

\$65,000,000**PIEDMONT TRIAD AIRPORT AUTHORITY
(North Carolina)
Airport Revenue Bonds, Series 2008A
(Non-AMT)****Due: July 1, 2032****\$33,115,000****PIEDMONT TRIAD AIRPORT AUTHORITY
(North Carolina)
Airport Revenue Refunding Bonds, Series 2008B
(AMT)****Due: July 1, 2029****Dated: Date of Delivery****Price: 100%**

The Series 2008A Bonds are being issued to provide funds, together with other available funds, to (a) pay, or reimburse the Authority for paying, the costs of the Series 2008A Project (as defined herein), (b) pay a portion of the cost of the 2008A Letter of Credit (as defined herein) securing the payment of principal and purchase price of, and interest on, the Series 2008A Bonds, and (c) pay the expenses of issuing the Series 2008A Bonds. The Series 2008B Bonds are being issued to provide funds, together with other available funds, to (i) redeem the Series 2004B Bonds (as defined herein), (ii) pay a portion of the cost of the 2008B Letter of Credit (as defined herein) and (iii) pay the expenses of issuing the Series 2008B Bonds. **The Series 2008 Bonds will be secured by a pledge of and lien upon the Authority's Net Receipts (as defined herein) on a parity with that securing the Authority's other Parity Indebtedness (as defined herein) and a pledge of and lien upon certain accounts and subaccounts established pursuant to the Bond Order and Series Resolution (each as defined herein). Neither the faith and credit nor the taxing power of the State of North Carolina or any of its political subdivisions is pledged to the payment of the Series 2008 Bonds. The Authority has no taxing power.**

The payment of the principal and purchase price of and interest on the Series 2008A Bonds and the Series 2008B Bonds will each be secured by a separate, irrevocable, direct-pay Letter of Credit (the "Letters of Credit") issued by

Branch Banking and Trust Company

(the "Bank") pursuant to which the Trustee will be permitted to draw up to (i) an amount equal to the aggregate outstanding principal amount of the applicable Series of the 2008 Bonds for the payment of the unpaid principal amount of, or portion of the purchase price corresponding to the principal of, the applicable Series of the 2008 Bonds, plus (ii) an amount equal to accrued and unpaid interest on the applicable Series of the 2008 Bonds, for the immediately preceding 35 days (computed at an assumed rate of 12% per annum) for the payment of accrued but unpaid interest on the applicable Series of the 2008 Bonds, or portion of the purchase price representing accrued interest on the applicable Series of the 2008 Bonds, all as further described herein. Each of the Letters of Credit will expire on March 18, 2015, unless it is extended as provided in the Reimbursement Agreement (as defined herein) or is earlier terminated upon the happening of certain events described herein.

The Series 2008 Bonds are being initially delivered bearing interest at a Weekly Interest Rate. Interest on the Series 2008 Bonds is payable on April 1, 2008 and on each Interest Payment Date thereafter. While a Series of the 2008 Bonds bears interest at the Weekly Interest Rate, each Series 2008 Bond of such Series is subject to tender for purchase at the option of the Owner thereof on any Business Day upon seven days' irrevocable written notice, subject to certain conditions. The method of determining the interest rate on either Series of the 2008 Bonds may be changed from time to time to Bond Interest Term Rates, a Long-Term Interest Rate or an Alternate Rate as described herein. Banc of America Securities LLC will serve as the initial Remarketing Agent for the Series 2008 Bonds. See "THE SERIES 2008 BONDS" herein.

The Series 2008 Bonds are subject to optional, extraordinary and mandatory redemption prior to their maturity and are also subject to optional and mandatory tender for purchase as described herein.

OWNERS AND PROSPECTIVE PURCHASERS OF THE SERIES 2008 BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT WITH RESPECT TO INFORMATION CONCERNING EITHER SERIES OF THE 2008 BONDS ON OR AFTER ANY CONVERSION OF SUCH SERIES TO A LONG-TERM INTEREST RATE PERIOD, A BOND INTEREST TERM RATE PERIOD OR AN ALTERNATE RATE PERIOD, BUT SHOULD LOOK SOLELY TO SUPPLEMENTS, REVISIONS OR SUBSTITUTIONS TO THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING SUCH SERIES OF THE 2008 BONDS ON OR AFTER A CONVERSION TO A LONG-TERM INTEREST RATE PERIOD, A BOND INTEREST TERM RATE PERIOD OR AN ALTERNATE RATE PERIOD.

The Series 2008 Bonds are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the securities depository for the Series 2008 Bonds. While a Series of the 2008 Bonds bears interest at a Weekly Interest Rate or Bond Interest Term Rates, individual purchases of such Series of the 2008 Bonds by the beneficial owners will be made in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. So long as Cede & Co. is the registered owner of a Series of the 2008 Bonds, as nominee for DTC, references herein to registered owners of such Series of the 2008 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2008 Bonds. So long as Cede & Co. is the registered owner of a Series of the 2008 Bonds, the principal of and interest on such Series of the 2008 Bonds are payable by the Trustee to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners. See Appendix F hereto.

In the opinion of Bond Counsel, which is based on existing law and assumes continuing compliance by the Authority with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2008 Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation, except for interest on any Series 2008B Bonds for any period during which such Series 2008B Bonds are held by a person who is a "substantial user" of the facilities refinanced with the proceeds of the Series 2008B Bonds or a "related person" of a "substantial user" (as such terms are defined in the Code). Bond Counsel is also of the opinion that interest on the 2008A Bonds will not be a specific preference item, and interest on the Series 2008B Bonds will be a specific preference item, for purposes of computing the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals; however, interest on the Series 2008A Bonds will be includable in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations. Bond Counsel is also of the opinion, based on existing law, that interest on the Series 2008 Bonds will be exempt from all State of North Carolina income taxes. See "TAX TREATMENT" herein.

The Series 2008 Bonds are offered, subject to prior sale, when, as and if delivered to and received by the Underwriter, subject to the approval of their validity by Womble Carlyle Sandridge & Rice, PLLC, Raleigh, North Carolina, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Cooke & Cooke, L.L.P., Greensboro, North Carolina, for the Bank by its counsel, Helms Mulliss & Wicker, PLLC, Charlotte, North Carolina, and for the Underwriter by its counsel, McGuireWoods LLP, New York, New York. It is expected that delivery of the Series 2008 Bonds will be made on or about March 18, 2008.

Banc of America Securities LLC

PIEDMONT TRIAD AIRPORT AUTHORITY
POST OFFICE BOX 35445
GREENSBORO, NORTH CAROLINA 27425
TELEPHONE (336) 665-5600

Board of Directors

HENRY H. ISAACSON Chairman
WALTER C. COCKERHAM..... Vice-Chairman
NANCY A. VAUGHAN Secretary
DR. OTIS E. TILLMAN, SR..... Treasurer
DR. W. EARL BARBOUR Member
DONALD E. FLOW Member
GLORIA WHISENHUNT..... Member

Administration

EDWARD A. JOHNSON Executive Director
KEVIN J. BAKER Assistant Airport Director
DOREANN L. SMITH Director of Finance
MICKIE L. ELMORE Director of Development
KELLY HILLIARD..... Director of Human Resources
JULIE A. BEADLE Director of Operations

Bond Counsel

WOMBLE CARLYLE SANDRIDGE & RICE, PLLC
Raleigh, North Carolina

Counsel to the Authority

COOKE & COOKE, L.L.P.
Greensboro, North Carolina

Bond Trustee

BRANCH BANKING AND TRUST COMPANY
Wilson, North Carolina

No dealer, broker, salesman or any other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Bonds by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2008 Bonds shall under the circumstances create any implication that there has been no change in the affairs of the Authority or the Bank since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2008 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	Page
SUMMARY STATEMENT	i
Authorization and Purpose of the Series 2008 Bonds	i
The Airport.....	i
Security for the Series 2008 Bonds.....	ii
The Series 2008 Bonds	iii
Additional Indebtedness.....	iii
INTRODUCTION	1
Purpose.....	1
The Bond Order	2
Letters of Credit	2
THE SERIES 2008 BONDS	3
Authorization	3
General	3
Interest Rates.....	4
Adjustment of Interest Rate Periods	7
Establishment of Alternate Rate	9
Tender Provisions	10
Redemption Provisions	13
THE FINANCING PLAN	17
Series 2008A Project.....	17
Redemption of the Series 2004B Bonds	17
ESTIMATED SOURCES AND USES OF FUNDS	18
DEBT SERVICE REQUIREMENTS.....	19
SECURITY FOR THE BONDS.....	20
Credit Facility Generally.....	20
The Letters of Credit.....	20
Alternate Credit Facility for Series 2008 Bonds.....	22
The Bond Order and the Series Resolution.....	22
SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT	27
Tender Advances	27
Events of Default under Reimbursement Agreement	28
THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION	28

