay or cause to be paid to the Issuer an amount equal to the principal of, premium, if any, and interest due on the 2010 Bonds; provided that the amount of each Facilities Payment will be reduced by the amount, if any, of the PFCs and federal grant payments that have been approved by the FAA for use in connection with the Project and that have been deposited in and are held by the Trustee in the Debt Service Fund, which is available for the payment of debt service on the 2010 Bonds. Pursuant to the Indenture, the Issuer assigned to the Trustee for the benefit of the registered owners of the 2010 Bonds, all of its right, title and interest in and to the Facilities Agreement (except for the Unassigned Rights), including specifically, all of its right, title and interest in and to the Facilities Payments to be made by Southwest pursuant to the Facilities Agreement. The term of the Facilities Agreement will expire upon the expiration or earlier termination of the Revenue Credit Agreement (see “PRINCIPAL FINANCE DOCUMENTS – Facilities Agreement”). Notwithstanding the termination of the Revenue Credit Agreement and the Facilities Agreement prior to the date upon which the 2010 Bonds are no longer outstanding, Southwest will remain absolutely and unconditionally obligated to make payments of the principal of, premium, if any, and interest on the 2010 Bonds pursuant to the Guaranty.

It is anticipated and Southwest has taken into consideration that certain elements of the Project will be eligible to be funded in whole or in part from federal grants and PFCs assessed to users at the Airport for which the City has made application, or for which the City is expected to make application. Those sources of funds, if realized, will be transferred by the City to the Trustee (subject to the operative

documents and approvals of governing federal grants and PFCs), and will have the effect of reducing the amount of Facilities Payments that Southwest would otherwise be obligated to make to the Trustee under the terms of the Facilities Agreement. Should the federal grants and the PFCs anticipated to be made available not be realized at the levels currently anticipated, the City is not obligated to contribute any other funds to the Trustee for this purpose, and Southwest would be obligated under the terms of the Facilities Agreement to fund the Facilities Payments in amounts sufficient to pay the principal of, premium, if any, and interest on the 2010 Bonds.

Pursuant to the Facilities Agreement, Southwest has agreed that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate or merge into another entity, unless the survivor or transferee, as applicable, is, and after such transfer shall be, solvent and qualified to do business in the State and, concurrently with such transaction, irrevocably and unconditionally assumes in writing, by means of an instrument which is delivered to the Issuer, the City and the Trustee, all of the obligations of Southwest under the Facilities Agreement.

Guaranty

Southwest will issue its Guaranty simultaneously with the issuance of the 2010 Bonds. The following, in addition to information provided elsewhere herein, summarizes certain provisions of the Guaranty to which reference is made for the complete provisions thereof. This summary is only a brief description of certain provisions of the Guaranty, it is not complete or definitive and is qualified in its entirety by reference to the full text of the Guaranty. See “APPENDIX C – SUMMARY OF PRINCIPAL PROJECT DOCUMENTS - GUARANTY.”

Pursuant to the terms of the Guaranty, Southwest absolutely and unconditionally guarantees to the Trustee for the benefit of the Bondholders the full and prompt payment of the principal of, premium, if any, and interest on the 2010 Bonds and, to the extent permitted by law, interest on overdue interest or premium, when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise.

The obligations of Southwest under the Guaranty shall be an absolute, unconditional, present and continuing guaranty of payment and not of collection, and Southwest waives any right to require that any resort be had by the Trustee or the Bondholders to pursue (1) the Trustee’s or any Bondholder’s rights against any other party, (2) any other right or remedy available to the Trustee or any Bondholder by contract, applicable law or otherwise, or (3) any security (other than moneys on deposit in the funds or accounts held by the Trustee under the Indenture) held by or for the benefit of the Bondholders for payment of the principal of, premium, if any, or interest on the 2010 Bonds, or interest on overdue interest or premium on the 2010 Bonds.

The obligations of Southwest under the Guaranty shall be absolute, unconditional and immediately enforceable when each payment is due and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the 2010 Bonds and, to the extent permitted by law, interest on overdue interest or premium, shall have been paid in full or duly provided for in accordance with the Indenture and, to the extent permitted by law, such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event.

The Trustee shall have the right, power and authority to do all things it deems necessary or advisable to enforce the provisions of the Guaranty and protect the interest of the Bondholders and, in the event of default in payment of the principal of, purchase price or premium, if any, on any 2010 Bond, when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for

redemption, purchase in lieu of redemption or otherwise, or in the event of a default in the payment of any interest on any 2010 Bond when and as the same shall become due, the Trustee may institute or appear in such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of its rights and the rights of the Bondholders, whether for the specific enforcement of any covenant or agreement in the Guaranty or the Indenture or in aid of the exercise of any power granted in such documents, or to enforce any other proper remedy. However, the Trustee shall proceed to enforce the Guaranty on behalf of the Bondholders upon written request of the registered owners of not less than 25% in the aggregate principal amount of the 2010 Bonds then outstanding and upon being indemnified for its expenses and any liabilities to be incurred by the Trustee other than liability arising from its willful misconduct or negligence in connection with any action so taken.

No remedy conferred upon or reserved to the Trustee in the Guaranty is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Guaranty, at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance under the Guaranty shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. No setoff, counterclaim, reduction or diminution of any obligation or, to the full extent permitted by law, any defense of any kind or nature (other than performance by Southwest of its obligations under the Guaranty) which Southwest may have or assert against the Issuer, the Trustee or any Bondholders, shall be available to Southwest against the Trustee acting on behalf of the Bondholders.

The Guaranty does not contain any restriction on the ability of Southwest to incur debt, to declare dividends or, except as described under “SUMMARY OF PRINCIPAL PROJECT DOCUMENTS – THE GUARANTY” in APPENDIX C attached hereto, to sell or otherwise dispose of any portions of its assets.

RISK FACTORS

The purchase and ownership of the 2010 Bonds involve significant investment risk and may not be suitable for all investors. In determining whether to purchase the 2010 Bonds, each potential purchaser of the 2010 Bonds should carefully consider, among other matters, the following risk factors along with all other information described elsewhere or incorporated by reference in this Official Statement. The following discussion is not meant to be an exhaustive list of all of the risks associated with a purchase of the 2010 Bonds and does not necessarily reflect the relative importance of the various risks.

Obligation of Southwest As Only Security

Payments of Facilities Payments by Southwest under the Facilities Agreement, any payments required to be made by Southwest under the Guaranty and the other funds constituting the Trust Estate under the Indenture will constitute the only security for the payment of principal of, premium, if any, and interest on the 2010 Bonds. Although the obligation of Southwest to make payments under the Facilities Agreement and the Guaranty provide that any required payments thereunder will be absolute and unconditional obligations of Southwest, the ability of Southwest to pay such amounts will be dependent upon the business performance, financial condition and results of operations of Southwest. See “Risk Factors Relating to Southwest” below, and “APPENDIX A – INFORMATION ABOUT SOUTHWEST AIRLINES CO.”

Risk Factors Relating to Southwest

Each prospective purchaser should recognize that the security for and repayment of the 2010 Bonds is dependent upon the continuing ability of Southwest to meet its obligations. **Each prospective**

purchaser should carefully review all information pertaining to Southwest set forth herein, in APPENDIX A or incorporated by reference in this Official Statement, including, but not limited to the discussion of risk factors.

Southwest's business has continued to be heavily impacted by fuel prices, which can be extremely volatile; therefore, Southwest's strategic plans and future profitability are likely to be impacted by Southwest's ability to effectively address fuel prices.

Fuel price volatility continues to present one of Southwest's most significant challenges, as (i) the cost of fuel, which has been at historically high levels over the last few years, is largely unpredictable; and (ii) airlines are inherently dependent upon energy fuel to operate; therefore, even a small change in market fuel prices can significantly affect profitability.

Fuel prices are unpredictable, in part, because of many external factors that are beyond Southwest's control. For example, fuel prices can be impacted by political and economic factors, such as (i) dependency on foreign imports of crude oil and the potential for hostilities or other conflicts in oil producing areas; (ii) limited refining capacity; and (iii) changes in governmental policies on fuel production, transportation, and marketing. Likewise, Southwest's ability to react to fuel price volatility can be affected by factors outside of its control. For example, Southwest's profitability is affected in part by its ability to increase fares in reaction to fuel price increases; however, fare increases are difficult to implement in difficult economic environments when low fares are often used to stimulate traffic. Southwest's ability to increase fares can also be limited by factors such as its low fares reputation, the portion of its customer base that purchases travel for leisure purposes, and the competitive nature of the airline industry generally. The price of fuel has impacted, and could continue to impact, the timing and nature of Southwest's growth plans and strategic initiatives.

Southwest has historically entered into fuel derivative contracts to protect against rising fuel costs; however, as a result of a significant decline in fuel prices at the end of 2008, Southwest significantly reduced its net fuel hedge position in place for 2009 through 2013, leaving it with less protection against future increases. These types of adjustments in Southwest's overall fuel hedging strategy, as well as the ability of the commodities used in fuel hedging (principally crude oil, heating oil, and unleaded gasoline) to qualify for special hedge accounting, have historically significantly affected, and are likely to continue to affect, Southwest's results of operations.

The airline industry is particularly sensitive to changes in economic conditions; further unfavorable economic conditions would likely negatively affect Southwest's results of operations.

The airline industry is particularly sensitive to changes in economic conditions, which affect customer travel patterns and related revenues. For example, recent unfavorable economic conditions, such as higher unemployment rates, reduced sales revenues for many companies, and increased business operating costs, have reduced spending for both leisure and business travel, as potential customers cut back on travel expenses. Leisure travel may be viewed as an expendable discretionary expense, and short-haul travelers can replace air travel with surface travel. Businesses may be able to forego air travel by using communication alternatives such as videoconferencing and the Internet or may be more likely to purchase less expensive tickets to reduce costs, which results in a decrease in average revenue per seat. Southwest's operations are subject to the risk that changes in travel patterns during recent periods of economic difficulty could remain despite any improving economic conditions.

Unfavorable economic conditions can also impact the ability of airlines to raise fares to counteract increased fuel, labor, and other costs. In addition, Southwest's high percentage of short-haul

flights increases its exposure to competition from surface travel alternatives during periods of unfavorable economic conditions.

Southwest's low cost structure is one of its primary competitive advantages, and many factors could affect Southwest's ability to control its costs.

Southwest's low cost structure has historically been one of its primary competitive advantages, as it has enabled Southwest to offer low fares and drive traffic volume; however, the airline industry is capital intensive, and Southwest has limited control over increases in many of its costs, such as fuel, labor, and aircraft airframe and engine repairs, as well as environmental, safety, security, and regulatory compliance costs. Jet fuel and oil constituted approximately 30% and 33% of Southwest's operating expenses during 2009 and the first nine months of 2010, respectively, and pricing is subject to the external factors discussed above. Salaries, wages, and benefits constituted approximately 34% and 33% of Southwest's operating expenses during 2009 and the first nine months of 2010, respectively. Southwest's ability to control labor costs is limited by the terms of its collective bargaining agreements, and increased labor costs have already impacted its low cost competitive position. In addition, health care reforms enacted into law could substantially change the health care and insurance industries in the United States, which could increase Southwest's costs. Southwest's regulatory compliance costs are subject to potentially significant increases from time to time based on actions by the regulatory agencies. In addition, as other airlines have reduced capacity at a greater pace than has Southwest, Southwest has incurred a higher percentage of total airport-related costs. Southwest is also reliant upon third party vendors and service providers, and its low cost advantage is also dependent in part on its ability to obtain and maintain commercially reasonable terms with those parties.

Southwest carries insurance of types customary in the airline industry and is also provided supplemental, first-party, war-risk insurance coverage by the federal government at substantially lower premiums than prevailing commercial rates. If the supplemental coverage is not extended, Southwest could incur substantially higher insurance costs. In addition, in the event of an accident or other incident involving Southwest aircraft, Southwest could be responsible for costs in excess of its related insurance coverage, which costs could be substantial. Any aircraft accident or other incident, even if fully insured, could also have a material adverse effect on the public's perception of Southwest.

Southwest cannot guarantee it will be able to maintain its current level of low cost advantage. Reorganization in bankruptcy, and even the threat of bankruptcy, has allowed other carriers to decrease operating costs through renegotiated labor, supply, and financing agreements. In addition, as discussed above, increases in the cost of fuel over historical levels have exacerbated cost challenges for the industry as a whole.

Southwest's results of operations could be adversely impacted if it is unable to timely and effectively implement its revenue initiatives.

Southwest has historically been regarded as a growth airline; however, the combination of a difficult economic environment and growing costs led to Southwest's decision to curtail growth during 2009, and, with the exception of the proposed AirTran acquisition discussed herein, for the indefinite future. In addition, growth has become increasingly difficult, as the number of opportunities has declined and Southwest faces an increased presence of other low cost carriers. As a result, Southwest has become increasingly reliant on the successful implementation of new revenue initiatives to help offset increasing costs and continue to improve customer service. The timely and effective implementation of these initiatives has involved, and will continue to involve, significant investments by Southwest of time and money and could be impacted by (i) Southwest's ability to timely and effectively implement, transition, and maintain related information technology systems and infrastructure; (ii) Southwest's ability to

effectively balance its investment of incremental operating expenses and capital expenditures related to its initiatives against the need to effectively control costs; and (iii) Southwest's dependence on third parties to assist with implementation of its initiatives. Because Southwest has limited experience with some of its strategic initiatives, it cannot ensure the timing of their implementation or that they will be successful or profitable either over the short or long term.

Southwest is increasingly dependent on technology to operate its business and continues to implement substantial changes to its information systems; any failure or disruption in Southwest's information systems could materially adversely affect Southwest's operations.

Southwest is increasingly dependent on the use of complex technology and systems to run its ongoing operations, as well as to support its initiatives. During 2009, Southwest replaced or enhanced several key technology systems and is scheduled to convert several more. Integration of complex systems and technology presents significant challenges in terms of costs, human resources, and development of effective internal controls. Integration also presents the risk of operational or security inadequacy or interruption, which could materially affect Southwest's ability to effectively operate its business. In particular, Southwest could encounter systems and operational complications in connection with its conversion to a new SAP Enterprise Resource Planning application, which could have a material adverse effect on Southwest's business, financial condition, or results of operations. Southwest is also reliant upon third party performance for timely and effective completion of many of its technology initiatives.