TABLE OF CONTENTS

Cont'd

	Page
THE AUTHORITY	29
Organization.....	29
Management Philosophy.....	30
Board of Directors.....	30
Key Management Personnel	33
THE AIRPORT.....	34
General.....	34
Passenger Traffic and Air Service	36
Passenger Trends	38
Carrier Market Shares	42
Scheduled Service Patterns.....	44
Air Cargo Trends	47
AIRPORT EXPANSION PROJECT	48
Federal Express Hub Facility.....	49
Airfield Improvements.....	50
Bryan Boulevard Relocation and Roadway Modifications	51
Environmental Mitigation.....	51
Estimated Costs of the Expansion Project	52
Federal Express Phase 2 Improvements	52
Opposition to the Airport Expansion Project.....	53
OTHER CAPITAL IMPROVEMENTS.....	53
Capital Improvement Program Budget	53
Special Use Facilities.....	54
HONDA JET PROJECT.....	54
FINANCIAL OPERATIONS	54
Summary Statements of Income	54
Airport Management's Discussion of Operations.....	56
Historical Debt Service Coverage.....	59
Analysis of Payments By Airlines	60
THE AIRPORT MARKET AREA.....	61
Historical Overview	61
Population	63
Age Distribution.....	63
Personal Income.....	64
Civilian Labor Force.....	65

TABLE OF CONTENTS

Cont'd

	Page
Employment by Sector.....	67
Major Private Sector Employers.....	68
Convention and Coliseum Facilities.....	70
THE AIR CARRIER LEASE AGREEMENTS.....	72
General.....	72
Lease of Premises.....	73
Rentals and Fees.....	73
Rentals for Leased Premises.....	73
Preferred Use Aircraft Parking/Loading Position Rentals.....	74
Landing Fees.....	74
Limitations on Rentals, Fees and Charges.....	74
Damage to Leased Premises.....	75
Indemnification.....	75
Insurance.....	75
Events of Default.....	76
AIR SERVICE INCENTIVE PROGRAM.....	76
OTHER AIRPORT ACTIVITIES AND AGREEMENTS.....	76
Other Airlines.....	76
General Aviation.....	77
Parking Services.....	77
Consumer Services.....	77
Hotel.....	78
Air Cargo Facilities.....	78
Federal Express.....	79
Tradewinds.....	79
TIMCO.....	79
Cessna.....	80
Comair.....	80
Skybus Memorandum of Understanding.....	81
Other Agreements.....	81
AIRPORT LITIGATION.....	82
AIRLINES AND THE AVIATION INDUSTRY.....	82
Information Concerning the Airlines and Cargo Carriers.....	82
Factors Affecting Airline Activity.....	82
Considerations Under the United States Bankruptcy Code with Respect to Airline Agreements.....	83
Fuel Costs.....	84
Terrorist Activity.....	84

TABLE OF CONTENTS
Cont'd

	Page
Noise Liability and Costs.....	84
LEGAL MATTERS.....	85
TAX TREATMENT.....	85
Opinion of Bond Counsel.....	85
Other Tax Consequences.....	85
REMARKETING AGENT.....	86
UNDERWRITING.....	86
RATINGS.....	86
FINANCIAL STATEMENTS.....	87
RELATIONSHIPS AMONG PARTIES.....	87
MISCELLANEOUS.....	87
APPENDIX A - FINANCIAL STATEMENTS OF THE AUTHORITY	
APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER AND THE SERIES RESOLUTION	
APPENDIX C - FORM OF BOND COUNSEL OPINION	
APPENDIX D - FORMS OF LETTERS OF CREDIT	
APPENDIX E - CERTAIN INFORMATION CONCERNING BRANCH BANKING AND TRUST COMPANY	
APPENDIX F - THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY-ONLY SYSTEM	

SUMMARY STATEMENT

(Subject in All Respects to More Complete Information Contained
in this Official Statement)

Authorization and Purpose of the Series 2008 Bonds

The Piedmont Triad Airport Authority (the “Authority”) exists pursuant to Chapter 98 of the 1941 Public-Local Laws of North Carolina, as amended, and Chapter 1078 of the 1979 Session Laws of North Carolina (Second Session, 1980), as amended. The Authority owns and operates Piedmont Triad International Airport (hereinafter referred to as the “Airport”). Capitalized terms used and not otherwise defined in this Summary Statement shall have the meanings given such terms elsewhere in this Official Statement, including Appendix B hereto.

The Series 2008 Bonds are being issued pursuant to The State and Local Government Revenue Bond Act, as amended, the Bond Order adopted by the Authority on December 21, 1990, as amended and restated by the Amended and Restated Bond Order adopted by the Authority on October 19, 1999 (the “Bond Order”), and a Series Resolution to be adopted by the Authority on or about March 13, 2008 (the “Series Resolution”).

The sale of the Series 2008 Bonds will be made by and with the approval of the Local Government Commission of North Carolina. The proceeds of the Series 2008A Bonds will be used, together with other available funds, to (i) pay, or reimburse the Authority for paying, the cost of certain capital improvements to the Airport, as more particularly described under “THE FINANCING PLAN” herein, (ii) pay a portion of the cost of the 2008A Letter of Credit (as hereinafter defined) and (iii) pay the expenses of issuing the Series 2008A Bonds. The proceeds of the Series 2008B Bonds will be used, together with other available funds, to (i) redeem the Series 2004B Bonds, as more particularly described under “THE FINANCING PLAN” herein, (ii) pay a portion of the cost of the 2008B Letter of Credit (as hereinafter defined) and (iii) pay the expenses of issuing the Series 2008B Bonds.

The Airport

The Airport is located in Guilford County, North Carolina, between the cities of Greensboro, High Point and Winston-Salem, approximately 10 miles from the central business districts of the first two cities and 20 miles from the central business district of the third. The Airport currently consists of approximately 3,700 acres with two runways and associated taxiways, aircraft ramps, a 339,671 square-foot terminal building with 23 passenger gates and a food service area (the “Terminal Building”), and other facilities. The Terminal Building and related facilities are referred to herein as the “Terminal Complex”. The Airport is served by six air carrier airlines operating under Air Carrier Lease Agreements (as defined and described below under “THE AIR CARRIER LEASE AGREEMENTS”), and by 15 other regional/commuter or low-cost airlines. As of November 2007, direct service was provided from the Airport to 21 major cities, with additional connecting service to all domestic and international cities currently served by commercial air carriers.

Security for the Series 2008 Bonds

Credit Facility. With respect to each Series of the 2008 Bonds, except during a Long-Term Rate Period in which the interest rate of such Series of the 2008 Bonds is fixed to maturity and such Series of the 2008 Bonds is not subject to optional or mandatory tender for purchase by the owners thereof, the Authority is required to keep a Credit Facility in effect at all times for such Series of the 2008 Bonds. The initial Credit Facility for the Series 2008A Bonds is the 2008A Letter of Credit (as defined below), and the initial Credit Facility for the Series 2008B Bonds is the 2008B Letter of Credit (as defined below).

Letters of Credit. In connection with the issuance of the Series 2008A Bonds and to support the payment when due of the principal of, interest on and purchase price of the Series 2008A Bonds, Branch Banking and Trust Company (the “Bank”) will issue its irrevocable, direct-pay letter of credit (the “2008A Letter of Credit”) in the initial amount of \$65,747,946 pursuant to a Letter of Credit and Reimbursement Agreement dated as of March 1, 2008 (the “Reimbursement Agreement”) by and between the Bank and the Authority. In connection with the issuance of the Series 2008B Bonds and to support the payment when due of the principal of, interest on and purchase price of the Series 2008B Bonds, the Bank will issue its irrevocable, direct-pay letter of credit (the “2008B Letter of Credit”; together with the 2008A Letter of Credit, the “Letters of Credit”) in the initial amount of \$33,496,050 pursuant to the Reimbursement Agreement. Each Letter of Credit will expire on March 18, 2015 unless it is extended as provided in the Reimbursement Agreement or is earlier terminated upon the happening of certain events described herein. Amounts available to be drawn under each of the Letters of Credit are subject to reduction and reinstatement as provided therein. The Authority may at any time cause an Alternate Credit Facility for either Series of the 2008 Bonds to be delivered to the Trustee on the conditions described herein. See “SECURITY FOR THE BONDS – The Letters of Credit” herein.

The Bond Order and Series Resolution. All Bonds and Parity Debt of the Authority which may be issued and Outstanding under the Bond Order will be secured by a pledge of and lien upon the Authority’s Net Receipts. See “SECURITY FOR THE BONDS – The Bond Order and the Series Resolution – Pledge of Net Receipts” herein. Under the Bond Order, all Receipts are to be deposited, when received, in the Revenue Fund. The Bonds will be payable from the Revenue Bond Fund, deposits into which are to be made from the Revenue Fund after the payment of Current Expenses. In addition, the Bonds will be secured by a pledge of and a lien upon the amounts in the Revenue Bond Fund and the accounts and subaccounts therein established pursuant to the Bond Order and the respective series resolutions until such amounts are applied for the purposes permitted by the Bond Order and such series resolutions. The pledge of and lien upon the amounts in the subaccounts relating to a specific series of Bonds secure only that particular series.

The Series 2008 Bonds will not be secured by the Parity Reserve Account or a Special Reserve Account created under the Bond Order. See “SECURITY FOR THE BONDS - The Bond Order and the Series Resolution – Funds and Accounts – Parity Reserve Account” and “ – Special Reserve Accounts” herein.

Neither the faith and credit nor the taxing power of the State of North Carolina or any of its political subdivisions is pledged to the payment of the Series 2008 Bonds. The Series 2008 Bonds are not secured by any lien against any property of the Authority other than the above-mentioned Net Receipts, Revenue Bond Fund and the applicable accounts and subaccounts therein. The Authority has no taxing power.

The Series 2008 Bonds

The Series 2008 Bonds will be dated as of the date of delivery thereof and will bear interest from their date at the interest rates described herein, such interest being payable on the dates described herein. The Series 2008 Bonds will initially bear interest at a Weekly Interest Rate. The method of determining interest rates on each Series of the 2008 Bonds is respectively subject to change from a Weekly Interest Rate to Bond Interest Term Rates, a Long-Term Interest Rate or an Alternate Interest Rate as described herein.

During any Weekly Interest Rate Period with respect to a Series of the 2008 Bonds, each 2008 Bond of such Series is subject to tender for purchase in whole or in part at the option of the Owner thereof on any Business Day upon seven days' irrevocable written notice, subject to certain conditions. The Series 2008 Bonds are subject to mandatory tender for purchase at certain times, subject to certain conditions and exceptions. For further details regarding the tender provisions for the Series 2008 Bonds, see "THE SERIES 2008 BONDS - Tender Provisions" herein.

Additional Indebtedness

The Bond Order permits the Authority to issue additional Bonds and incur additional Parity Debt from time to time for specified purposes, including the construction or completion of any Additional Project or the refunding or refinancing of any Bonds, Parity Debt or Subordinated Indebtedness, subject to compliance with specified requirements. Any additional Bonds and Parity Debt will be secured by a pledge of and lien upon the Net Receipts on a parity with the Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds, the Series 2005A Bonds and the Series 2008 Bonds. The Bond Order also permits the Authority, subject to compliance with specified requirements, to incur Subordinated Indebtedness, which includes Revenue Bond Anticipation Notes (if designated as Subordinated Indebtedness) and Grant Anticipation Notes.

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

RICHARD H. MOORE
Treasurer

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

T. VANCE HOLLOMAN
Deputy Treasurer

OFFICIAL STATEMENT

Relating to

\$65,000,000
PIEDMONT TRIAD AIRPORT AUTHORITY
(North Carolina)
Airport Revenue Bonds, Series 2008A
(Non-AMT)

\$33,115,000
PIEDMONT TRIAD AIRPORT AUTHORITY
(North Carolina)
Airport Revenue Refunding Bonds, Series 2008B
(AMT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the summary statement and the appendices hereto, is to set forth information concerning the issuance by the Piedmont Triad Airport Authority, a body corporate and politic under the laws of the State of North Carolina (the "Authority"), of \$65,000,000 aggregate principal amount of its Airport Revenue Bonds, Series 2008A (the "Series 2008A Bonds") and \$33,115,000 aggregate principal amount of its Airport Revenue Refunding Bonds, Series 2008B (the "Series 2008B Bonds"). The Series 2008A Bonds and the Series 2008B Bonds are hereinafter sometimes referred to each as a "Series of the 2008 Bonds" and together as the "Series 2008 Bonds".

Certain terms used herein are defined in Appendix B hereto.

Purpose

The Series 2008A Bonds are being issued to provide funds, together with other available funds, to (i) pay, or reimburse the Authority for paying, the cost of certain capital improvements to the Airport, as more particularly described under "THE FINANCING PLAN" herein (the "Series 2008A Project"), (ii) pay a portion of the cost of the letter of credit (the "2008A Letter of Credit") being issued on the date of issuance of the Series 2008A Bonds by Branch Banking and Trust Company (the "Bank") securing the payment of principal and purchase price of, and interest on, the Series 2008A Bonds and (iii) pay the expenses of issuing the Series 2008A Bonds. The Series 2008B Bonds are being issued to provide funds, together with other available funds, to (i) refund the Authority's Airport Revenue Bonds, Series 2004B currently Outstanding in the aggregate principal amount of \$32,990,000 (the "Series 2004B Bonds"), (ii) pay a portion of the cost of the letter of credit (the "2008B Letter of Credit"; together with the 2008A Letter of Credit, the "Letters of Credit") being issued on the date of issuance of the Series 2008B Bonds by the Bank securing the payment of principal and purchase price of, and interest on, the Series

2008B Bonds and (iii) pay the expenses of issuing the Series 2008B Bonds. See “THE FINANCING PLAN” herein.

The Bond Order

The Authority will issue the Series 2008 Bonds pursuant to the Bond Order adopted by the Authority on December 21, 1990, as amended and restated by the Amended and Restated Bond Order adopted on October 19, 1999 (the “Bond Order”). The Series 2008 Bonds will be secured *pari passu* under the Bond Order with (i) the Airport Revenue Bonds, Series 1999A (the “Series 1999A Bonds”) issued in the aggregate principal amount of \$40,495,000 and currently Outstanding in the aggregate principal amount of \$3,310,000, (ii) the Airport Revenue Bonds, Series 1999B (the “Series 1999B Bonds” and, together with the Series 1999A Bonds, the “Series 1999 Bonds”) issued in the aggregate principal amount of \$10,235,000 and currently Outstanding in the aggregate principal amount of \$7,975,000, (iii) the Airport Revenue Bonds, Series 2001A (the “Series 2001A Bonds”) issued in the aggregate principal amount of \$26,180,000 and currently Outstanding in the aggregate principal amount of \$22,115,000, (iv) the Airport Revenue Bonds, Series 2001B (the “Series 2001B Bonds” and, together with the Series 2001A Bonds, the “Series 2001 Bonds”) issued in the aggregate principal amount of \$7,600,000 and currently Outstanding in the aggregate principal amount of \$5,960,000, (v) the Airport Revenue Refunding Bonds, Series 2004A (the “Series 2004A Bonds”) issued in the aggregate principal amount of \$14,960,000 and currently Outstanding in the aggregate principal amount of \$11,815,000, and (vi) the Airport Revenue Refunding Bonds, Series 2005A (the “Series 2005A Bonds”) issued in the aggregate principal amount of \$29,200,000 and currently Outstanding in the aggregate principal amount of \$28,885,000. See “SECURITY FOR THE BONDS” herein. The Series 2004B Bonds will be redeemed with a portion of the proceeds of the Series 2008B Bonds and other available funds and upon the issuance of the Series 2008 Bonds will no longer be Outstanding under the Bond Order.