In the ordinary course of business, Southwest's systems will continue to require modification and refinements to address growth and changing business requirements. Southwest's operations could be adversely affected if it is unable to timely or effectively modify its systems as necessary.

Unstable credit, capital, and energy markets could result in future pressure on Southwest's credit ratings and could also negatively impact Southwest's ability to obtain financing on acceptable terms and Southwest's liquidity generally.

Southwest's credit ratings have been pressured by weak industry revenue and the volatile fuel price environment. Factors such as further unfavorable economic conditions, a significant decline in demand for air travel, or continued instability of the credit and capital markets could result in future pressure on credit ratings, which could negatively impact (i) Southwest's ability to obtain financing on acceptable terms, (b) Southwest's liquidity generally, and (c) the availability and cost of insurance. In addition, further downgrades could trigger credit rating provisions in Southwest's credit card transaction processing agreements and some hedging counterparty agreements.

Southwest is dependent on single aircraft and engine suppliers; therefore, Southwest would be materially adversely affected if it were unable to obtain additional equipment or support from either of these suppliers or in the event of a mechanical or regulatory issue associated with their equipment.

Southwest is dependent on Boeing as its sole supplier for aircraft and many of its aircraft parts. Although Southwest is able to purchase some of these aircraft from parties other than Boeing, most of its purchases are directly from Boeing. Therefore, if Southwest were unable to acquire additional aircraft from Boeing, or Boeing were unable or unwilling to provide adequate support for its products, Southwest's operations would be materially adversely affected. In addition, Southwest would be materially adversely affected in the event of a mechanical or regulatory issue associated with the Boeing 737 aircraft type, whether as a result of downtime for part or all of Southwest's fleet or because of a negative perception by the flying public. Southwest believes, however, that its years of experience with the Boeing 737 aircraft type, as well as the efficiencies achieved by operating a single fleet type, outweigh the risks associated with its single aircraft strategy. Southwest is also dependent on a sole

supplier for aircraft engines and would therefore also be materially adversely affected in the event of a mechanical or regulatory issue associated with its engines.

Southwest's business is labor intensive; therefore, Southwest would be adversely affected if it were unable to maintain satisfactory relations with its employees or employees' representatives.

The airline business is labor intensive. As of December 31, 2009, approximately 82% of Southwest's employees were represented for collective bargaining purposes by labor unions, making Southwest particularly exposed in the event of labor-related job actions. Employment-related issues that may impact Southwest's results of operations, some of which are negotiated items, include hiring/retention rates, pay rates, outsourcing costs, work rules, and health care costs. Southwest has historically maintained positive relationships with its employees and their representatives, as was evidenced during 2009 when it completed five major contract negotiations; however, new labor contracts contribute to Southwest's cost pressures. Increasing labor costs, combined with curtailed growth, could negatively impact Southwest's competitive position.

The airline industry has faced on-going security concerns and related cost burdens; further threatened or actual terrorist attacks, or other hostilities, could significantly harm the airline industry and Southwest's operations.

Terrorist attacks and threatened attacks have from time to time materially impacted the demand for air travel and have also resulted in increased safety and security costs for Southwest and the airline industry generally. Safety measures create delays and inconveniences and can, in particular, reduce Southwest's competitiveness against surface transportation for short-haul routes. Additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks or other hostilities (including elevated national threat warnings or selective cancellation or redirection of flights due to terror threats) would likely have a further significant negative impact on Southwest and the airline industry.

Airport capacity constraints and air traffic control inefficiencies could limit Southwest's growth; changes in or additional governmental regulation could increase Southwest's operating costs or otherwise limit Southwest's ability to conduct business.

Almost all commercial service airports are owned and/or operated by units of local or state governments. Airlines are largely dependent on these governmental entities to provide adequate airport facilities and capacity at an affordable cost. Similarly, the federal government singularly controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient, and affordable manner. Airlines are also subject to other extensive regulatory requirements. These requirements often impose substantial costs on airlines. Southwest's results of operations may be affected by changes in law and future actions taken by governmental agencies having jurisdiction over its operations, including, but not limited to:

- Increases in airport rates and charges;
- Limitations on airport gate capacity or other use of airport facilities;
- Changes to environmental regulations;
- Increases in taxes;
- Changes to laws that affect the services that can be offered by airlines in particular markets and at particular airports;
- Restrictions on competitive practices;

- Changes in laws that increase costs for safety, security, or other Southwest customer service standards; and
- The adoption of more restrictive locally-imposed noise regulations.

Because expenses of a flight do not vary significantly with the number of passengers carried, a relatively small change in the number of passengers can have a disproportionate effect on an airline's operating and financial results. Therefore, any general reduction in airline passenger traffic as a result of any of the factors listed above could adversely affect Southwest's results of operations. In addition, when the airline industry shrinks, airport operating costs are essentially unchanged and must be shared by the remaining operating carriers, which can therefore increase Southwest's costs.

The airline industry is affected by many conditions that are beyond its control, which can impact Southwest's business strategies.

In addition to the unpredictable economic conditions and fuel costs discussed above, Southwest, like the airline industry in general, is impacted by conditions that are largely outside of its control, including, among others:

- Adverse weather and natural disasters;
- Outbreaks of disease;
- Changes in consumer preferences, perceptions, spending patterns, or demographic trends;
- Actual or potential disruptions in the air traffic control system;
- Changes in the competitive environment due to industry consolidation, industry bankruptcies, and other factors;
- Air traffic congestion and other air traffic control issues; and
- Actual or threatened war, terrorist attacks, and political instability.

The airline industry is extremely competitive.

The airline industry is extremely competitive. Southwest's competitors include other major domestic airlines, as well as regional and new entrant airlines, and other forms of transportation, including surface transportation. Southwest's revenues are sensitive to the actions of other carriers in capacity, pricing, scheduling, codesharing, and promotions.

The obligations of Southwest under the Facilities Agreement and the Guaranty are unsecured; the 2010 Bonds are unsecured.

The obligations of Southwest under the Facilities Agreement and the Guaranty are unsecured. The 2010 Bonds are unsecured obligations of the Issuer. The 2010 Bonds are not secured by the properties leased to Southwest at the Airport or any other property of Southwest. The properties forming a part of the Airport and the general or special revenues of the Airport, whether or not derived from Airport facilities to be financed with the proceeds of the 2010 Bonds, have not been pledged as security for the 2010 Bonds, and no mortgage or security interest has been granted or lien created thereon for the benefit of the 2010 Bonds.

The proposed AirTran acquisition presents certain risks.

Southwest's proposed acquisition of AirTran Holdings, Inc. may present certain risks to Southwest's business and operations, including, among others:

- Whether or not completed, the proposed acquisition may require diversion of the attention of Southwest's management and other key employees from ongoing business activities, including the pursuit of other opportunities that could be beneficial to Southwest.
- Whether or not completed, the proposed acquisition will cause Southwest to incur certain transaction costs, which could adversely affect Southwest's results of operations.
- If the acquisition is completed, Southwest is expected to incur substantial expenses in connection with the integration of AirTran's business. While Southwest has assumed that a certain level of expenses would be incurred, many of the expenses that would be incurred are, by their nature, difficult to estimate accurately. For example, Southwest would assume all of the liabilities of AirTran, including, without limitation, liability for litigation matters, some of which may be unknown. In addition, there are many factors beyond Southwest's control that could increase the cost associated with the acquisition. As a result, Southwest may not fully achieve the anticipated benefits of the acquisition.
- If the acquisition is completed, any failure to effectively integrate AirTran's business could delay or prevent Southwest's ability to achieve the anticipated benefits of the transaction. Potential difficulties Southwest may encounter as part of the integration process include, among others, the challenges associated with (a) integrating complex systems, technology, aircraft fleets, networks, and other assets of AirTran in a manner that minimizes any adverse effect on customers, suppliers, employees, and other constituencies; (b) integrating AirTran's workforce while maintaining focus on providing consistent, high quality customer service; and (c) maintaining productive employee relations and, in particular, successfully negotiating joint collective bargaining agreements to cover combined collectively bargained union groups.
- If the acquisition is completed, Southwest's ability to fully achieve the anticipated benefits of the transaction will depend, in part, upon its ability to manage significantly expanded and complex operations. There can be no assurance that Southwest will be successful in addressing these challenges.

Furthermore, there can be no assurance that the acquisition will be completed or, if completed, that the acquisition will produce the anticipated benefits. The merger is subject to receipt of consents and clearances from regulatory authorities, in particular clearance from the Department of Justice, which consents and clearances could (a) prevent the merger or (b) impose terms or conditions related to the merger that could delay completion of the merger or impose additional material costs or restrictions on Southwest's operations following the merger. Any delay in the merger or the imposition of additional terms and conditions related to the merger could reduce or eliminate the anticipated benefits of the transaction. In addition, failure to complete the merger could negatively impact Southwest's stock price and future business and financial results.

Certain Considerations Under the United States Bankruptcy Code

IN THE EVENT A BANKRUPTCY CASE IS FILED WITH RESPECT TO SOUTHWEST, SOUTHWEST AND/OR ITS CREDITORS CAN BE EXPECTED TO MAKE ARGUMENTS REGARDING THE FACILITIES AGREEMENT, THE 2010 BONDS AND RELATED AGREEMENTS THAT WOULD BENEFIT THEMSELVES AT THE EXPENSE OF

THE HOLDERS OF THE 2010 BONDS. THE FOLLOWING IS A BRIEF DISCUSSION OF DIFFERENT ARGUMENTS THAT COULD BE MADE REGARDING THE FACILITIES AGREEMENT, THE 2010 BONDS AND RELATED AGREEMENTS. NO REPRESENTATION IS MADE OR INTENDED AS TO HOW A BANKRUPTCY COURT WOULD TREAT THE FACILITIES AGREEMENT, THE 2010 BONDS AND RELATED AGREEMENTS. BONDHOLDERS SHOULD CONSULT THEIR LEGAL ADVISORS WITH RESPECT TO THESE MATTERS.

In the event a bankruptcy case is filed with respect to Southwest, a bankruptcy court could determine that the Facilities Agreement (possibly reviewing that agreement in conjunction with other related agreements) constitutes an unexpired lease of non-residential real property pursuant to Section 365 of the United States Bankruptcy Code. In that event, a trustee in bankruptcy or Southwest as a debtor-in-possession might move to reject the Facilities Agreement.

Under the United States Bankruptcy Code, if the Facilities Agreement is determined to be an unexpired lease of non-residential real property, any rejection of the Facilities Agreement could result in a claim for damages, which claim would be deemed to be a pre-petition claim and would be statutorily limited to the payments payable under the Facilities Agreement (without acceleration) for the greater of one year or 15% of the remaining term of the Facilities Agreement, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the City repossessed, or Southwest surrendered, the property leased at the Airport, plus any unpaid payments under the Facilities Agreement (without acceleration) on the earlier of such dates. In this event, any claim with respect to the 2010 Bonds that does not mature (absent acceleration) within the period of one year or 15% of the remaining term of the Facilities Agreement (but not in excess of three years) following the earlier of the dates in (a) and (b) above could be limited to the interest which would accrue on such 2010 Bonds during such period and may not permit a claim for the recovery of principal. As a result, owners of the 2010 Bonds could suffer a substantial loss with respect to their investment in the 2010 Bonds.

In the event a bankruptcy case is filed with respect to Southwest, a bankruptcy court could determine that the Facilities Agreement is an executory contract. Under the United States Bankruptcy Code, if the Facilities Agreement is determined to be an executory contract, any rejection of the Facilities Agreement could be treated as a breach by Southwest of the Facilities Agreement occurring immediately prior to the filing of the bankruptcy petition resulting in a claim for damages. Any such claim would be deemed to be a pre-petition claim in an amount up to the actual damages incurred by the non-debtor parties to the Facilities Agreement. Such claim, if allowed, would rank as that of a general unsecured creditor of Southwest.

Pursuant to the terms of the Guaranty, Southwest will unconditionally guarantee to the Trustee, for the benefit of the owners of the 2010 Bonds, the full and prompt payment of the principal of, and premium, if any, on the 2010 Bonds when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by redemption, purchase in lieu of redemption, acceleration or otherwise, and the full and prompt payment of the interest on the 2010 Bonds when and as the same shall become due and payable as provided in the Indenture. The obligations covered by the Guaranty are intended by the parties to be independent of those set out in the Facilities Agreement and the Amended Lease (and thereby not subject to United States Bankruptcy Code limitations on claims for damages with respect to non-residential real property leases defined above) and to be enforceable without regard to the validity or enforceability of the Facilities Agreement and the Amended Lease or any obligation of Southwest contained therein. In the event a bankruptcy case were filed with respect to Southwest, the Trustee may file a claim pursuant to the Guaranty, independently of any claim under the Facilities Agreement and the Amended Lease, for the payment of all amounts, if any, required for the payment of the principal of, premium, if any, and interest on the 2010 Bonds when due. Such claim, if

allowed, would rank as that of a general unsecured creditor of Southwest. A bankruptcy court could determine, however, that the Trustee's claim under the Guaranty should be limited to the same extent as the United States Bankruptcy Code limitation of claims for termination damages with respect to non-residential real property leases described above in connection with a claim under the Facilities Agreement. The Guaranty may be viewed as an impermissible attempt to circumvent the lease rejection damage cap. No assurance can be given that the Trustee's claims in connection with the Guaranty will not be so limited. In such an event, the Guaranty would provide no additional security for payments due on the 2010 Bonds.