Branch Banking and Trust Company serves as Trustee under the Bond Order. Branch Banking and Trust Company also will serve as bond registrar for the Series 2008 Bonds pursuant to the Series Resolution (as hereinafter defined) and as the initial Credit Provider.

Brief descriptions and summaries of the Series 2008 Bonds, the security therefor, the Bond Order, the Series Resolution, the Letters of Credit and certain agreements and documents pertaining to the Airport (as hereinafter defined) are included in this Official Statement and the appendices hereto. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Bond Order, the Series Resolution, the Letters of Credit and such other agreements and documents are qualified in their entirety by reference to the originals thereof.

Letters of Credit

In connection with the issuance of the Series 2008A Bonds and to support the payment when due of the principal of, interest on and purchase price of the Series 2008A Bonds, the Bank will issue its irrevocable, direct-pay 2008A Letter of Credit in the initial amount of \$65,747,946 pursuant to a Letter of Credit and Reimbursement Agreement dated as of March 1, 2008 (the “Reimbursement Agreement”) by and between the Bank and the Authority. In connection with

the issuance of the Series 2008B Bonds and to support the payment when due of the principal of, interest on and purchase price of the Series 2008B Bonds, the Bank will issue its irrevocable, direct-pay 2008B Letter of Credit in the initial amount of \$33,496,050 pursuant to the Reimbursement Agreement. Each Letter of Credit will expire on March 18, 2015 unless it is extended as provided in the Reimbursement Agreement or is earlier terminated upon the happening of certain events described herein. The Letters of Credit will be the initial Credit Facilities for the Series 2008A Bonds and the Series 2008B Bonds, respectively, under the Series Resolution. Amounts available to be drawn under each of the Letters of Credit are subject to reduction and reinstatement as provided therein. The Authority may at any time cause an Alternate Credit Facility for either of the Series 2008 Bonds to be delivered to the Trustee on the conditions described herein. See “SECURITY FOR THE BONDS – The Letters of Credit” and “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT” herein and Appendix D hereto.

THE SERIES 2008 BONDS

Authorization

The Authority exists under Chapter 98 of the 1941 Public-Local Laws of North Carolina, as amended, and Chapter 1078 of the 1979 Session Laws of North Carolina (Second Session, 1980), as amended.

The Series 2008 Bonds are being issued pursuant to The State and Local Government Revenue Bond Act, as amended, the Bond Order and a series resolution to be adopted by the Board of Directors of the Authority on or about March 13, 2008 (the “Series Resolution”). The Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds, the Series 2005A Bonds and the Series 2008 Bonds and any additional bonds issued under the Bond Order are herein collectively referred to as the “Bonds”. The sale of the Series 2008 Bonds will be made by the Local Government Commission of North Carolina (the “LGC”), subject to the approval of the Authority. See “THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION” herein.

General

The Series 2008 Bonds will be dated as of the date of their delivery. The Series 2008A Bonds will mature, subject to prior redemption as described below, on July 1, 2032. The Series 2008B Bonds will mature, subject to prior redemption as described below, on July 1, 2029. Each Series of the 2008 Bonds will be issued as fully registered bonds in book-entry-only form and will be subject to the provisions of the book-entry-only system described in Appendix F hereto. While a Series of the 2008 Bonds bears interest at a Weekly Interest Rate or Bond Interest Term (“BIT”) Rate, and while a Series of the 2008 Bonds bears interest at a Long-Term Interest Rate if they are not rated Investment Grade by at least one Rating Agency then rating such Series, individual purchases of such Series of the 2008 Bonds by the beneficial owners will be made in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. While a Series of the 2008 Bonds bears interest at a Long-Term Interest Rate, if such Series of the 2008 Bonds is rated Investment Grade by at least one Rating Agency then rating such Series, individual purchases of such Series of the 2008 Bonds by the beneficial owners will be made in denominations of \$5,000 or any integral multiple thereof.

Each Series 2008 Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated on an Interest Payment Date in which event it will bear interest from such Interest Payment Date or (b) authenticated prior to the first Interest Payment Date in which event it will bear interest from its date.

The Series 2008 Bonds will initially bear interest at a Weekly Interest Rate. The method of determining interest rates on either the Series 2008A Bonds or the Series 2008B Bonds may be changed from a Weekly Interest Rate to BIT Rates, a Long-Term Interest Rate or an Alternate Rate as described below. Each period during which Weekly Interest Rates are in effect is known as a Weekly Interest Rate Period, each period during which BIT Rates are in effect is known as a Short-Term Interest Rate Period and each period during which a Long-Term Interest Rate is in effect is known as a Long-Term Interest Rate Period. An Interest Rate Period means any Weekly Interest Rate Period, Short-Term Interest Rate Period or Long-Term Interest Rate Period.

The principal of and premium, if any, on the Series 2008 Bonds will be payable at the principal corporate trust office of the Trustee. Interest on the Series 2008 Bonds will be paid by the Trustee (a) with respect to any Weekly Interest Rate Period, on the first Business Day of each calendar month, beginning on April 1, 2008, (b) with respect to any BIT within a Short-Term Interest Rate Period, on the day next succeeding the last day of such BIT, (c) with respect to any Long-Term Interest Rate Period, on each January 1 and July 1, or, if any such January 1 or July 1 is not a Business Day, on the next succeeding Business Day and (d) with respect to each Interest Rate Period, on the day next succeeding the last day thereof. Interest on the Series 2008 Bonds during any Weekly Interest Rate Period or Long-Term Interest Rate Period will be paid by check mailed to the Owner as of the Regular Record Date. In the case of (a) an Owner of Series 2008 Bonds bearing interest at BIT Rates or (b) any Owner of Series 2008 Bonds bearing interest at a Weekly Interest Rate or Long-Term Interest Rate in an aggregate principal amount in excess of \$1,000,000 as shown on the registration books maintained by the Trustee who, prior to the Regular Record Date next preceding any Interest Payment Date, shall have provided, or cause to be provided, the Trustee with wire transfer instructions, interest payable on such Series 2008 Bonds will be paid in accordance with the wire transfer instructions provided by the Owners of such Series 2008 Bonds (or by the Remarketing Agent on behalf of such Owners). Interest on any Series 2008 Bond bearing interest at a BIT Rate will be payable only upon presentation and surrender of such Series 2008 Bond to the Trustee at its principal corporate trust office. Notwithstanding the foregoing, so long as a Security Depository Nominee is the sole registered owner of the Series 2008 Bonds, interest on the Series 2008 Bonds will be payable pursuant to the procedures of the Securities Depository as in effect from time to time.

The Series 2008 Bonds are subject to optional and mandatory tender for purchase under certain circumstances as described below.

Interest Rates

Interest will be computed, in the case of a Weekly Interest Rate Period or a Short-Term Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed and, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months.

The term of the Series 2008 Bonds will be divided into consecutive Interest Rate Periods selected by the Authority during which the Series 2008 Bonds will bear interest at interest rates as described below. At any time, all Bonds of a particular Series of the 2008 Bonds will bear interest at a Weekly Interest Rate, BIT Rates or a Long-Term Interest Rate. During a Short-Term Interest Rate Period, some of the Series 2008 Bonds may bear interest at different BIT Rates and have BITs of different durations from other Series 2008 Bonds of the same Series. At no time will any Series 2008 Bond bear interest in excess of 12% per annum. For any Weekly Interest Rate Period, interest will accrue from the first day thereof and thereafter from the first Business Day of each calendar month, to and including the day prior to either the first Business Day of the next succeeding calendar month or, if sooner, the last day of the Weekly Interest Rate Period. For any BIT within a Short-Term Interest Rate Period, interest will accrue from the first day thereof to and including the last day thereof. For any Long-Term Interest Rate Period, interest will accrue from the first day thereof and thereafter from each Interest Payment Date in respect thereof (other than the last such Interest Payment Date), to and including the day immediately preceding the next succeeding Interest Payment Date.

Weekly Interest Rate Period. The Weekly Interest Rate will be determined by the Remarketing Agent on Wednesday of each week during a Weekly Interest Rate Period or on the next succeeding Business Day if such Wednesday is not a Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period will be determined on or prior to the first day of such Weekly Interest Rate Period and will apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Wednesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Interest Rate Period ends on a day other than Wednesday, in which event the last Weekly Interest Rate will apply to the period commencing on the Thursday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the applicable Series of the 2008 Bonds, and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the applicable Series of the 2008 Bonds, would enable the Remarketing Agent to sell such Series 2008 Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for a Series of the 2008 Bonds for any week during a Weekly Interest Rate Period, the interest rate on such Series 2008 Bonds for such week will be deemed to be the same as the Weekly Interest Rate for the immediately preceding week, if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. If for any reason the Remarketing Agent did not determine the Weekly Interest Rate for the immediately preceding week, or if a Weekly Interest Rate determined by the Remarketing Agent for any week is held to be invalid or unenforceable by a court of law, the interest rate on such Series 2008 Bonds for such week will be deemed to be a rate per annum equal to 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported to The Wall Street Journal on the day the Weekly Interest Rate would otherwise be determined by the Remarketing Agent.

Short-Term Interest Rate Period. While a Series of the Series 2008A Bonds bears interest in a Short-Term Interest Rate Period, each 2008 Bond of such Series will bear interest at the BIT Rate determined for the BIT applicable to such Series 2008 Bond by the Remarketing Agent no later than the first day of each BIT. Each BIT will be a period of not more than 180 days as determined by the Remarketing Agent. In determining the duration of each BIT for a Series of the 2008 Bonds, the Remarketing Agent will take into account the following factors: (a) existing short-term tax-exempt market rates and indices of such short-term rates, (b) existing market supply and demand for short-term tax-exempt securities, (c) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to such Series 2008 Bonds, (d) general economic conditions, (e) economic and financial conditions that may affect or be relevant to such Series 2008 Bonds, (f) the BITs of other Series 2008 Bonds of such Series, and (g) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, determines to be relevant.

The Remarketing Agent will announce, by no later than 9:00 a.m., New York City time, on the first day of each BIT, the ranges of possible BITs. The BIT and the BIT Rate for the Series 2008 Bonds need not be the same for any two of the same Series of the 2008 Bonds, even if determined on the same date.

The BIT Rate for each BIT will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the applicable Series of the 2008 Bonds, and known by the Remarketing Agent to have been priced or traded under the then-prevailing market conditions) to be the minimum interest rate which, if borne by the applicable Series of the 2008 Bonds, for such BIT, would enable the Remarketing Agent to sell such Series 2008 Bonds on the date and at the time of such determination at a price (without regard to accrued interest) equal to the principal amount thereof.

If for any reason a BIT for any Series 2008 Bond cannot be so determined by the Remarketing Agent, or if the determination of such BIT is held by a court of law to be invalid or unenforceable, such BIT will be 30 days, provided that if the last day so determined is not a day immediately preceding a Business Day, such BIT will end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the maturity date of the applicable Series of the 2008 Bonds, such BIT will end on the day immediately preceding the maturity date thereof. If for any reason a BIT Rate for any Series 2008 Bond is not so established by the Remarketing Agent for any BIT, or such BIT Rate is determined by a court of law to be invalid or unenforceable, then the BIT Rate for such BIT will be the rate per annum equal to 70% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by The Wall Street Journal on the first day of such BIT with a maturity that most nearly equals the BIT for which a BIT Rate is being so calculated.

OWNERS AND PROSPECTIVE PURCHASERS OF THE SERIES 2008 BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT WITH RESPECT TO INFORMATION CONCERNING EITHER SERIES OF THE 2008 BONDS ON OR AFTER ANY CONVERSION OF SUCH SERIES TO A SHORT-TERM INTEREST RATE PERIOD, BUT SHOULD LOOK SOLELY TO SUPPLEMENTS, REVISIONS OR

SUBSTITUTIONS TO THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING SUCH SERIES OF THE 2008 BONDS ON OR AFTER A CONVERSION TO A SHORT-TERM INTEREST RATE PERIOD.

Long-Term Interest Rate Period. The duration of a Long-Term Interest Rate Period will be determined by the Authority, which duration will be at least 181 days. The Long-Term Interest Rate during a Long-Term Interest Rate Period will be determined by the Remarketing Agent on a Business Day no earlier than two weeks before the effective date of such Long-Term Interest Rate Period and no later than the effective date of such Long-Term Interest Rate Period. The Long-Term Interest Rate will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the applicable Series of the 2008 Bonds, and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum rate which, if borne by the applicable Series of the 2008 Bonds, would enable the Remarketing Agent to sell such Series 2008 Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. If for any reason the Remarketing Agent does not determine a Long-Term Interest Rate on or prior to the first day of such Long-Term Interest Rate Period, then the applicable Series of the 2008 Bonds, will bear interest at a Weekly Interest Rate, and will continue to bear interest at a Weekly Interest Rate until properly adjusted otherwise.

OWNERS AND PROSPECTIVE PURCHASERS OF THE SERIES 2008 BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT WITH RESPECT TO INFORMATION CONCERNING EITHER SERIES OF THE 2008 BONDS ON OR AFTER ANY CONVERSION OF SUCH SERIES TO A LONG-TERM INTEREST RATE PERIOD, BUT SHOULD LOOK SOLELY TO SUPPLEMENTS, REVISIONS OR SUBSTITUTIONS TO THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING SUCH SERIES OF THE 2008 BONDS ON OR AFTER A CONVERSION TO A LONG-TERM INTEREST RATE PERIOD.

Adjustment of Interest Rate Periods

The Authority may elect at any time to adjust the Interest Rate Period on either Series of the 2008 Bonds from one Interest Rate Period to one of the other Interest Rate Periods (or during a Long-Term Interest Rate Period, to establish another Long-Term Interest Rate Period), subject to certain conditions specified in the Series Resolution, including delivery of an opinion of Bond Counsel to the effect that such action is permitted by the laws of the State of North Carolina (the "State") and the Series Resolution and will not adversely affect any exclusion from gross income for federal income tax purposes, or any exemption from State income taxes, of interest on the Series 2008 Bonds (a "Favorable Opinion of Bond Counsel").

If the Authority elects to adjust either Series of the 2008 Bonds from one Interest Rate Period to another (or during a Long-Term Interest Rate Period, to establish another Long-Term Interest Rate Period), all of the Bonds of such Series will be subject to such other Interest Rate Period. The written direction by which the Authority makes such election will specify (a) in the case of an adjustment to a Long-Term Interest Rate Period, the duration of such Long-Term Interest Rate Period; (b) the effective date of the adjustment to the new Interest Rate Period,

which effective date will be (i) a Business Day not earlier than the 12th day (15th day in the case of an adjustment to a Weekly Interest Rate Period or Short-Term interest Rate Period from a Long-Term Interest Rate Period, and 30th day in the case of an adjustment to a, or the establishment of another, Long-Term Interest Rate Period) following the second Business Day after receipt by the Trustee of such direction from the Authority, (ii) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the applicable Series of the 2008 Bonds would otherwise be subject to optional redemption during such Long-Term Interest Rate Period if such adjustment did not occur, (iii) in the case of an adjustment from a Weekly Interest Rate Period to a Short-Term Interest Rate Period, the day immediately following the last day of such Weekly Interest Rate Period and (iv) in the case of an adjustment from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period; and (c) the date of delivery for such applicable Series of the 2008 Bonds to be purchased. With respect to any adjustment to a Long-Term Interest Rate Period, such direction of the Authority may specify redemption prices greater, and noncallable periods longer, than those set forth in “Redemption Provisions - Optional Redemption” below, if approved by Bond Counsel. A change to another Interest Rate Period may not take place unless a Favorable Opinion of Bond Counsel is delivered on the effective date of such change.