In the event a bankruptcy case is filed with respect to Southwest, a bankruptcy court could characterize the Facilities Agreement (possibly reviewing that agreement in conjunction with other related agreements) as a financing arrangement and not as a lease or executory contract. Characterization of the Facilities Agreement as a financing arrangement could result in the application of Section 506(a) of the United States Bankruptcy Code, which bifurcates secured and unsecured claims based on the value of the underlying collateral, and Section 1129(b) of the United States Bankruptcy Code, which may allow a debtor to modify loan terms significantly, including by extending maturity and decreasing interest rates. Further, a bankruptcy court could determine that all of the indebtedness arising in connection with the Facilities Agreement is unsecured. This could result in a claim for damages for the entire unpaid indebtedness represented by the Facilities Agreement, which claim would rank as that of a general unsecured creditor of Southwest and would be subject to discharge in bankruptcy. Characterization of the Facilities Agreement as an unsecured financing arrangement could also mean that no payments would have to be made by Southwest under the Facilities Agreement while Southwest is in bankruptcy. Due to the nature of bankruptcy proceedings, the period of time to determine such matters, including any appeals related thereto, can be substantial and may result in ongoing uncertainty as to the claims of the holders of the 2010 Bonds.

On March 30, 2004, the Bankruptcy Court for the Northern District of Illinois considered issues similar to those described above in *In re UAL Corporation, Inc.*, 307 B.R. 618 (Bankr. N.D. Ill. 2004) (the "United Lease Litigation"). The United Lease Litigation, which took place in the United Airlines bankruptcy case, concerned tax-exempt bond financing for the construction of improvements at four airports (San Francisco, Denver, Los Angeles and New York-JFK) for the benefit of United under terms with many similarities, but also many differences, from the Facilities Agreement and the other documents governing the 2010 Bonds. The question the bankruptcy court considered was whether such leases should be characterized as true leases or financing arrangements.

United argued that all four transactions should be treated as financing arrangements, rather than true leases. In its decision, the bankruptcy court found three of the transactions to involve financing arrangements and one of the transactions (Denver) to involve a true lease. On appeal, the United States District Court for the Northern District of Illinois issued four opinions, one for each airport, and held that all four transactions were true leases under applicable state law. Three of these opinions are published. See *HSBC Bank USA v. United Airlines, Inc.*, 317 B.R. 335 (N.D. Ill. 2004) (San Francisco); *United Airlines, Inc. v. HSBC Bank USA*, 322 B.R. 347 (N.D. Ill. 2005) (Denver); *U.S. Bank, N.A., v. United Airlines, Inc.*, 331 B.R. 765 (N.D. Ill. 2005) (Los Angeles). In subsequent appeals, the United States Court of Appeals for the Seventh Circuit reversed the district court's rulings with respect to United's leases at San Francisco International Airport and Los Angeles International Airport determining in both cases that the leases were secured loans rather than true leases. *United Airlines, Inc. v. HSBC Bank USA*, 416 F.3d 609 (7th Cir. 2005) (San Francisco); *United Airlines, Inc. v. U.S. Bank, N.A.*, 447 F.3d 504 (7th Cir. 2006) (Los Angeles). The Seventh Circuit affirmed the district court's ruling that the Denver airport lease was a true lease. *United Airlines, Inc. v. HSBC Bank USA*, 453 F.3d 463 (7th Cir. 2006).

NO REPRESENTATION OR WARRANTY IS MADE BY THE ISSUER, SOUTHWEST OR ANY OTHER PARTY AS TO WHETHER THE FACILITIES AGREEMENT WOULD BE CHARACTERIZED AS A FINANCING ARRANGEMENT, A TRUE LEASE OR AN EXECUTORY CONTRACT BY A BANKRUPTCY COURT CONSIDERING THE ISSUE IN THE EVENT A BANKRUPTCY CASE IS FILED WITH RESPECT TO SOUTHWEST. IN ADDITION, NO REPRESENTATION IS MADE AS TO WHICH TREATMENT WOULD BE MOST BENEFICIAL TO BONDHOLDERS AT THE TIME IF SUCH A FILING WERE TO OCCUR.

No representation or warranty is made by the Issuer, Southwest or any other party that any claim under the Facilities Agreement or the Guaranty will be allowed or that any recovery on any such claim will be permitted under the United States Bankruptcy Code.

LITIGATION

Issuer. To the best knowledge of the Issuer, no action, suit or proceeding at law or in equity is pending against or affecting the Issuer which would restrain or enjoin the issuance or sale of the 2010 Bonds or in any way contest the validity or affect the power of the Issuer with respect to the issuance and sale of the 2010 Bonds or the documents or instruments executed by the Issuer in connection therewith or the existence or powers of the Issuer, nor to the best knowledge of the Issuer, is there any basis therefore.

Southwest. To the best knowledge of Southwest, other than as disclosed herein, no action, suit, proceeding or investigation is pending or threatened against Southwest in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Facilities Agreement or the Guaranty, or any other documents executed by Southwest, the performance by Southwest of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby. For a discussion of certain legal proceedings involving Southwest, see “Legal Proceedings” in Southwest’s Annual Report on Form 10-K for the year ended December 31, 2009 and its Quarterly Report on Form 10-Q for the nine months ended September 30, 2010, incorporated by reference in this Official Statement (see “APPENDIX A – INFORMATION ABOUT SOUTHWEST AIRLINES CO.” attached hereto).

CONTINUING DISCLOSURE

The Issuer and the Underwriters have determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the 2010 Bonds or to any decision to purchase, hold or sell the 2010 Bonds, and the Issuer will not provide any such information. Southwest has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Issuer shall have no liability to the holders of the 2010 Bonds or any other person with respect to the Securities and Exchange Commission Rule 15c2-12 (the “Rule”).

In order to permit the Underwriters to comply with paragraph (b)(5) of the Rule, Southwest will covenant and agree, for the benefit of the registered holders or Beneficial Owners from time to time of the 2010 Bonds, in the Continuing Disclosure Undertaking, to provide annual reports of specified information and notice of the occurrence of certain enumerated events, if material (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in APPENDIX E – “PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Southwest has not previously undertaken, as an obligated person, to provide disclosure information pursuant to the Rule.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Indenture, the Facilities Agreement, the Guaranty or the 2010 Bonds. A broker or dealer is to consider a known breach of the Disclosure Covenants before recommending the purchase or sale of the 2010 Bonds in the secondary market. Thus, a failure on the part of Southwest to observe applicable Disclosure Covenants may adversely affect the transferability and liquidity of the 2010 Bonds and their market price.

UNDERWRITING

Pursuant to the terms of a Bond Purchase Agreement between the Issuer and Goldman, Sachs & Co., as representative of the underwriters named therein (the “Underwriters”), the Underwriters have agreed to purchase the 2010 Bonds at a purchase price of \$301,474,839, which is the par amount of the 2010 Bonds less an original issue discount of \$5,747,400 and an underwriting discount of \$2,777,761. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the 2010 Bonds if any of the 2010 Bonds are purchased. The 2010 Bonds may be offered and sold to certain dealers (including dealers depositing such 2010 Bonds into investment trusts, accounts or funds) and others at prices lower than the initial public offering price. After the initial public offering, the public offering price of the 2010 Bonds may be changed from time to time by the Underwriters. Southwest has agreed to indemnify the Underwriters against certain liabilities or to contribute to any payments required to be made by the Underwriters relating to such liabilities, including liabilities under the federal securities laws. From time to time, the Underwriters and their affiliates enter into other business relationships with Southwest and its affiliates.

Wells Fargo Securities, one of the Underwriters, is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”). WFBNA is both an Underwriter and the Trustee. WFBNA has entered into an agreement (the “Distribution Agreement”) with Wells Fargo Advisors, LLC (“WFA”) for the retail distribution of certain municipal securities offerings, including the 2010 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2010 Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

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 activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer and/or Southwest, for which they received or will receive customary fees and expenses.

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

ENFORCEABILITY OF OBLIGATIONS

Upon delivery of the 2010 Bonds, Co-Bond Counsel will deliver their opinion dated the date thereof that the 2010 Bonds, the Indenture and the Facilities Agreement are valid and legally binding obligations of the Issuer and enforceable in accordance with their respective terms. On such date, the

General Counsel of Southwest will issue an opinion, which will state that the Facilities Agreement and the Guaranty are the valid and legally binding obligations of Southwest, enforceable in accordance with their respective terms. The foregoing opinions will be qualified to the extent that enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, generally and to the exercise of judicial discretion in accordance with general principles of equity.

While the 2010 Bonds are secured and payable pursuant to the Indenture, the Facilities Agreement and the Guaranty, practical realization of any security upon any default will depend upon the exercise of various remedies specified in each respective instrument. These and other remedies may be dependent upon judicial action, which is subject to discretion and may be subject to delay.

APPROVAL OF LEGAL PROCEEDINGS

The legality of the authorization, issuance and sale by the Issuer of the 2010 Bonds and the tax exempt status of interest thereon are subject to the approving legal opinion of McCall, Parkhurst & Horton L.L.P. and Escamilla, Poneck & Cruz, LLP, Co-Bond Counsel. The proposed form of the approving opinion of Co-Bond Counsel is included in this Official Statement as APPENDIX D. Legal matters for the Issuer will be passed on by the City Attorney for the City of Dallas, Texas. The Underwriters have been represented in this transaction by Katten Muchin Rosenman LLP and Mahomes Bolden & Warren PC. Southwest has been represented by its General Counsel Department and Winstead PC. Co-Bond Counsel have not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement and will express no opinion with respect thereto other than that they will opine that the information in this Official Statement under the headings "INTRODUCTION – Purpose," "INTRODUCTION – The 2010 Bonds," "INTRODUCTION – Security For The 2010 Bonds," "PRINCIPAL FINANCE DOCUMENTS," "SOURCES AND USES OF 2010 BOND PROCEEDS," "THE 2010 BONDS" (excluding the information contained under the caption "Book-Entry-Only System"), "SECURITY FOR THE 2010 BONDS," "TAX MATTERS," and in APPENDIX B, APPENDIX C and APPENDIX D constitute a fair and accurate summary of the information purported to be summarized therein and with respect to the 2010 Bonds, the provisions of the Indenture and the Facilities Agreement, is correct as to matters of law.

TAX MATTERS

Opinions

On the date of initial delivery of the 2010 Bonds, Co-Bond Counsel to the Issuer will render their opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes, interest on the 2010 Bonds (i) will be excludable from the gross income of the owners thereof, except for any owner who is treated pursuant to section 147(a) of the Code as a "substantial user" of the Project or a "related person" to such user and (ii) will not be treated as a "preference item" in calculating the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code and will not be includable in the adjusted current earnings of corporations under section 56(g) of the Code for purposes of calculating the alternative minimum tax imposed on such corporations. Co-Bond Counsel to the Issuer will express no opinions as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the 2010 Bonds. See "APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION" attached hereto.

In rendering their opinions, Co-Bond Counsel to the Issuer will rely upon information furnished by Southwest and the Issuer, and particularly written representations of officers and agents of Southwest with respect to certain material facts that are solely within their knowledge relating to the use and

investment of the proceeds of the 2010 Bonds, the construction, use and management of the Project and the election not to claim depreciation or investment tax credit in connection with the Project. If the representations are determined to be inaccurate, or there is a failure to comply with the covenants or receive the allocation, then the interest on the 2010 Bonds could become includable in gross income retroactively to the date of issuance of the 2010 Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 2010 Bonds in order for interest on the 2010 Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the 2010 Bonds to be included in gross income retroactively to the date of issuance of the 2010 Bonds. The opinions of Co-Bond Counsel to the Issuer are conditioned on compliance by the Issuer and Southwest with such requirements, and Co-Bond Counsel to the Issuer have not been retained to monitor compliance with these requirements subsequent to the issuance of the 2010 Bonds.

Co-Bond Counsels' opinions represent their legal judgment based upon their review of Existing Law and the reliance on the aforementioned information, representations and covenants. Co-Bond Counsels' opinions are not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the 2010 Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the 2010 Bonds or the property financed or refinanced with proceeds of the 2010 Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the 2010 Bonds, or as to whether the Internal Revenue Service would agree with the opinions of Co-Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the 2010 Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such

Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the 2010 Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE 2010 BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the 2010 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the 2010 Bonds, if such obligation was acquired at a

“market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the 2010 Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

A form of the proposed opinions of Co-Bond Counsel relating to the 2010 Bonds in substantially the form in which it is expected to be delivered on the date of issuance of the 2010 Bonds is included as APPENDIX D.

FINANCIAL ADVISOR

The Issuer has retained the services of First Southwest Company and Estrada Hinojosa & Company, Inc., as Co-Financial Advisors, in connection with the authorization and delivery of the 2010 Bonds. The Co-Financial Advisors are not contractually obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

MISCELLANEOUS

The summaries or descriptions of provisions of the Facilities Agreement, the Indenture and the Guaranty set forth in APPENDIX C hereto do not purport to be comprehensive or definitive and all references to such documents are qualified in their entirety by reference to each such document. All references to the 2010 Bonds are qualified in their entirety by reference to the forms thereof and information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the initial offering period from the Underwriters.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized.

The delivery of this Official Statement has been duly authorized by Southwest.

SOUTHWEST AIRLINES CO.

By: /s/ Scott Topping
Vice President – Treasurer

APPENDIX A

SOUTHWEST AIRLINES CO.

The information contained in this Appendix A to this Official Statement relates to and has been supplied by Southwest Airlines Co. The delivery of this Official Statement shall not create an implication that there has been no change in the affairs of Southwest Airlines Co. since the date hereof or that the information contained or referred to in this Appendix A is correct as of any time subsequent to its date.

SOUTHWEST AIRLINES CO.

Statement of Available Information

Southwest Airlines Co. (“*Southwest*”) is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”) and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the “*Commission*”). These filings are available to the public over the Internet at the Commission’s website at <http://www.sec.gov>. Reports, proxy statements and other information filed by Southwest can be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material can be obtained by mail from the Public Reference Section of the Commission at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. A prospective purchaser can call the Commission at 1-800-SEC-0330 for further information on the public reference rooms and copy charges.

Some statements in this Official Statement and in the documents incorporated by reference that are not historical facts may be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on, and include statements about, Southwest’s estimates, expectations, beliefs, intentions, or strategies for the future, and the assumptions underlying these forward-looking statements. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “will,” “should,” and similar expressions. While Southwest management believes these forward-looking statements are reasonable as and when made, forward-looking statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed in or indicated by Southwest’s forward-looking statements or from historical experience or Southwest’s present expectations. Factors that could cause these differences include, but are not limited to, those set forth in the Official Statement under the heading “RISK FACTORS – Risk Factors Relating to Southwest”.

Caution should be taken not to place undue reliance on Southwest’s forward-looking statements, which represent Southwest’s views only as of the date the respective report is filed. Southwest undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Incorporation of Certain Documents by Reference

Information about Southwest that is incorporated by reference is considered to be part of this Official Statement, and later information Southwest files with the Commission will automatically update and supersede this information as well as the information included in this Official Statement. The information listed below is incorporated by reference:

- Southwest’s Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Commission on January 29, 2010;
- Southwest’s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010, and September 30, 2010, filed with the Commission on April 26, 2010, August 2, 2010, and October 22, 2010, respectively; and

- Southwest's Current Reports on Form 8-K, filed with the Commission on February 3, 2010, May 21, 2010, May 25, 2010, and September 27, 2010.

All documents filed by Southwest pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Official Statement and prior to the termination of the offering of the 2010 Bonds (other than current reports (or portions thereof) furnished under Items 2.02 or 7.01 of Form 8-K) shall be deemed to be incorporated by reference in this Official Statement and to be part hereof from the date of filing of any such document.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

A copy of these filings (other than their exhibits, unless those exhibits are specifically incorporated by reference in the filings) can be obtained at no cost by writing or telephoning Southwest at the following address:

Southwest Airlines Co.
Investor Relations
P.O. Box 36611
HDQ-6FC
2702 Love Field Drive
Dallas, Texas 75235
(214) 792-4000

Persons receiving this Official Statement should rely only on the information incorporated by reference or provided in this Official Statement or any applicable Official Statement Supplement. Southwest has not authorized anyone else to provide prospective purchasers with different information. If anyone provides different or inconsistent information, it should not be relied upon.

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APPENDIX B

MASTER GLOSSARY

RELATING TO THE LOVE FIELD AIRPORT MODERNIZATION CORPORATION SPECIAL FACILITIES REVENUE BONDS, SERIES 2010 (SOUTHWEST AIRLINES CO. – LOVE FIELD MODERNIZATION PROJECT)

CONSTRUCTION

Defined terms in this Glossary shall include in the singular number the plural and in the plural number the singular.

Unless otherwise stated, any reference in this Glossary to any Person shall include its permitted successors and assigns and, in the case of any governmental authority, any Person succeeding to its functions and capacities.

Unless otherwise expressly specified, any agreement, contract or document defined or referred to herein shall mean such agreement, contract or document in the form (including all amendments, schedules, exhibits, appendices, attachments, clarification letters and the like relating thereto) delivered on the Closing Date, and (except as provided in the last paragraph of this section "Construction") as the same may thereafter be amended, supplemented, replaced or otherwise modified from time to time in accordance with the terms of the Financing Documents.

Terms defined in this Glossary and also within any Financing Documents shall for purposes of such agreement have the meaning assigned to such term in that agreement and terms capitalized, but not otherwise defined, in any Financing Document shall have the meaning assigned to such term in this Glossary.

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

The words "include", "includes" and "including" shall not be limiting, and shall be deemed in all instances to be followed by the phrase "without limitation".

The phrase "and/or" shall mean either or both of the items referenced thereby.

References to "days" shall mean calendar days, unless otherwise indicated.

References to time shall mean Dallas, Texas time, unless otherwise indicated.

Unless the context clearly requires otherwise, the word "or" is not exclusive.

Any defined term herein that is incorporated by reference to any other document, shall be deemed to also incorporate herein any defined term or rule of construction in such document applicable to or contained within such incorporated term. Any amendment or deletion of any such incorporated defined term in its original document shall not amend or delete such defined term as used herein.

Any termination of the original document from which a defined term was incorporated herein shall not affect such defined term's use herein.

DEFINITIONS

"Act." Subchapter D of Chapter 431, Texas Transportation Code, as amended.

"Act of Bankruptcy." The commencement of a bankruptcy or similar proceeding by or against Southwest, including, but not limited to, the following: the making of a general assignment for the benefit of creditors, the commencing of a voluntary case under the Federal Bankruptcy Code or the filing of a petition thereunder, petitioning or applying to any tribunal for the appointment of a receiver, or any trustee for Southwest or a substantial part of the assets of Southwest, commencing any proceeding under any bankruptcy, reorganization, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or the appointment of a receiver or any trustee for Southwest or any substantial part of any of the properties of Southwest; provided that with respect to the filing of an involuntary petition in bankruptcy or other commencement of bankruptcy or similar proceeding against Southwest, such proceeding shall remain undismissed for 90 days.

"Additional Bonds." Additional bonds issued pursuant to Article XII of the Facilities Agreement.

"AFSP." Has the meaning ascribed to such term in the Program Development Agreement, which meaning may be amended from time to time by resolution of the Steering Committee.

"Agreement." When used in any document, shall mean that document.

"Agreement for Donation." The Agreement for Donation and Assignment effective as of January 15, 2009 by and between the City and Southwest.

"AIP." The Airport Improvement Program authorized by Chapter 471 of Title 49 of the United States Code.

"Airport." Dallas Love Field, located in the City, Dallas County, Texas.

"Airport Cost Centers." Has the meaning ascribed such term in the Airport Use and Lease Agreement.

"Airport System." Has the meaning ascribed such term in the Airport Use and Lease Agreement.

"Airport Use and Lease Agreement." That certain Amended and Restated Lease of Terminal Building Premises executed February 13, 2009 by and between the City and Southwest.

"Authentication Certificate." The authentication certificate signed by the Trustee pursuant to Article II(E)(4) of the Indenture.

"Authorized Southwest Representative." Such officer or employee of Southwest authorized by Southwest to act on its behalf under the Facilities Agreement or the Indenture as certified to LFAMC, the City and the Trustee in writing by Southwest.

"Available Revenues." Airport System net revenues available for deposit to the credit of the Southwest Reimbursement Account pursuant to Section 6.07E of the Airport Use and Lease Agreement. Airport System net revenues that are derived from the "Other Buildings and Areas", "Executive Airport" and "Vertiport" cost centers as shown in Exhibits H-1 and H-2 of the Airport Use and Lease Agreement are not "Available Revenues".

"Aviation Capital Fund." The account by that name maintained by the City under the control of the Aviation Director.

"Aviation Director." The director of the Department of Aviation at the City, or his or her authorized designee.

"Board" or **"Board of Directors."** The lawfully qualified board of directors of the Corporation.

"Bond Counsel." McCall, Parkhurst & Horton L.L.P. and Escamilla, Poneck & Cruz, LLP, or such nationally recognized bond counsel as may hereafter be selected by the Corporation and approved by the City.

"Bond Purchase Agreement." the Bond Purchase Agreement, dated November, 2010, by and between the Corporation and the underwriters named therein.

"Bond Resolution." The City Council resolution authorizing issuance of the Bonds.

"Bond Year." Each one year period beginning on the Closing Date, or any yearly anniversary thereof, and ending one year thereafter, until the Bonds are retired in full.

"Bondholders." Persons who shall at any time become the registered owners of the Bonds.

"Bonds" or **"LFAMC Bonds."** Initially, the "Love Field Airport Modernization Corporation Special Facilities Revenue Bonds, Series 2010 (Southwest Airlines Co. - Love Field Modernization Program Project)" to be issued in the aggregate principal amount of \$310,000,000, and thereafter, any series of Additional Bonds issued pursuant to the Facilities Agreement and the Indenture and as designated in the resolution of the Corporation authorizing the issuance of such series of Additional Bonds; provided, however, the aggregate principal amount of the Bonds issued pursuant to the Indenture shall not exceed \$500,000,000.

"Business Day." Any day which is not a Sunday, a Saturday, a legal holiday or a day on which banking institutions in the City of New York, New York, the City, or the city in which the Designated Trust Office of the Trustee is located are authorized by law or executive order to close.

"Capitalized Interest Account." The account within the Debt Service Fund established pursuant to Article III(F) of the Indenture.

"City." The City of Dallas, Texas, a home-rule city organized and existing under the laws of the State.

"City Contributions Account." The account within the Debt Service Fund established pursuant to Article III (F) of the Indenture.

"City Council." The City Council of Dallas, Texas.

"City Funds." Funds contributed by the City for deposit into the City Contribution Account pursuant to Article III(F) of the Indenture.

"City Projects." The term by that name as defined in the Program Development Agreement, which meaning may be amended from time to time by resolution of the Steering Committee.

"Claims." All claims, lawsuits, causes of action and other legal actions and proceedings brought against any Indemnified Party so long as the claim, lawsuit, cause of action or other legal action or proceeding, directly or indirectly, arises out of, results from, relates to or is based upon, in whole or in part: (a) the issuance, offering, sale, delivery or payment of the Bonds (except when arising out of, resulting from, relating to or based upon the information under the captions "The Corporation", "The Airport", "The City" and "Tax Matters" contained in the preliminary official statement and the official statement relating to the Bonds), or (b) the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Project or any part thereof.

"Closing Date." The date of issuance and delivery of the Bonds to the initial purchasers thereof in exchange for the purchase price therefor.

"Code." The Internal Revenue Code of 1986, together with any amendments thereto or successor federal income tax laws.

"Commission." The Securities and Exchange Commission of the United States of America.

"Completion Date." The date of completion of the acquisition and construction of the Project certified in accordance with Section 304 of the Facilities Agreement.

"Comptroller." The Comptroller of Public Accounts of the State.

"Connector." The "people mover" connector to the DART mass transit system described in Section 5 of Article I of the Five Party Agreement and further described in Section 7.01(C) of the Airport Use and Lease Agreement.

"Construction Fund." The construction fund established with the Trustee pursuant to Article III of the Indenture.

"Corporation" or "LFAMC." The Love Field Airport Modernization Corporation, a local government corporation duly organized and operating under the laws of the State, including the Act, or any successor thereto or assign thereof.

"Costs" or LFMP Costs." Has the meaning ascribed to the term "LFMP Costs" in Section 6.1 of the Program Development Agreement.

"Debt Service Fund." The debt service fund established with the Trustee pursuant to Article III of the Indenture.

"Defeasance Obligations." Has the meaning given said term in Article VIII of the Indenture.

"Designated Trust Office." The corporate trust office of the Trustee located in Dallas, Texas, or such future location as shall be designated in writing by the Trustee to the Corporation, the City and Southwest.

"Determination of Taxability." Has the meaning given said term in Article II(D)(3) of the Indenture.

"Disbursement Request." A certificate in substantially the form set forth as Exhibit C to the Facilities Agreement, signed by an Authorized Southwest Representative and approved by the Aviation

Director or the duly acting designee thereof, which certificate shall state: (i) the requisition number, amount to be paid and the name and address of the Person to whom payment is to be made or to whom a reimbursable advance, if any, by Southwest has been made; (ii) that there has been expended, or is being expended concurrently with the delivery of such certificate an amount on account of Costs of the Project at least equal to the amount set forth in such certificate; (iii) that no other certificate in respect of such expenditure is being or previously has been delivered to the Trustee; (iv) that no Event of Default (as defined in the Facilities Agreement) has occurred and is continuing; (v) to the extent such disbursement (a "reimbursement allocation") is to reimburse an expenditure (an "original expenditure") that was paid (X) from a source other than the proceeds of the Bonds and (Y) prior to the Closing Date, that such original expenditure is for a proper Cost of the Project and was incurred not more than 60 days prior to the Inducement Date and that the reimbursement allocation is being made not later than 18 months after the later of (A) the date on which such original expenditure was paid or (B) the date on which the property is placed in service or abandoned (but the date of such reimbursement allocation may not be more than three years after the date the original expenditure was paid); (vi) that at least 95% of all amounts previously disbursed from the Construction Fund to pay Costs of the Project (not including costs of issuance and any underwriters' discount) plus the amount requested by such certificate to be disbursed from the Construction Fund have been or will be used to provide "airport facilities" or other exempt facilities within the meaning of the Code and the Regulations in effect thereunder and applicable to the Bonds; and (vii) if applicable, that the sum of (A) all amounts previously disbursed from the Construction Fund to pay costs of issuance plus (B) the amount requested by such certificate to be disbursed from the Construction Fund, when added to other amounts already expended for the payment of such costs (including underwriters' discount or fee), to pay costs of issuance does not exceed 2% of the issue price of the Bonds.

"Dispute." The term by that name as defined in the Program Development Agreement.

"DTC." The Depository Trust Company, New York, New York.

"Exchange Act." The Securities Exchange Act of 1934, as amended.

"FAA." The Federal Aviation Administration, or any successor thereto or assign thereof.

"Facilities Agreement." That certain Special Facilities Agreement dated as of November 1, 2010 by and among the Corporation, the City, and Southwest.

"Facilities Payments." The amounts paid or payable by Southwest pursuant to Section 501 of the Facilities Agreement.

"Federal Grants Subaccount" The subaccount within the City Contributions Account established pursuant to Article III(F) of the Indenture.

"Financing Documents." The Facilities Agreement, the Revenue Credit Agreement, the Indenture, and the Guaranty.

"Five Party Agreement." That certain "Contract Among The City of Dallas, The City of Fort Worth, Southwest Airlines Co., American Airlines, Inc., and DFW International Airport Board Incorporating the Substance of the Terms of the June 15, 2006 Joint Statement Between the Parties to Resolve the 'Wright Amendment' Issues affecting Dallas Love Field," executed as of July 11, 2006 by and between the City, Southwest, The City of Fort Worth, American Airlines, Inc., and DFW International Airport Board.

"Force Majeure." Acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States of America, or of any state thereof, or any civil or military Corporation, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, blue northers, storms, floods, washouts, droughts, arrests, restraining of government and people, civil disturbances, explosions, nuclear accidents, wars, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other cause not reasonably within the control of the party claiming inability to perform due to such cause.

"Gate." Has the meaning ascribed such term in the Airport Use and Lease Agreement.

"GARBS." General Airport Revenue Bonds issued by the City, now or hereafter outstanding.

"Guaranty." The Guaranty dated as of November 1, 2010, between Southwest, as guarantor, and the Trustee.