The Trustee will give notice to the Owners of the applicable Series of the 2008 Bonds by first-class mail of any adjustment to a new Interest Rate Period not less than 12 days (15 days if the then-current Interest Rate Period is a Long-Term interest Rate Period, and 30 days in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period) prior to the effective date of such new Interest Rate Period. Such notice will state (a) that the interest rate on either Series of the 2008 Bonds will be adjusted to a Weekly Interest Rate, BIT Rates or a Long-Term Interest Rate, or continue to be a Long-Term Interest Rate, as appropriate, unless (i) Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of such adjustment, (ii) in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period or Short-Term Interest Rate Period, the Authority fails to deliver to the Trustee, the Bank and the Remarketing Agent a Rating Confirmation Notice on the effective date of such adjustment, or (iii) in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period, the Authority elects, on or prior to the date of determination of such Long-Term Interest Rate, to rescind its election to cause such adjustment, in which case the applicable Series of the 2008 Bonds, if being adjusted from a Weekly Interest Rate Period or a Short-Term Interest Rate Period, will continue to bear interest at a Weekly Interest Rate or BIT Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or, if being adjusted from a Long-Term Interest Rate Period, will bear interest at a Weekly Interest Rate, for the period commencing on the date which would have been the effective date of such proposed Interest Rate Period; (b) the effective date of such new Interest Rate Period, and in the case of an adjustment to a, or the establishment of another, Long-Term Interest Rate Period, the last day of such Long-Term Interest Rate Period or in the case of an adjustment to a Short-Term interest Rate Period, that a BIT and a BIT Rate for each Bond in the applicable Series will be determined not later than the first day of such BIT; (c) that the applicable Series of the 2008 Bonds are subject to mandatory tender for purchase on the effective date of the new Interest Rate Period; and (d) the applicable purchase price on such date.

Upon the failure of an adjustment to a new Interest Rate Period, the applicable Series of the 2008 Bonds will bear interest as provided in clause (a) of the notice described in the immediately preceding paragraph. If notice of such adjustment has been mailed to the Owners of such Series 2008 Bonds as provided in the Series Resolution and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as therein described, the applicable Series of the 2008 Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of such adjustment. If the Authority has not made a timely election prior to the end of any Long-Term Interest Rate Period that, during the next succeeding Interest Rate Period, the applicable Series of the 2008 Bonds will bear interest at a specified interest rate, the next succeeding Interest Rate Period for such Series of the 2008 Bonds will be a Weekly Interest Rate Period until properly adjusted otherwise and such Series of the 2008 Bonds will be subject to mandatory tender for purchase on the first day of such Weekly Interest Rate Period.

In the event that the Authority elects to rescind its election to adjust the interest rate on either Series of the 2008 Bonds to a Long-Term Interest Rate, then such interest rate will not be so adjusted and such Series of the 2008 Bonds will bear interest at a Weekly Interest Rate or BIT Rates as in effect prior to such election, or if such Series of the 2008 Bonds were to be adjusted from another Long-Term Interest Rate, then such Series of the 2008 Bonds will bear interest at a Weekly Interest Rate for the period commencing on the date which would have been the effective date of the proposed Long-Term Interest Rate Period. In either such case, the applicable Series of the 2008 Bonds will continue to be subject to mandatory tender for purchase on the day which would have been the effective date of such Long-Term Interest Rate Period.

Establishment of Alternate Rate

The Authority, with the consent of the Local Government Commission, the Remarketing Agent and the Credit Provider, if any, is authorized to amend or supplement the Series Resolution without the consent of the Owners of either Series of the 2008 Bonds to provide for (or subsequently modify) an alternate rate determination method (an “Alternate Rate”), which may include provisions for an open auction method of determination, for such Series of the 2008 Bonds. Such amendment will specify the period and dates for accrual and payment of interest (an “Alternate Rate Period”), the intervals and dates at which the rate will be set by the Remarketing Agent or by another determination method, the intervals and procedures by which such Series of the 2008 Bonds may be optionally tendered or subject to mandatory tender, and the redemption provisions for such Series of the 2008 Bonds in an Alternate Rate Period.

A change to an Alternate Rate Period may be made only on a date when a change in the interest rate determination method for the applicable Series of the 2008 Bonds may be made. A change to an Alternate Rate Period will cause a mandatory tender of such Series 2008 Bonds. The requirements set forth in the Series Resolution with respect to the giving of notice, receipt of the prior written consent of the Remarketing Agent and the Bank, if any, and the delivery of a Favorable Opinion of Bond Counsel that apply for the adjustment of the interest rate on either Series of the 2008 Bonds to a Weekly Interest Rate, a Long-Term Interest Rate or a BIT Rate shall apply to a change to an Alternate Rate.

OWNERS AND PROSPECTIVE PURCHASERS OF THE SERIES 2008 BONDS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT WITH RESPECT TO INFORMATION CONCERNING EITHER SERIES OF THE 2008 BONDS ON OR AFTER ANY CONVERSION OF SUCH SERIES TO AN ALTERNATE RATE PERIOD, BUT SHOULD LOOK SOLELY TO SUPPLEMENTS, REVISIONS OR SUBSTITUTIONS TO THIS OFFICIAL STATEMENT FOR INFORMATION CONCERNING SUCH SERIES OF THE 2008 BONDS ON OR AFTER A CONVERSION TO AN ALTERNATE RATE PERIOD.

Tender Provisions

THE SERIES RESOLUTION PROVIDES THAT SO LONG AS A SECURITIES DEPOSITORY NOMINEE IS THE SOLE REGISTERED OWNER OF EITHER SERIES OF THE 2008 BONDS, ALL TENDERS FOR PURCHASE AND DELIVERIES OF SUCH SERIES OF THE 2008 BONDS TENDERED FOR PURCHASE OR SUBJECT TO MANDATORY TENDER UNDER THE PROVISIONS OF THE SERIES RESOLUTION SHALL BE MADE PURSUANT TO THE SECURITIES DEPOSITORY'S PROCEDURES AS IN EFFECT FROM TIME TO TIME, AND NEITHER THE AUTHORITY, THE TRUSTEE NOR THE REMARKETING AGENT SHALL HAVE ANY RESPONSIBILITY FOR OR LIABILITY WITH RESPECT TO THE IMPLEMENTATION OF SUCH PROCEDURES. SEE APPENDIX F HERETO FOR INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY ("DTC"), THE INITIAL SECURITIES DEPOSITORY FOR THE SERIES 2008 BONDS.

Optional Tender for Purchase During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Series 2008 Bond will be purchased in whole (or in part if both the amount purchased and the amount remaining unpurchased will consist of Authorized Denominations) from its Owner at the option of such Owner on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery by such Owner to the Trustee at its Principal Office of an irrevocable written notice which states the principal amount of such Series 2008 Bond and the date on which such Series 2008 Bond is to be purchased, which date must be a Business Day at least seven days after the date of delivery of such notice to the Trustee. Any notice delivered to the Trustee after 4:00 p.m., New York City time, will be deemed to have been received by the Trustee on the next succeeding Business Day.

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each BIT. On the day next succeeding the last day of each BIT (unless such day is the first day of a new Interest Rate Period, in which case the applicable Series of the 2008 Bonds will be subject to mandatory tender for purchase as provided in the next paragraph), the Owner of the applicable Series 2008 Bond will be required to tender for purchase such Series 2008 Bond and such Series 2008 Bond will be purchased at a purchase price equal to the principal amount thereof.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period in the Event of a Conversion to a New Interest Rate Period. Each Series of the 2008 Bonds will respectively be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had there been no occurrence of an event which resulted in the interest rate on the Series 2008 Bonds not being adjusted), in the event of a conversion from one Interest Rate Period to another Interest Rate Period for such Series of Series 2008 Bonds, at a purchase price equal to the principal amount of such Series or, in the case of a purchase on the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, at a purchase price equal to the optional redemption price which would have been applicable to such Series on such mandatory purchase date if such preceding Long-Term Interest Rate Period had continued to the day originally established on the last day thereof, plus accrued interest, if any.

Mandatory Tender for Purchase Upon Termination, Expiration, Reduction, Modification or Replacement of the Credit Facility or Upon the Occurrence of an Event of Default Under the Reimbursement Agreement. (i) Each of the Series 2008 Bonds shall be subject to mandatory tender for purchase on a Business Day which is at least five (5) days prior to the date on which the Credit Facility applicable to such Series is to be cancelled as a result of (A) the termination or expiration of the term of such Credit Facility, or (B) such Credit Facility being reduced, replaced or modified with the effect that such Series of the 2008 Bonds are no longer payable from such Credit Facility (in each case, whether or not any Alternate Credit Facility has been obtained).