"Indemnified Parties." The Corporation, the City, and the members, officers, directors, employees and agents of each of such Persons, either individually or collectively.

"Indenture." The Trust Indenture dated as of November 1, 2010 between the Corporation and the Trustee, as amended and supplemented, providing for the issuance of the Bonds and Additional Bonds, if any.

"Inducement Date." June 25, 2008.

"Interest Payment Date." May 1, 2011 and each November 1 and May 1 thereafter until maturity or redemption of the Bonds.

"LFMP." The significant redevelopment of portions of the Airport, including the modernization of the existing terminal facilities at the Airport, a program referred to as the "Love Field Modernization Program."

"LFMP Costs." Has the meaning ascribed to such term in Section 6.1 of the Program Development Agreement.

"LFMP Elements." Individually or collectively, the Southwest Projects, the City Projects, the AFSP, and the Other Projects comprising the LFMP Elements.

"Losses." Losses, costs, damages, expenses and liabilities of whatever nature (including reasonable attorneys' fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments) directly or indirectly resulting from, arising out of or relating to one or more Claims.

"Material Presence." The utilization by Southwest under written agreement or permit with the City of at least ten (10) Gates at the Airport, operating at least one hundred (100) flights per day.

"MSRB." The Municipal Securities Rulemaking Board.

"Net Proceeds." The term by that name as defined in Sections 1001 and 1002 of the Facilities Agreement.

"Net Proceeds Account." The account within the Construction Fund established pursuant to Article III(B) of the Indenture.

"Other Projects." Has the meaning ascribed to such term in Section 2.5 of the Program Development Agreement, which meaning may be amended from time to time by resolution of the Steering Committee.

"Outstanding." With respect to the Bonds, as of the time in question, all Bonds registered or authenticated, as applicable, and delivered under the Indenture, except: (i) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; (iii) Bonds deemed to have been paid within the meaning of Article VIII of the Indenture; and (iv) Bonds for which payment or prepayment of money in the necessary amount has been deposited with the Trustee in trust for the registered owners of such Bonds pursuant to the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture. In determining whether the Bondholders of a requisite aggregate principal amount of Bonds then Outstanding have concurred in any request, demand, authorization, direction, notice, consent, or waiver under the Indenture, Bonds owned by or for the account of Southwest, the City or the Corporation, or any person controlled by, controlling, or under common control of any of them, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, except to the extent that Southwest, the City or the Corporation owns all of the Bonds then Outstanding; provided, however, that for the purpose of determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds of which the Trustee has actual knowledge of such ownership shall be so disregarded.

"Person." Any association, individual, corporation, governmental entity, partnership, joint venture, business association, estate or any other organization or entity.

"PFC Account." The account within the Construction Fund established pursuant to Article III(B) of the Indenture.

"PFC Disbursement Request." A certificate signed by an Authorized Southwest Representative and approved by the Aviation Director or the duly acting designee thereof, in substantially the form set forth as Exhibit D to the Facilities Agreement, which certificate shall state: (i) the requisition number, amount to be paid and the name and address of the Person to whom payment is to be made or to whom a reimbursable advance, if any, by Southwest has been made; (ii) that there has been expended, or is being expended concurrently with the delivery of such certificate an amount on account or Costs of the Project eligible to be paid from PFCs at least equal to the amount set forth in such certificate; (iii) that no other certificate in respect of such expenditure is being or previously has been delivered to the Trustee; and (iv) that no Event of Default (as defined in the Facilities Agreement) has occurred and is continuing.

"PFC Fund." The fund by that name maintained by the City under the control of the Aviation Director.

"PFCs." Passenger Facility Charges, which are any charge imposed from time to time by the City on passengers enplaning aircraft at the Airport pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (Pub. L. 101-508), enacted November 5, 1990, as amended, and the implementing regulations (FARs) promulgated thereunder from time to time.

"PFC Subaccount" The subaccount within the City Contributions Account established pursuant to Article III(F) of the Indenture.

"Program Development Agreement." That certain Program Development Agreement dated January 15, 2009 between the City, the Corporation, and Southwest.

"Project." Individually or collectively, the Southwest Projects, the City Projects, the AFSP, and the Other Projects comprising the LFMP Elements that are described in Exhibit B to the Facilities Agreement.

"Project Construction Account." The account within the Construction Fund established pursuant to Article III(B) of the Indenture.

"Project Contracts." Has the meaning given said term in the preamble to the Agreement for Donation.

"Purchased Items." Has the meaning given said term in the preamble to the Agreement for Donation.

"Qualified Investments." Has the meaning given said term in Article III of the Indenture.

"Quotation Agent." A financial institution, approved by the Issuer and approved by Southwest, to calculate the applicable interest rate, if necessary, in the event a "Make-Whole Optional Redemption" is provided for in the Bonds and is exercised. Goldman, Sachs & Co. shall initially serve as the Quotation Agent.

"Record Date." The day preceding an Interest Payment Date so designated in the Indenture.

"Registration Books." A register of the registered owners of the Bonds kept by the Trustee pursuant to Article II(E) of the Indenture.

"Registration Certificate." The registration certificate signed by the Comptroller pursuant to Article II(E)(5) of the Indenture.

"Regulations." The Treasury Regulations promulgated pursuant to the Code.

"Reimbursement Obligation." Subject to the conditions stated in Sections 3.4(a) and 3.4(b) of the Revenue Credit Agreement, the obligation of the City to reimburse Southwest for Facilities Payments made by Southwest under the Facilities Agreement.

"Reimbursement Requisition." The certificate used by Southwest for reimbursement from the Southwest Reimbursement Account pursuant to Section 4.2 of the Revenue Credit Agreement.

"Reimbursement Termination Event." The occurrence of: (1) an Act of Bankruptcy; or (2) the permanent closure of the Airport resulting from actions taken by the United States Government.

"Remaining Term." Has the meaning given said term in Section 3.4(a)(ii) of the Revenue Credit Agreement.

"Revenue Bond Index Rate." The prime rate published in The Wall Street Journal (print edition) plus 400 basis points.

"Revenue Credit Agreement." That certain Revenue Credit Agreement executed and effective as of November 3, 2010 by and between the City and Southwest.

"Rule." Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"Southwest." Southwest Airlines Co., a corporation duly organized and validly existing under the laws of the State and qualified to do business in the State, or any successor thereto or assignee thereof permitted by the Facilities Agreement.

"Southwest Inducement Letter." The term by that name as identified in the Bond Purchase Agreement.

"Southwest Projects." The term by that name as defined in the Program Development Agreement, which meaning may be amended from time to time by resolution of the Steering Committee.

"Southwest Reimbursable Costs." All moneys advanced by Southwest to fund certain design, program management, relocation, demolition and other costs as set forth in Exhibit B to the Program Development Agreement prior to the issuance of the LFAMC Bonds, and approved by the City Council on June 25, 2008, by Resolution No. 08-1877.

"Southwest Reimbursement Account." The account established pursuant to Section 6.07 of the Airport Use and Lease Agreement.

"Special Rebate Fund." The special rebate fund established with the Trustee pursuant to Article III(E) of the Indenture.

"State." The State of Texas.

"Steering Committee." The term by that name as defined in the Program Development Agreement.

"Supplemental Agreement." An amendment to or supplement of the Facilities Agreement entered into in accordance with Section 1704 thereof.

"Tax Representation Certificate." The certificate executed by an Authorized Southwest Representative addressing matters relating to the tax-exempt status of the interest on the Bonds.

"Tentative Rebate Amount." Has the meaning given said term in Article III(G)(3) of the Indenture.

"Terminal Building." Has the meaning ascribed to such term in the Use and Lease Agreement.

"Trust Estate." Has the meaning ascribed to such term in the preamble to the Indenture.

"Trustee." Wells Fargo Bank, National Association, or any successor thereto or assignee thereof permitted by the Indenture.

"TSA." The Transportation Security Administration, or any successor thereto or assign thereof.

"Underwriters." The investment banking firms listed in the Bond Purchase Agreement, of which Goldman, Sachs & Co. acts as senior managing underwriter.

Wright Amendment. Section 29 of the International Air Transportation Competition Act of 1979 (Pub. Law 96-192), enacted February 15, 1980, as amended, including amendment by the Wright Amendment Reform Act of 2006 (Pub. Law 109-352), enacted October 13, 2006.

APPENDIX C

SUMMARY OF PRINCIPAL PROJECT DOCUMENTS

THE FACILITIES AGREEMENT

The following is a summary of certain provisions of the Facilities Agreement and does not purport to be complete. Reference is made to the Facilities Agreement for the complete provisions.

Construction of the Project; Issuance of Bonds

In accordance with the terms of the Program Development Agreement, the Corporation has assigned to Southwest the responsibility for the construction of the Project. The construction of the Project shall commence and proceed in accordance with the conditions set forth in the Program Development Agreement.

Pursuant to the terms of the Indenture, the Corporation shall issue the Bonds upon the execution and delivery of the Facilities Agreement to provide funds for paying the Costs of the Project, net of Costs paid from grants or other revenues received by the City and made available to pay Costs of the Project. The Bonds shall be issued under and in accordance with the Indenture. The proceeds of the Bonds shall be deposited directly by the Corporation with the Trustee in the funds and accounts specified in the Indenture. In the event that such funds are insufficient: (i) Southwest shall provide funds to complete the construction of the Project; (ii) with the approval of the City, Southwest shall reduce the scope of the Project so that funds will be sufficient; (iii) additional sources of funds shall be made available to complete the Project; or (iv) Southwest shall request that the Corporation issue Additional Bonds to the extent necessary to provide sufficient funds for such purposes.

Neither the City nor the Corporation makes any warranty, either express or implied, that the Project can or will be constructed for the estimated cost therefor, or that the moneys paid into the Construction Fund and available for payment of the Costs of the Project shall be sufficient for that purpose. Southwest agrees that if, after exhaustion of such funds, Southwest pays any portion of the Costs of the Project for any reason whatsoever, it shall not be entitled to any reimbursement therefor from either the Corporation or the City (except reimbursement from the proceeds of Additional Bonds, if any) nor shall Southwest be entitled to any set-off or diminution of the rentals due under the Airport Use and Lease Agreement or other amounts payable under the Facilities Agreement, unless otherwise agreed to by the Corporation and the City.

Pursuant to the Indenture, the Trustee shall disburse (or transfer to the Debt Service Fund) amounts in the Project Construction Account within the Construction Fund to pay Costs of the Project, including the Southwest Reimbursable Costs, plus interest thereon at the Revenue Bond Index Rate, upon receipt of a Disbursement Request. The Trustee shall disburse amounts in the PFC Account within the Construction Fund to pay Costs of the Project eligible to be paid from PFCs upon receipt of a PFC Disbursement Request.

As provided in the Program Development Agreement and pursuant to the terms of the Agreement for Donation, Southwest will donate and the City will accept all Purchased Items as acquired from third parties under the Project Contracts.

Facilities Payments

So long as any Bond is Outstanding, Southwest shall pay or cause to be paid to the Corporation payments (the “Facilities Payments”), payable without demand, in an amount equal to the principal of, interest or premium payments due on the Bonds whether at maturity, upon redemption, by acceleration or otherwise; provided that in the case of each payment the amount thereof shall be reduced by an amount equal to any amount then held by the Trustee in the Debt Service Fund which is available for such payment. Southwest acknowledges that the Facilities Payments made or caused to be made by Southwest to the Trustee and any amounts held by the Trustee in the Debt Service Fund which are available for such payment are the sole sources of moneys to be used by the Corporation to make payments of the principal of, interest or premium, if any, due on the Bonds.

The Corporation in the Facilities Agreement assigns its right, title and interest in and to the Facilities Payments to the Trustee as part of the Trust Estate.

The obligation of Southwest to make the payments required under the Facilities Agreement and to pay the premiums or charges necessary to maintain or cause to be maintained the insurance required by the Facilities Agreement shall be absolute and unconditional and shall not be subject to any defense (other than payment) or any right of set-off, counterclaim, abatement or otherwise.

Southwest to Maintain its Corporate Existence; Exceptions

Southwest agrees that during the term of the Facilities Agreement it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another Person unless the surviving or transferee Person is a solvent Person qualified to do business in the State and, concurrently with such transaction, irrevocably and unconditionally assumes in writing, by means of an instrument which is delivered to the Corporation, the City and the Trustee, all of the obligations of Southwest under the Facilities Agreement.

Tax Exemption

The Corporation, the City and Southwest covenant in the Facilities Agreement to refrain from any action which would adversely affect, and to take such action as is necessary to assure, the treatment of the Bonds as obligations described in section 103(a) of the Code, the interest on which is not includable in the “gross income” of the owner thereof for purposes of federal income taxation (other than the gross income of a “substantial user” of the Project or a “related person” to such a “substantial user,” within the meaning of the Code).

Damage and Destruction

If prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed (in whole or in part) or is damaged by fire or other casualty, the City shall promptly give written notice thereof to the Corporation, Southwest and the Trustee. All Net Proceeds in an amount less than one million dollars (\$1,000,000) per casualty shall be paid to the City to be applied to repair, rebuild or restore the property damaged. Any remaining balance after payment for such repair, rebuilding or restoration shall be retained by the City. Net Proceeds of insurance in excess of one million dollars (\$1,000,000) per casualty resulting from such claims for losses shall be paid to and held by the Trustee in the Net Proceeds Account of the Construction Fund created under the Indenture, whereupon the City shall elect to proceed to repair, rebuild or restore the property damaged or destroyed to substantially the same condition as it existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the

substitution and addition of other property) as may be approved in compliance with the Program Development Agreement and as will not impair productive capacity or the character of the Project, and the Trustee will apply so much as may be necessary of the Net Proceeds to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses, as directed by the City. In the event said Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the City will, nonetheless, complete the work thereof and will pay that portion of the costs thereof in excess of the amount of said Net Proceeds. Any balance of the Net Proceeds remaining after payment of all the costs of such repair, rebuilding or restoration shall be paid to the City.

If the Bonds have been fully paid (or provision for the payment thereof has been made in accordance with the Indenture) and the Project is destroyed (in whole or in part) or is damaged by fire or other casualty, all Net Proceeds will be paid to the Trustee or a mutually acceptable third party, with any disbursements to be approved by the City and the Corporation, and the City shall elect to proceed promptly to repair, rebuild or restore the property damaged or destroyed to substantially the same condition as it existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by Southwest and as will not impair productive capacity or the character of the Project, and the City will apply so much as may be necessary of the Net Proceeds to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses as directed by the City. In the event the Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the City will, nonetheless, complete the work thereof and will pay that portion of the costs thereof in excess of the amount of the Net Proceeds. Any balance of the Net Proceeds remaining after payment of all the costs of such repair, rebuilding or restoration shall be paid to the City.

Within this Section, "Net Proceeds" means the gross proceeds from the insurance with respect to which that term is used remaining after payment of all expenses (including attorneys expenses and any extraordinary fees and expenses of the Trustee), incurred in the collection of such gross proceeds.

Additional Bonds

If Southwest is not in default under the Facilities Agreement, the Corporation will issue pursuant to an indenture between the Corporation and the trustee thereunder (which may be an indenture supplemental to the Indenture) the amount of Additional Bonds specified by Southwest to provide funds to pay or to reimburse Southwest for costs incurred by Southwest for any one or more of the following: (a) the costs of completing the Project, (b) the costs of the issuance and sale of the Additional Bonds and other costs reasonably related to the financing, and (c) the refunding of Outstanding Bonds (including Additional Bonds, if any); subject to certain conditions and restrictions.

Events of Default

The following constitute Events of Default under the Facilities Agreement:

(a) the failure of Southwest to pay any Facilities Payments which results in the occurrence of an "Event of Default" as described in the Indenture;

(b) the occurrence of an Act of Bankruptcy, provided that with respect to the filing of an involuntary petition in bankruptcy or other commencement of a bankruptcy or similar proceeding against Southwest, such petition or proceeding shall remain undismissed for ninety (90) days;

(c) (i) failure by Southwest to observe and perform any agreement under the Facilities Agreement related to construction of the Project or tax exemption, or (ii) violation of an FAA, TSA

or United States Department of Transportation regulation that (A) deprives the City of the use of or the power to operate the Airport or (B) prevents the City from obtaining an airport development grant, where such occurrence set forth in (i) or (ii) shall continue for a period of thirty (30) days after written notice to Southwest specifying such failure and requesting that it be remedied, given to Southwest by the Corporation or the City, unless the City shall agree in writing to an extension of such time prior to its expiration. If a failure under this clause (c) is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by Southwest within the applicable period and diligently pursued until the failure is corrected;

(d) (i) failure by Southwest to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Subsections (a) through (c) above, for a period of sixty (60) days after written notice to Southwest, specifying such failure and requesting that it be remedied, given to Southwest by the Corporation, unless the Corporation shall agree in writing to an extension of such time prior to its expiration; provided, however, if a failure under this clause (i) is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by Southwest within the applicable period and diligently pursued until the failure is corrected; or (ii) election of the Corporation to declare an Event of Default as provided in the Facilities Agreement;

(e) the occurrence of an “Event of Default” as described in the Program Development Agreement; or

(f) the occurrence of an “Event of Default” as defined in the Airport Use and Lease Agreement.

Remedies on Default

Upon the occurrence of any Event of Default described in subsections (a) or (b) above, the Trustee may in its discretion and shall upon the direction of the Owners of at least 25% of the principal amount of Bonds Outstanding, join in or separately initiate whatever action at law or in equity as may appear necessary or desirable to collect the Facilities Payments due and owing and any other amounts then due to the Trustee under the Facilities Agreement including, without limitation, the use and filing of actions for specific performance and mandamus proceedings in any court of competent jurisdiction.

Notwithstanding the exercise by the Trustee of its remedies pursuant to the Facilities Agreement or the Indenture, Southwest shall continue to be liable for the payment of all amounts payable under the Facilities Agreement and Southwest shall make such payments at the same times and in the same manner as provided in the Facilities Agreement.

Dispute Resolution and Priority of Agreements

Any Dispute that arises among the parties concerning the Facilities Agreement shall be resolved in accordance with the dispute resolution process set forth in the Program Development Agreement. If a conflict exists between the provisions of the Facilities Agreement, any of the agreements defined in the Facilities Agreement or any other agreement concerning or affected by the LFMP, the order of priority set forth in the Program Development Agreement shall govern which documents shall control.

Assignment

Except as provided above under “Southwest to Maintain its Corporate Existence; Exceptions”, Southwest shall not assign the Facilities Agreement or any part thereof in any manner whatsoever or

assign any of the privileges recited in the Facilities Agreement without the prior written consent of the City. In the event of such assignment, Southwest shall remain liable to the Corporation and the City for the remainder of the term of the Facilities Agreement to pay to the Corporation, the City or the Trustee the payments provided for in the Facilities Agreement and to otherwise comply with the provisions of the Facilities Agreement for the term of the Facilities Agreement and Southwest's assignee shall agree to comply with the applicable provisions of the Facilities Agreement. Said assignee shall not further assign its interest in the Facilities Agreement except with the prior written approval of the City and Southwest; and any assignment by Southwest shall contain a clause to this effect. Any assignment in violation of this Section shall be void. No assignment of the Facilities Agreement by Southwest will be effective unless, in the opinion of Bond Counsel delivered to the Trustee, such assignment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Bonds.

THE GUARANTY

The following statements are a summary of certain provisions of the Guaranty and do not purport to be complete. Reference is made to the Guaranty for the complete provisions.

Guaranty of the Bonds

The Guarantor unconditionally guarantees to the Trustee for the benefit of the Bondholders the full and prompt payment of the principal of, premium, if any, and interest on the Bonds and, to the extent permitted by law, interest on overdue interest or premium, when and as the same shall become due and payable as provided in the Indenture, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise. All payments by the Guarantor under the Guaranty shall be paid in lawful money of the United States of America. Each and every default in payment of the principal of, premium, if any, or interest on any Bond, or interest on overdue interest or premium, shall give rise to a separate cause of action under the Guaranty and separate suits may be brought under the Guaranty as each cause of action arises.

The Guarantor further agrees that the Guaranty constitutes an absolute, unconditional, present and continuing guaranty of payment and not of collection, and waives any right to require that any resort be had by the Trustee or the Bondholders to pursue (1) the Trustee's or any Bondholder's rights against any other party, (2) any other right or remedy available to the Trustee or any Bondholder by contract, applicable law or otherwise or (3) any security (other than moneys on deposit in the Funds or Accounts held by the Trustee under the Indenture) held by or for the benefit of the Bondholders for payment of the principal of, premium, if any, or interest on the Bonds, or interest on overdue interest or premium on the Bonds.

The obligations of the Guarantor under the Guaranty shall be absolute, unconditional and immediately enforceable, subject to the Guaranty Events of Default described below, when each payment of principal, premium, if any, and interest is due and shall remain in full force and effect on the Guarantor and any successors thereof until the entire principal of, premium, if any, and interest on the Bonds and, to the extent permitted by law, interest on overdue interest and premium, shall have been paid in full or duly provided for in accordance with the Indenture and, to the extent permitted by law, such obligations shall not be affected, modified, released or impaired by any state of facts or the happening from time to time of any event.

Guaranty Event of Default

A "Guaranty Event of Default" shall exist if the Guarantor defaults in any guarantee referred to above and such default continues for one Business Day from the date such payment was due. At such

time as the Trustee has notice of a Guaranty Event of Default hereunder, the Trustee shall notify the registered owners of such Guaranty Event of Default in the same manner as is provided in the Indenture.

Upon an event of default in payment of principal of or premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, or in the event of a default in the payment of any interest on any Bond when and as the same shall become due, the Trustee shall have the right to proceed first and directly against the Guarantor under the Guaranty without resorting to any security (other than moneys on deposit in the Funds or Accounts held by the Trustee under the Indenture) held by the Corporation or the Trustee under the Indenture.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Guaranty shall, after payment of accrued fees and expenses of the Trustee and the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Debt Service Fund (as established in the Indenture) for the benefit of the Bondholders and such moneys shall be applied in accordance with the terms of the Indenture.

The Trustee shall be under no obligation to institute any suit or to take any remedial action under the Guaranty, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the enforcement of any rights and powers under the Guaranty, until it shall be indemnified to its satisfaction by the Bondholders against any and all liability (including, without limitation, reasonable compensation for services, costs and expenses, outlays, and counsel fees and expenses and other disbursements) not due to its negligence or willful misconduct for any action so taken.

Dissolution or Merger of the Guarantor

Except as provided in the Guaranty, the Guarantor agrees that during the term of the Guaranty it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another Person unless the surviving or transferee Person, as applicable, is, and after such transaction shall be, a solvent Person qualified to do business in the State and, concurrently with such transaction, irrevocably and unconditionally assumes in writing, by means of an instrument which is delivered to the Corporation and the Trustee, all of the obligations of the Guarantor under the Guaranty.

Benefit and Enforcement

The Guaranty shall not be deemed to create any right, or to be in whole or in part for the benefit of any person other than the Trustee, the Guarantor, the Bondholders, and their permitted successors and assigns. The Guaranty is entered into by the Guarantor for the benefit of the registered owners from time to time of the Bonds under the Indenture and may be enforced by or on behalf of the registered owners of the Bonds only by the Trustee by such actions, suits and proceedings, at law or in equity, as it may be advised shall be necessary or expedient to preserve and protect its interest and the interests of the Bondholders hereunder. However, the Trustee shall proceed to enforce the Guaranty on behalf of the Bondholders upon written request of the registered owners of not less than 25% in aggregate principal amount of the Bonds then outstanding and upon being indemnified for its expenses and any liability to be incurred by the Trustee other than liability arising from its willful misconduct or negligence in connection with any action so taken.

THE INDENTURE

The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is made to the Indenture for the complete provisions.

Establishment of Trust Funds

The “Construction Fund” consists of three accounts: the “Project Construction Account”, the “PFC Account”, and the “Net Proceeds Account”.

The net proceeds from the sale of the Bonds, after payment of costs of issuance of the Bonds, shall be deposited by the Trustee to the credit of the funds and accounts created herein as follows: (i) \$33,032,654.95 to the Capitalized Interest Account of the Debt Service Fund; and (ii) the balance of the proceeds to the Project Construction Account of the Construction Fund. Concurrently with, or as soon as practicable after, the delivery of the Bonds, the Trustee shall make an initial payment, if requested by Southwest for payments from the Project Construction Account of the Construction Fund, to reimburse Southwest or its designee for any Costs (including interest thereon as provided in the Program Development Agreement), paid, or provided to the Corporation, by Southwest on or after April 25, 2008, and prior to the Closing Date. The Trustee shall make such initial payment, if requested, and shall make any subsequent payments, from the Project Construction Account of the Construction Fund for any Cost of the Project from time to time upon receipt by the Trustee of an executed Disbursement Request.

PFCs available to the City and approved by the FAA for use in connection with the Project will be contributed by the City, if and when requested by Southwest, toward defraying a portion of the Costs of the Project. The City will identify and contribute the PFCs to the Trustee for deposit to the credit of the PFC Account, for disbursement to pay Costs of the Project eligible to be paid from PFCs.

Any Net Proceeds generated as a result of damage to or destruction of, or the condemnation of, all or any part of the Project, all as provided in the Facilities Agreement, shall be deposited to the credit of the Net Proceeds Account of the Construction Fund. The Trustee shall disburse any moneys on deposit in the Net Proceeds Account upon the written direction of the City for the purposes described in the Facilities Agreement.

The “Debt Service Fund” is created and established and shall be maintained as long as any Bond is Outstanding and unpaid. The moneys on deposit in the Debt Service Fund shall be used by the Trustee to pay the principal of, premium, if any, and interest on the Bonds, when due; and the Trustee shall make available to itself, in its capacity as paying agent, out of the Debt Service Fund, the amounts required to pay or redeem the principal of, premium, if any, and interest on the Bonds when due, as well as such other amounts described in the Indenture.

Within the Debt Service Fund, the Capitalized Interest Account and the City Contributions Account each is created and established. Moneys in the Capitalized Interest Account shall be used by the Trustee, without further instruction, to pay interest coming due on the Bonds on each Interest Payment Date following the Closing Date of the Bonds until such time as the moneys on deposit therein have been exhausted.

Within the City Contributions Account, the Federal Grants Subaccount and the PFC Subaccount each is created and established. Certain elements of the Project are to be funded (i) from grant payments made to the City and approved by the FAA for such payments and (ii) from PFC revenues eligible to defray debt service on the Bonds (together, the “City Funds”). The City and Southwest have agreed, to the extent not inconsistent with limitations imposed by the grantor of the City Funds, that the City will contribute the City Funds, if and when received, toward defraying a portion of the Debt Service on the Bonds. The City will identify and transfer to the Trustee federal grant payments for deposit to the credit of the Federal Grants Subaccount within the City Contributions Account, and will identify and transfer to the Trustee PFC revenues for deposit to the credit of the PFC Subaccount within the City Construction

Account. The Trustee shall take into account all amounts on deposit in the City Contributions Account in determining the amount of the Facilities Payment to be made by Southwest.

If, upon the Completion Date, there shall be any surplus funds remaining in the Project Construction Account of the Construction Fund not required to provide for the payment of the Costs of the Project, such funds shall, upon the request of Southwest, either be applied, in whole or in part, (a) to purchase Bonds for cancellation at such times, prices and amounts as determined by Southwest, which price, however, shall not exceed the principal amount thereof plus accrued interest thereon; or (b) if the Bonds are then subject to redemption, to redeem Bonds in such amounts and at such times as directed by Southwest. Any of such surplus funds not to be applied for the purposes set forth in clauses (a) or (b) above within ninety (90) days of the date of the Completion Date shall be deposited in a debt service reserve account (outside the Debt Service Fund), and moneys on deposit in such reserve account shall be applied to pay the principal of the Bonds upon depletion of the moneys in the Capitalized Interest Account of the Debt Service Fund.