(ii) If at any time the Trustee has received notice (A) that an event of default has occurred under the Reimbursement Agreement and (B) directing the Trustee to purchase all of either Series of the 2008 Bonds, then the Trustee shall effect a mandatory purchase of such Series of the 2008 Bonds on the fifth (5th) Business Day following the receipt of such notice by the Trustee.

(iii) The purchase price for Series 2008 Bonds purchased pursuant to clauses (i) or (ii) above shall be equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date of purchase.

Notwithstanding the foregoing, in the event that in connection with any such termination, expiration, reduction or modification of an existing Credit Facility and replacement thereof by a Alternate Credit Facility, the Authority delivers to the Trustee and the Remarketing Agent, prior to the date that notice of such termination, expiration, reduction or modification and replacement is given by the Trustee, written evidence from each Rating Agency then rating the applicable Series of the 2008 Bonds to the effect that such termination, expiration, reduction or modification and replacement in and of itself will not result in the withdrawal or reduction of the rating(s) then applicable to the applicable Series of the 2008 Bonds, then such Series of the 2008 Bonds will not be subject to mandatory tender for purchase as provided above solely as a result of such termination, expiration, reduction or modification and replacement.

Notice of Mandatory Tender for Purchase; Delivery of Series 2008 Bonds to be Purchased. (i) In connection with any mandatory tender for purchase of either Series of the 2008 Bonds upon a conversion to a new Interest Rate Period, as described above, the Trustee must

give notice of a mandatory tender for purchase as a part of the notice given pursuant to the Series Resolution. In connection with any mandatory tender for purchase of either Series of the 2008 Bonds upon termination, expiration, reduction, modification or replacement of the Credit Facility applicable to such Series or upon the occurrence of an event of default under the Reimbursement Agreement, as described above, the Trustee must give notice of mandatory tender for purchase on or before the twentieth (20th) day preceding the expiration of any Credit Facility applicable to such Series in accordance with its terms, or any termination or replacement of the Credit Facility.

Such notice must state (A) in the case of a mandatory tender for purchase upon a conversion to a new Interest Rate Period, the type of Interest Rate Period to commence on such mandatory purchase date; (B) in the case of a mandatory tender for purchase upon termination, expiration, reduction, modification or replacement of the Credit Facility or upon the occurrence of an event of default under the Reimbursement Agreement, that the Credit Facility will expire, be cancelled, be substituted for or terminate; (C) that the purchase price of any Series 2008 Bond so subject to mandatory purchase will be payable only upon surrender of such Series 2008 Bond to the Trustee at its Principal Office for delivery of Series 2008 Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or the Owner's duly authorized attorney, with such signature guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program; (D) that all Series 2008 Bonds so subject to mandatory tender for purchase will be purchased on the mandatory purchase date, and that if any Owner of a Series 2008 Bond subject to mandatory tender for purchase does not surrender such Series 2008 Bond to the Trustee for purchase on such mandatory purchase date, then such Series 2008 Bond will be deemed to be an Undelivered Bond, and that no interest will accrue thereon on and after such mandatory purchase date and that the Owner thereof will have no rights under the Bond Order or the Series Resolution other than to receive payment of the purchase price thereof. The Trustee may not require indemnity from any person as a condition to the giving of such notice.

(ii) For payment of the purchase price of any Series 2008 Bond required to be purchased pursuant to the Series Resolution on the purchase date specified in the applicable notice, such Series 2008 Bond must be delivered at or prior to 10:00 a.m., New York City time, on the date specified in such notice to the Trustee at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or the Owner's duly authorized attorney, with such signature guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program. In the event any such Series 2008 Bond is delivered after 10:00 a.m. on such date, payment of the purchase price of such Series 2008 Bond need not be made until the Business Day following the date of delivery of such Series 2008 Bond, but such Series 2008 Bond will nonetheless be deemed to have been purchased on the date specified in such notice and no interest will accrue thereon after such date.

Irrevocable Notice Deemed to be Tender of Series 2008 Bonds. The giving of notice by an Owner of its election to have any Series 2008 Bond purchased during a Weekly Interest Rate Period will constitute the irrevocable tender for purchase of such Series 2008 Bond regardless of whether such Bond is delivered to the Trustee for purchase on the relevant purchase date.

Undelivered Series 2008 Bonds. If funds in the amount of the purchase price of any Series 2008 Bond which has not been delivered, in the case of a Series 2008 Bond purchased at the option of the Owner on the date specified for the purchase thereof or, in the case of a Series 2008 Bond subject to mandatory tender for purchase, on the date specified in the Series Resolution, are available for payment to the Owners of such Series 2008 Bonds on such date, from and after the date and time of that required delivery, (A) such Series 2008 Bonds will be deemed to be purchased and will no longer be deemed to be Outstanding under the Bond Order and the Series Resolution, (B) interest will no longer accrue on such Series 2008 Bonds and (C) funds in the amount of the purchase price of such Series 2008 Bonds will be held by the Trustee for the benefit of the Owner thereof (provided that such Owner will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Series 2008 Bonds to the Trustee at its Principal Office for delivery of Series 2008 Bonds. The Trustee may refuse to accept delivery of any Series 2008 Bond for which a proper instrument of transfer has not been provided, but such refusal will not affect the validity of the purchase of such Series 2008 Bond.

Payment of Purchase Price. For payment of the purchase price of any Series 2008 Bond required to be purchased pursuant to the Series Resolution, such Series 2008 Bond must be delivered, at or prior to 10:00 a.m., New York City time, on the date specified in the notice relating to such purchase, to the Trustee at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or his duly authorized attorney, with such signature guaranteed by an institution that is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program. In the event any such Series 2008 Bond is delivered after 10:00 a.m., New York City time, on such specified date, payment of the purchase price need not be made until the Business Day following the date of delivery of such Series 2008 Bond, but such Series 2008 Bond will nonetheless be deemed to have been purchased on the date specified in such notice and no interest will accrue thereon after such date.

Redemption Provisions

Optional Redemption. On any Interest Payment Date during a Weekly Interest Rate Period, the Series 2008 Bonds will be subject to optional redemption by the Authority, in whole or in part, at a redemption price equal to 100% of the principal amount of Series 2008 Bonds to be redeemed. On the day succeeding the last day of any BIT with respect to any Series 2008 Bond, such Series 2008 Bond will be subject to optional redemption by the Authority, in whole or in part, at a redemption price equal to 100% of the principal amount of Series 2008 Bonds to be redeemed.

During any Long-Term Interest Rate Period, the Series 2008 Bonds will be subject to optional redemption by the Authority on the first day thereof, in whole or in part, at the redemption price equal to 100% of the principal amount of Series 2008 Bonds to be redeemed, and thereafter, at any time on or after the tenth anniversary of the first day of such Long-Term Interest Rate Period, in whole or in part, at a redemption price equal to 100% of the principal amount of the Series 2008 Bonds to be redeemed, plus accrued interest, if any, to the redemption date.

Notwithstanding the foregoing, the Authority may not optionally redeem any of the Series 2008 Bonds with funds drawn under a Credit Facility without the prior written consent of the Credit Facility Provider, except optional redemptions made at a time when no amounts are due and owing under the Reimbursement Agreement and for which sufficient funds to reimburse the drawing under the Credit Facility have been deposited with the Trustee, together with instructions that such amounts be used to reimburse the Credit Facility Provider following such drawing.