If the Trustee shall declare the principal of the Bonds and the interest accrued thereon immediately due and payable as the result of an Event of Default specified in the Indenture, or if the Bonds shall be redeemed as a whole in accordance with their terms, or if the Facilities Agreement is terminated in accordance with its terms prior to the completion of the Project, any proceeds of the Bonds remaining in the Project Construction Account of the Construction Fund shall, subject to the provisions of the Indenture, be immediately deposited into the Debt Service Fund and used by the Trustee for the purpose of paying principal of, premium, if any, and interest on the Bonds when due.

The "Special Rebate Fund" is established solely for the payment to the United States of amounts described under section 148(f) of the Code, and the Regulations thereunder, all as may be applicable to the Bonds. Such payment shall be made by the Trustee in accordance with written instructions from an Authorized Southwest Representative, and the requirements of section 148(f)(3) of the Code, and the Regulations.

Investments

Money in the Construction Fund (except the Net Proceeds Account) and the Debt Service Fund held by the Trustee shall be invested or reinvested by the Trustee at the written direction of Southwest in accordance with the Indenture. Money in the Net Proceeds Account of the Construction Fund held by the Trustee shall be invested or reinvested by the Trustee at the written direction of the City in accordance with the Indenture. Money so invested or reinvested shall be invested or reinvested in accordance with the laws of the State.

The securities purchased with the moneys in the Debt Service Fund or the Construction Fund shall be deemed a part of such respective Fund. The income and profits received on all such securities shall be deposited in or credited to the Debt Service Fund or the Construction Fund and all losses thereon shall be charged against the Debt Service Fund or the Construction Fund, respectively. Neither the Corporation nor the Trustee shall be liable or responsible for any loss resulting from any such investment as authorized in the Indenture, such liability and responsibility to be that of Southwest.

Payment, Advance Funding, and Defeasance

All or any portion of Outstanding Bonds, or portions of Outstanding Bonds in principal amounts equal to the minimum denomination, then authorized under the Indenture or any integral multiple thereof, shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Indenture when:

(i) in the event said Bonds or portions thereof have been selected for redemption, the Trustee shall have given, or Southwest shall have given to the Trustee in form satisfactory to it, irrevocable instructions to give notice of redemption of such Bonds or portions thereof in accordance with the provisions of the Indenture;

(ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations (a) which shall not contain provisions permitting the redemption thereof at the option of the issuer thereof, (b) which mature no later than the earlier of (1) the date fixed for the redemption of the Bonds or (2) the maturity date of the Bonds, and (c) the principal of and the interest on which, when due, and without any regard to reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee, shall be sufficient, to pay when due, the principal of, premium, if any, and interest due and to become due on said Bonds or portions thereof on and prior to the redemption date or maturity date thereof, as the case may be; and

(iii) in the event said Bonds or portions thereof do not mature and are not to be redeemed within the next succeeding sixty (60) days, Southwest shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given, a notice to the registered owners of said Bonds or portions thereof that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds or portions thereof are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bonds or portions thereof.

As used in the Indenture, the term “Defeasance Obligations” shall mean any securities and obligations now or hereafter authorized by Section 1207.062, Texas Government Code, as such statute may be amended from time to time. As of the date of the Official Statement, Defeasance Obligations consist of (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Trustee has no obligation to determine whether an obligation is authorized pursuant to such statute.

Enforcement of Rights in Case of Default

Except as otherwise provided in the Indenture, all rights of action with respect to the Indenture shall be exercised only by the Trustee and no Bondholder shall have any right to institute any suit, action, or proceeding at law or equity for the appointment of a receiver or for any other remedy hereunder or by reason hereof unless and until, in addition to the fulfillment of all other conditions precedent specified in the Indenture, the Trustee shall have received the written request of Bondholders of not less than 25% in principal amount of the Bonds then Outstanding to institute such suit, action, or proceeding and shall have been offered reasonable indemnity and shall have refused, or for 60 days thereafter neglected, to institute such suit, action, or proceeding; and it is hereby declared that the making of such request and the furnishing of such indemnity are in each case conditions precedent to the execution and enforcement by any Bondholder of the powers and remedies given to the Trustee under the Indenture and to the institution

and maintenance by any Bondholder of any action or cause of action for the appointment of a receiver or for any other remedy under the Indenture; but the Trustee may, in its discretion, or when thereunto duly requested in writing by Bondholders of not less than 25% in principal amount of the Bonds then Outstanding, and upon being furnished indemnity satisfactory to the Trustee against expenses, charges, and liability, forthwith shall, take such appropriate action by judicial proceedings or otherwise to enforce the covenants of Southwest or the Corporation as the Trustee may deem expedient in the interest of the Bondholders.

Events of Default

The following events constitute “Events of Default” under the Indenture:

- (1) Failure to pay when due, at maturity or upon redemption, the principal of or, premium, if any, on any Bond;
- (2) Failure to pay interest on any Bond on the Business Day immediately following the date such payment of interest is scheduled to be due;
- (3) The occurrence of an “Event of Default” under the Facilities Agreement;
- (4) A default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation in the Indenture and the continuance thereof for a period of 60 days after written notice thereof is given to the Corporation and Southwest by the Trustee, provided, however, that no Event of Default shall be deemed to have occurred if Southwest or the Corporation is diligently proceeding to cure or correct such default; and
- (5) The occurrence of a “Guaranty Event of Default” under the Guaranty.

Upon the occurrence and continuation of any Event of Default (except under subsection (3) above), the Trustee may, and upon the written request of the Bondholders of not less than 25% in aggregate principal amount of Bonds then Outstanding, the Trustee shall, by notice in writing delivered to Southwest with a copy of such notice being sent to the Corporation, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest thereon shall thereupon become and be immediately due and payable.

If, after the principal of all Bonds then Outstanding shall have been so declared to be due and payable, all arrears of interest upon such Bonds, and interest on overdue installments of principal or premium, if any, and interest (to the extent permitted by law) at the rate borne by the Bonds, and the principal of and premium, if any, on all Bonds then Outstanding that shall have become due and payable otherwise than by acceleration, and all other sums payable under the Indenture other than the principal of and interest on the Bonds which by such declaration of acceleration shall have become due and payable, shall have been paid by or on behalf of the Corporation, together with the reasonable fees and expenses of the Trustee and of the Bondholders, including reasonable attorneys’ fees and expenses paid or incurred, and all other defaults then existing shall have been cured or waived in accordance with the provisions of the Indenture, then and in every such case, the Trustee shall annul such declaration of maturity and its consequence, which annulment shall be binding upon all Bondholders of Bonds; provided, however, that if the Bondholders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made the written request as described above directing the Trustee to declare such acceleration of maturity, the Trustee shall not annul such declaration and its consequences without the prior consent of the Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding,

and provided further that no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Remedies

Upon the happening of any Event of Default, the Trustee may, in its discretion, or, upon the written request of Bondholders of not less than 25% in principal amount of the Bonds then Outstanding, and upon being indemnified to the satisfaction of the Trustee, shall take such appropriate action by judicial proceedings or otherwise to cure the Event of Default and to require Southwest or the Corporation to carry out its or their covenants and obligations under the Indenture and with respect to the Facilities Agreement, including, but without limitation, the use and filing of actions for specific performance and mandamus proceedings in any court of competent jurisdiction.

In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Bondholders, each representing less than a majority of the principal amount of Bonds then Outstanding, the Trustee in its sole discretion may determine what action, if any, shall be taken.

It is expressly provided, however, that Bondholders of a majority in principal amount of the Bonds then Outstanding, or a committee representing, pursuant to a written appointment filed with the Trustee, Bondholders of a majority in principal amount of the Bonds then Outstanding, shall have the right, at any time, by an instrument or instruments, in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the Trustee's rights and remedies under the Facilities Agreement or the Guaranty, or the Bondholders' or the Trustee's rights and remedies under the Indenture, and may exercise any right or perform any action under the Indenture with the same effect as the Trustee, provided that the Trustee shall be indemnified to its satisfaction.

At such time as the Trustee has or is deemed to have notice of any Event of Default specified in the Indenture, the Trustee shall notify the registered owners of such Event of Default. Notice shall be given in the same manner as is required with respect to giving notice of redemption.

In addition to the foregoing, a Bondholder or a beneficial owner of a Bond demonstrating ownership for the purpose of this paragraph in accordance with the Facilities Agreement may institute any suit, action or proceeding at law or in equity for the enforcement of the covenants contained in the Facilities Agreement related to the continuing disclosure of information pursuant to the Rule.

Disposition of Money

All money collected by the Trustee pursuant to the exercise of the remedies and powers in the Indenture, together with all other sums which then may be held by the Trustee under any provision of the Indenture as security for the Bonds, shall be applied as follows:

FIRST: to the payment of the costs and expenses of the proceedings whereunder such money was collected, including a reasonable compensation to the Trustee, its agents, attorneys, and all other necessary or proper expenses, liabilities, and advances incurred or made by the Trustee under the Indenture relating to such collection.

SECOND: to the payment of matured interest on the Bonds and interest on overdue interest (to the extent permitted by law).

THIRD: to the payment of principal of and premium, if any, on the Bonds which have become due pursuant to their terms as permitted or required by the Indenture as provided thereby.

FOURTH: to the payment of any amounts due the Corporation under the Facilities Agreement.

FIFTH: to the payment of the surplus, if any, to Southwest (but only to the extent that Southwest has been requested by the Trustee to contribute its revenues), or as a court of competent jurisdiction may otherwise direct.

If in making distribution pursuant to the order above stated, the amount available for distribution in a particular classification is insufficient to pay in full all of the items in such classification, the amount available for distribution to items in such classification shall be prorated among such items in the proportion that the amount of each item bears to the total of all such items.

Successor Trustee

The Trustee may be removed at any time by at least a majority in principal amount of the Outstanding Bondholders, by written request for removal delivered to the Corporation and Southwest. In case the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting as Trustee, or in case the Trustee shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the Corporation. So long as Southwest is not in default under the Facilities Agreement, Southwest may appoint any successor Trustee. Every such successor Trustee shall be a trust company or bank in good standing, located in the United States of America, and having a capital and surplus of not less than Fifty Million Dollars (\$50,000,000), if there be such a trust company or bank willing, qualified, and able to accept the trust upon reasonable or customary terms. In the event that no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 60 days after a vacancy in the office of Trustee shall have occurred, any Bondholder or any retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it shall deem proper, prescribe or appoint a successor Trustee. Within 30 days of the resignation or removal of a Trustee and the appointment of a successor, such successor Trustee shall cause a written notice of such occurrence to be mailed by United States mail, first class postage prepaid, to each registered owner of Bonds, at its address appearing in the Registration Books.

Amendments

Amendments without Bondholder Consent. With the consent of the Trustee (unless such consent specifically is not required by the Facilities Agreement), the parties to the Guaranty or the Facilities Agreement may, and the parties to the Indenture, with the consent of Southwest, may, without the consent of, or notice to, any of the registered owners of the Bonds, enter into any amendments to the Guaranty or the Facilities Agreement or enter into any indentures supplemental to the Indenture for any one or more of the following purposes:

- (1) to cure any ambiguity, formal defect, omission or inconsistent provision;
- (2) to grant to the Trustee for the benefit of the registered owners of the Bonds any additional revenues, properties or collateral, or any additional rights, remedies, powers or authority that may lawfully be granted to the registered owners of the Bonds or the Trustee;

(3) to add to the covenants and agreements of the parties hereto or thereto other covenants and agreements of, or conditions or restrictions upon, such parties or to eliminate any right or power conferred upon Southwest;

(4) to evidence any succession otherwise permitted and the assumption by such successor of the covenants and agreements of its predecessor;

(5) to modify the Facilities Agreement to amend the definition of “Project” therein, or to modify the Indenture to amend the definition of “Qualified Investments” therein, which modification does not, in the opinion of Bond Counsel, materially and adversely affect the interest of the registered owners of the Bonds;

(6) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or any of the states of the United States of America, and to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(7) to provide for the issuance of Additional Bonds;

(8) to modify or amend such provisions in a manner in which, in the opinion of Bond Counsel, is necessary in order to assure the exclusion from gross income of interest on the Bonds pursuant to section 103(a) of the Code; or

(9) to make any other change which does not, in the opinion of Bond Counsel delivered to the Trustee, materially and adversely affect the interest of the Bondholders.

Consent of Majority of Bondholders. With the consent of Southwest, the parties to the Indenture may, or with the consent of the Trustee, the parties to the Facilities Agreement may, at any time, enter into indentures supplemental to the Indenture or amendments to the Facilities Agreement or the Guaranty amending, modifying, adding to or eliminating any of the provisions thereof but, if such supplement or amendment is not of the character described above, only with the consent of the registered owners of not less than a majority of the aggregate principal amount of the Outstanding Bonds.

Consent of All Bondholders. Notwithstanding the foregoing, no supplement to the Indenture or amendment to the Guaranty or the Facilities Agreement shall, without the consent of the Bondholder of each Outstanding Bond so affected, (i) extend the maturity date of any Bond, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, or reduce any premium payable upon the redemption thereof, or extend or reduce the amount of any mandatory redemption requirement, or change the method of calculation of interest on the Bonds, (ii) deprive such Bondholder of the lien under the Indenture on the revenues pledged thereunder and on the Trust Estate, (iii) decrease the amounts payable by Southwest under the Facilities Agreement or under the terms of the Guaranty, (iv) reduce the aggregate principal amount of Bonds the Bondholders of which are required to approve any such supplement to the Indenture or amendment to the Facilities Agreement or the Guaranty, (v) increase the percentage of the aggregate principal amount of Bonds the Bondholders of which are required to direct the Trustee to accelerate the maturity of the Bonds, or (vi) provide a privilege or priority of any Bond over any other Bond.

Nonpresentment and Unclaimed Funds

If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, all liability of the Corporation and Southwest to the owners thereof and to the Trustee for the payment of such Bond shall forthwith cease, determine, and be completely discharged whenever funds sufficient to pay for the principal of, premium, if any, and interest on such Bond shall be paid, or caused to be paid to the Trustee by Southwest as provided in the Indenture, and such funds shall be segregated by the Trustee and held in trust for the benefit of the registered owner of such Bond, who shall thereafter be restricted exclusively to such funds for the satisfaction of any claim of whatever nature relating to such Bond. Any money deposited with the Trustee in trust for the payment of the principal of, premium, if any, or interest on any Bond remaining unclaimed for three years after such principal of, premium, if any, or interest on such Bond has become due and payable shall, subject to any unclaimed property laws of the State, and upon receipt of indemnification reasonably satisfactory to the Trustee, be paid to Southwest. After the payment of such unclaimed moneys to Southwest, the owner of such Bond shall thereafter look only to Southwest for the payment thereof, and all liability of the Trustee with respect to such money shall thereupon cease, and Southwest shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P. and Escamilla, Poneck & Cruz, LLP,
Co-Bond Counsel, upon the delivery of the Bonds,
assuming no material changes in facts or law.*

LOVE FIELD AIRPORT MODERNIZATION CORPORATION
SPECIAL FACILITIES REVENUE BONDS, SERIES 2010
(SOUTHWEST AIRLINES CO. – LOVE FIELD MODERNIZATION PROGRAM PROJECT)
\$310,000,000

AS CO-BOND COUNSEL for Love Field Airport Modernization Corporation (the “*Issuer*”), the issuer of the bonds described above (the “*Bonds*”), we have examined into the legality and validity of the Bonds, which bear interest from the date and mature on the dates specified on the face of the Bonds, and with the Bonds being subject to optional and mandatory redemption prior to maturity in the manner, and under the terms and conditions, described in the text of each of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer and the City of Dallas, Texas, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1); and we have examined various certificates and documents executed by officers of Southwest Airlines Co. (the “*Company*”); and we have examined the opinion of Madeleine Johnson, General Counsel of the Company, upon which certificates, documents and opinion we rely as to certain matters stated below.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Issuer is a nonprofit corporation duly and validly incorporated, existing, and functioning under and pursuant to Subchapter D of Chapter 431 of the Texas Transportation Code, as amended; that the resolution authorizing the issuance of the Bonds (the “*Bond Resolution*”) has been duly and lawfully adopted and constitutes a valid and binding obligation of the Issuer; and that the Bonds have been authorized, issued, and delivered in accordance with law and constitute valid, legally binding, and enforceable special revenue obligations of the Issuer, in accordance with their terms, with the principal of, premium, if any, and interest on the Bonds, and other payments with respect to the Bonds, being payable from, and secured by a first lien on and pledge of, the payments to be made or paid, or caused to be made or paid, to the Trustee (hereinafter defined) pursuant to the Bond Resolution, the Indenture (hereinafter defined), and the Special Facilities Agreement by and among the Issuer, the City of Dallas, Texas (the “*City*”) and the Company, dated as of November 1, 2010 (the “*Facilities Agreement*”). Also, it is our opinion that the Facilities Agreement constitutes a legal and binding obligation of the Issuer and the City, enforceable in accordance with its terms and conditions, and that the Company is unconditionally obligated to the Issuer, the City and the Trustee to make or pay, or cause to be made or paid, to the Trustee, facilities payments for deposit into the Debt Service Fund created for the benefit of the owners of the Bonds in the Indenture, in aggregate amounts sufficient to pay and redeem, and provide for the payment and redemption of, the principal of, premium, if any, and

interest on the Bonds, and other payments with respect to the Bonds, when due, subject to and as required by the provisions of the Facilities Agreement, the Bond Resolution and the Indenture. In rendering such opinion, we are relying on the aforesaid opinion of counsel for the Company to the effect that the Facilities Agreement has been duly and lawfully authorized, executed, and delivered by the Company, and that the Facilities Agreement is valid and binding upon the Company in accordance with its terms and conditions.

THE BONDS are further secured by a Trust Indenture dated as of November 1, 2010 (the "*Indenture*"), whereunder Wells Fargo Bank, National Association, or its successor is Trustee (the "*Trustee*"), and is custodian of the Debt Service Fund and the Construction Fund created in the Indenture, and is charged with responsibility for enforcing the rights of the Issuer and the owners of the Bonds, and performing other duties, in the manner and under the conditions stated in the Indenture; and it is our further opinion that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer, and that it is a valid and binding agreement of the Issuer enforceable in accordance with its terms and conditions.

THE COMPANY AND THE TRUSTEE have executed and delivered a Guaranty Agreement, dated as of November 1, 2010 (the "*Guaranty*"), to provide additional support in respect to the payment of Facilities Payments under the Facilities Agreement. We express no opinion regarding the Guaranty or the duties and obligations of the parties to the Guaranty.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation; and the Bonds and the interest thereon are payable from sources described in the Facilities Agreement, the Bond Resolution and the Indenture, and are not payable from any other funds or resources of the Issuer; and the Bonds and the interest thereon do not constitute, and shall never be considered as, obligations of the State of Texas, the City or any other political subdivision or agency of the State of Texas, or of the Board of Directors of the Issuer, either individually or collectively.

THE ISSUER has reserved the right to amend the Facilities Agreement, the Bond Resolution and the Indenture, as provided therein; and under some, but not all circumstances, amendments thereto must be approved by the owners of a majority in aggregate principal amount of the outstanding Bonds secured by the Indenture.

THE OPINIONS HEREINBEFORE EXPRESSED are qualified to the extent that the performance and enforceability of the Bonds, the Facilities Agreement and the Indenture are subject to (i) applicable bankruptcy, fraudulent conveyance, reorganization, insolvency, moratorium or similar laws relating to or affecting creditors' rights generally and (ii) general equitable principles which may limit the availability of equitable remedies.

IN OUR OPINION, except as discussed below, the interest on the Bonds will be excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. The exceptions are as follows:

- (1) interest on the Bonds will be includable in the gross income of the holder during any period that such Bonds are held by either a "substantial user" of the facilities financed or

refinanced with the proceeds of the Bonds or a “related person” of such user, as provided in section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”); and

(2) interest on the Bonds will not be treated as a “preference item” in calculating the alternative minimum tax imposed on individuals and corporations under section 57(a)(5) of the Code and will not be includable in the adjusted current earnings of corporations under section 56(g) of the Code for purposes of calculating the alternative minimum tax imposed on such corporations.

In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds, the construction, use and management of the property financed therewith and the election not to claim depreciation or investment tax credit in connection with the property financed therewith. We call your attention to the fact that if the representations are determined to be inaccurate or if the Company, the City or the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer, the City and the Company have covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE HAVE ACTED AS CO-BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Facilities Agreement, the Bond Resolution, the Indenture, the Bonds and the organization of the Issuer under the Constitution and laws of the State of Texas, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners of the Bonds, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the Company or to

the financial condition or capabilities of the Company and we have not assumed any responsibility, and we express no opinions, with respect thereto.

Respectfully,

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$310,000,000

**LOVE FIELD AIRPORT MODERNIZATION CORPORATION
SPECIAL FACILITIES REVENUE BONDS, SERIES 2010
(SOUTHWEST AIRLINES CO. – LOVE FIELD MODERNIZATION PROGRAM PROJECT)**

This **CONTINUING DISCLOSURE AGREEMENT** (the “Disclosure Agreement”) is executed and delivered by **SOUTHWEST AIRLINES CO.** (“Southwest”) and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (in its capacity herein, together with any successors in such capacity, called the “Trustee”).

W I T N E S S E T H :

WHEREAS, the Love Field Airport Modernization Corporation (the “Issuer”) is an agency of the State of Texas created pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended (the “Act”); and

WHEREAS, the Issuer proposes to issue the captioned bonds (the “Bonds”) pursuant to a Trust Indenture dated as of November 1, 2010 (the “Indenture”) by and between the Issuer and the Trustee; and

WHEREAS, the Issuer, the City of Dallas, Texas (the “City”) and Southwest have entered into a Special Facilities Agreement dated as of November 1, 2010 (the “Facilities Agreement”), pursuant to which Southwest has agreed to use the funds made available by the Issuer to Southwest thereunder and to pay certain payments to the Issuer that are sufficient to pay debt service on the Bonds; and

WHEREAS, the Issuer’s rights, duties and obligations under the Facilities Agreement (except for certain rights of reimbursement of expenses, indemnification and exculpation, and rights to notices) are assigned by the Issuer under the Indenture to the Trustee for the benefit and security of the present and future owners of the Bonds; and

WHEREAS, pursuant to the Bond Purchase Agreement between the Issuer and the Underwriter (as hereinafter defined), Southwest and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by Southwest and the Trustee for the benefit of the Holders (as hereinafter defined) of the Bonds and in order to assist the Underwriter in complying with the Rule (as hereinafter defined). Southwest acknowledges that the Issuer and the Trustee have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement or the Rule, is not required under the Rule to undertake any such responsibility, and has no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by Southwest pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“**Holder**” shall mean any person who has or shares investment power with respect to the Bonds, but shall not include persons who have rights to acquire Bonds in the future.

“**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://Emma.msrb.org>.

“**1934 Act**” shall mean the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**Official Statement**” shall mean the Official Statement with respect to the Bonds and of the Issuer dated November 3, 2010.

“**Rule**” shall mean Rule 15c2-12 adopted by the Securities Exchange Commission under the 1934 Act.

“**Tax-exempt**” shall mean that interest on the Bonds is excluded from gross income for United States federal income tax purposes, whether or not such interest is includable as an “item of tax preference” or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

“**Underwriter**” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

SECTION 3. *Provision of Annual Reports.*

(a) Southwest shall, no later than March 31st of each year, commencing March 31, 2011, provide to the MSRB an Annual Report which is consistent with the requirements set forth below. The Annual Report may be submitted as a single document or as separate documents comprising as package and may cross-reference other information as set forth below; *provided* that the audited financial statements of Southwest may be submitted separately from the balance of the Annual Report. The last date on which the Annual Report is due may be changed if Southwest changes its fiscal year and Southwest provides written notice of the change of fiscal year and the new last date on which successive Annual Reports will be provided to the MSRB, provided that a change in the date on which the Annual Report is due shall be no later 90 days after the end of the new fiscal year, and provided further that the period between the final date the Annual Report was due for the preceding fiscal year and the new date on which the Annual Report is due for the new fiscal year shall not exceed one year in duration.

(b) If Southwest is unable to provide to the MSRB an Annual Report by the date required in (a) above, Southwest shall send a Notice of Failure to File Annual Report to the MSRB.

SECTION 4. *Content of Annual Reports.* Southwest’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of Southwest for the preceding fiscal year. If Southwest’s audited financial statements are not available by the time the Annual Report is required to be filed

pursuant to Section 3(a), the Annual Report shall be filed in the same manner as the Annual Report when they become available.

(b) Basis of accounting used by Southwest in reporting its financial statements. Southwest follows generally accepted accounting principles (“GAAP”). In the event of any material change in such requirements the impact of such changes will be described in the Annual Report of the year such change occurs.

Any or all of the items listed above may be incorporated by reference from other documents, including filings required under the 1934 Act and official statements of debt issues of Southwest or related public entities, which have been submitted to the Municipal Securities Rulemaking Board. If the document incorporated by reference is deemed a final official statement, it shall be available from the Municipal Securities Rulemaking Board. Southwest shall clearly identify each such other document so incorporated by reference.

SECTION 5. *Reporting of Listed Events.* Southwest shall provide to the MSRB and to the Trustee, timely notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies;
- (ii) Occurrence of any Event of Default under and as defined in the Indenture (other than payment related defaults);
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events of which Southwest becomes aware affecting the Tax-exempt status of the Bonds;
- (vii) Modifications to rights of Holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; or
- (xi) Rating changes of which Southwest becomes aware.

Whenever Southwest obtains knowledge of the occurrence of a Listed Event, Southwest shall as soon as possible determine if such event would constitute material information for owners of Bonds, provided, that any event under (viii), (ix) or (xi) will always be deemed to be material.

(b) After Southwest determines that knowledge of the occurrence of a Listed Event is material, Southwest shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described above in (viii) and (ix) need not be given under this paragraph (b) any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

SECTION 6. *Management Discussion of Items Disclosed.* If an item required to be disclosed as part of the Annual Report or the Listed Events would be misleading without discussion, Southwest shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

SECTION 7. *Termination of Reporting Obligation.* The obligations of Southwest under this Disclosure Agreement shall terminate if Southwest is no longer an “obligated person” within the meaning of the Rule, including upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Southwest may not assign or transfer its obligations under the Facilities Agreement to any other person, corporation or entity, unless such person, corporation or entity assumes in writing Southwest's obligations and responsibilities for compliance with this Disclosure Agreement as an "obligated person" within the meaning of the Rule in the same manner as if it were Southwest, and only thereafter shall Southwest have no further responsibility hereunder.

SECTION 8. *Amendment, Waiver.* Notwithstanding any other provision hereof, Southwest and the Trustee may amend this Disclosure Agreement, and any provision hereof may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of Southwest, or type of business conducted;

(b) This Disclosure Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by an opinion of a nationally recognized bond counsel or by approving vote of the Holders of the Bonds pursuant to the terms of the Indenture at the time of the amendment.

In the event of any such amendment or waiver of a provision of this Disclosure Agreement, Southwest shall; describe such amendment in the next Annual Report relating to Southwest and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by or in respect of Southwest.

SECTION 9. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent Southwest from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If Southwest chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, Southwest shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. *Default.* In the event of a failure by Southwest or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Underwriter or the Holders of at least a majority in aggregate principal amount of outstanding Bonds, shall, upon being offered security or indemnity satisfactory to it against the costs, expenses, and liabilities which might be incurred by it in compliance with such request) take such actions as may be necessary and appropriate, including specific performance by court order, to cause Southwest to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Facilities Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of Southwest or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. *Duties, Immunities and Liabilities of the Trustee.* Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture; provided, however, the Trustee is not acting in any fiduciary

capacity for the Issuer, Southwest, the Underwriters or the Holders of the Bonds or any other person pursuant to the terms of this Disclosure Agreement.

SECTION 12. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the Issuer, Southwest, the Trustee, the Underwriter and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. *Recordkeeping.* Southwest shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

SECTION 14. *Counterparts.* This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Continuing Disclosure Agreement as of _____, 2010.

SOUTHWEST AIRLINES CO.

By: _____
Name:
Title:

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: _____
Name:
Title:

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Financial Advisory Services
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