Mandatory Redemption. The Series 2008A Bonds are subject to mandatory redemption pursuant to the Sinking Fund Requirement on July 1 in each of the following years, in the amount set forth opposite such year, at a redemption price equal to 100% of the principal amount of the Series 2008A Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	\$ 1,195,000	2021	\$ 2,660,000
2010	1,635,000	2022	2,780,000
2011	1,705,000	2023	2,905,000
2012	1,780,000	2024	3,035,000
2013	1,870,000	2025	3,175,000
2014	1,950,000	2026	3,315,000
2015	2,040,000	2027	3,470,000
2016	2,125,000	2028	3,620,000
2017	2,230,000	2029	3,790,000
2018	2,325,000	2030	3,960,000
2019	2,430,000	2031	4,145,000
2020	2,535,000	2032*	4,325,000

* Maturity

The scheduled amount of Series 2008A Bonds to be redeemed on a future July 1 may be reduced if the Authority redeems Series 2008A Bonds during any previous Bond Year in addition to the amount retired on July 1 of such year to meet the Sinking Fund Requirement for that Bond Year as set forth above. Upon such occurrence, the Authority is required to deliver an Officer's Certificate to the Trustee indicating the additional amount of Series 2008A Bonds redeemed during such Bond Year, the amount by which the Series 2008A Bonds redeemed exceed the Sinking Fund Requirement for that Bond Year and how such excess is to be applied to reduce the Sinking Fund Requirements for future scheduled redemptions on July 1 of future Bond Years.

The Series 2008B Bonds are subject to mandatory redemption pursuant to the Sinking Fund Requirement on July 1 in each of the following years, in the amount set forth opposite such year, at a redemption price equal to 100% of the principal amount of the Series 2008B Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$ 1,060,000	2019	\$ 1,495,000
2009	1,065,000	2020	1,545,000
2010	1,100,000	2021	1,600,000
2011	1,135,000	2022	1,655,000
2012	1,170,000	2023	1,715,000
2013	1,215,000	2024	1,775,000
2014	1,260,000	2025	1,835,000
2015	1,300,000	2026	1,900,000
2016	1,345,000	2027	1,965,000
2017	1,395,000	2028	2,035,000
2018	1,440,000	2029*	2,110,000

* Maturity

The scheduled amount of Series 2008B Bonds to be redeemed on a future July 1 may be reduced if the Authority redeems Series 2008B Bonds during any previous Bond Year in addition to the amount retired on July 1 of such year to meet the Sinking Fund Requirement for that Bond Year as set forth above. Upon such occurrence, the Authority is required to deliver an Officer's Certificate to the Trustee indicating the additional amount of Series 2008B Bonds redeemed during such Bond Year, the amount by which the Series 2008B Bonds redeemed exceed the Sinking Fund Requirement for that Bond Year and how such excess is to be applied to reduce the Sinking Fund Requirements for future scheduled redemptions on July 1 of future Bond Years.

Extraordinary Optional Redemption. Each of the Series 2008 Bonds are subject to redemption prior to maturity in whole, but not in part, on any date at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the event of destruction of or damage to all or substantially all of the Airport Facilities, or in the event of the condemnation of all or substantially all of the Airport Facilities, if the Authority shall have determined that the revenue-producing capabilities of the Airport Facilities shall be materially impaired for a period in excess of 120 consecutive days and if (i) the Airport Facilities have not been restored to substantially the same condition as prior to such damage, destruction or taking and (ii) the architect or the engineer employed by the Authority has been unable to make a statement to the effect that the Net Insurance Proceeds or the Net Eminent Domain Proceeds, as the case may be, together with other funds made available or to be made available by the Authority, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airport Facilities.

In the event that the Authority has determined to take a deliberate action that would otherwise cause interest on either Series of the 2008 Bonds to be subject to federal income taxation of gross income, such Series of the 2008 Bonds are subject to optional redemption by the Authority, in whole or in part, on any date at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, in such amount as shall be necessary to assure that such interest will not be so includable in gross income.

General Redemption Provisions. At least 30 days, but not more than 60 days, prior to the redemption date for either Series of the 2008 Bonds, whether such redemption be in whole or in part, the Trustee will cause a notice of redemption to be mailed first-class, postage prepaid, to all Owners of Series 2008 Bonds of such Series to be redeemed in whole or in part; provided, however, that notices to any Securities Depository will be sent by registered or certified mail. Failure to mail any such notice to any Owner or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other Owner to whom such notice is properly given. The Trustee will also cause such notice of redemption to be mailed, by registered or certified mail, to at least one securities depository and at least two national information services that disseminate redemption information; provided, however, that failure to give such notice or any defect therein will not affect the validity of any proceedings for such redemption.

The Series 2008 Bonds will be redeemed only in Authorized Denominations. If some but less than all of the Bonds of a Series are called for redemption, the Trustee will select the Bonds of such Series or portions thereof by lot or in such other manner as it deems fair and equitable; provided, however that the remaining Bonds of such Series that have not been so called for redemption will be in Authorized Denominations; and provided further that so long as the only Owner of the Series 2008 Bonds is a Securities Depository Nominee, such selection will be made by the Securities Depository. If a portion of either Series of the 2008 Bonds is called for redemption, a new Series 2008 Bond of the applicable Series in the principal amount equal to the unredeemed portion thereof will be issued to the Owner upon surrender thereof.

Upon giving notice and depositing funds or securities with the Trustee as provided in the Bond Order, either Series of the 2008 Bonds or portions thereof so called for redemption shall become due and payable on the redemption date; interest on the Bonds of such Series or portions thereof shall cease to accrue from and after such date; such Bonds of such Series will cease to be entitled to any benefits or security under the Bond Order or to be deemed Outstanding; and the Owners of the Bonds of such Series shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption.

Any notice of redemption, except in respect of a mandatory redemption, shall state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of, premium, if any, and interest on the Series 2008 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2008 Bond shall not be required to be redeemed. In the event that moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2008 Bonds are not received by the Trustee on or prior to the redemption date, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

THE FINANCING PLAN

Series 2008A Project

The Series 2008A Bonds are being issued to provide funds, together with other available funds, to (i) pay, or reimburse the Authority for paying, the cost of the Series 2008A Project, (ii) pay a portion of the cost of the 2008A Letter of Credit and (iii) pay the expenses of issuing the Series 2008A Bonds.

The Series 2008A Project, the total cost of which is approximately \$67,871,000, consists of the completion of the construction, acquisition and installation of (i) roadway improvements (\$4,914,000), (ii) a new runway and related taxiways and other airfield improvements at the Airport (\$51,507,000), and (iii) navigational aids to be used in connection with the operation of the Airport (\$11,450,000). Approximately \$65,321,493 of the cost of the Series 2008A Project will be financed with proceeds of the Series 2008A Bonds and the expected investment earnings on such proceeds pending disbursement, and the remainder will be contributed by the Authority.

The Federal Aviation Administration (the "FAA") has issued a Letter of Intent (the "FAA Letter of Intent") to pay a portion of the costs of the Series 2008A Project. The FAA Letter of Intent indicates the FAA's intention to obligate funds from future budget authority, subject to certain congressional actions, to provide entitlement and discretionary grants to the Authority in federal fiscal years ending September 30, 2008 through 2013, in annual amounts ranging from \$5,200,000 to \$12,100,000 and totaling \$51,345,000 in the aggregate, in addition to the grants that have already been paid to the Authority under the FAA Letter of Intent. The entitlement grants scheduled in the FAA Letter of Intent are based on estimates of the entitlement funding that will be payable to the Authority in those years and will vary depending on the actual entitlement. The Authority intends to use these grants, to the extent received by the Authority, to pay principal and interest on the Series 2008A Bonds as they become due, and to redeem portions of the Series 2008A Bonds prior to their maturity.

Redemption of the Series 2004B Bonds

The Series 2008B Bonds are being issued to provide funds, together with other available funds, to (i) redeem the Series 2004B Bonds, (ii) pay a portion of the cost of the 2008B Letter of Credit and (iii) pay the expenses of issuing the Series 2008B Bonds. The Series 2004B Bonds will be redeemed on the date of issuance of the Series 2008 Bonds at a redemption price equal to 100% of the par amount of the Series 2004B Bonds plus accrued interest.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated funds available from the proceeds of the Series 2008 Bonds and the estimated uses of such funds are as follows:

Sources of Funds:

Series 2008A Bonds.....	\$ 65,000,000
Series 2008B Bonds.....	\$ 33,115,000
Contribution from Authority.....	2,549,507
Investment Earnings on Project Account ⁽¹⁾	910,417
Total Sources of Funds	\$101,574,924

Uses of Funds:

Cost of Series 2008A Project.....	\$ 67,871,000
Redemption of Series 2004B Bonds.....	32,990,000
Costs of Issuance ⁽²⁾	713,924
Total Uses of Funds	\$101,574,924

(1) Assumes investment earnings at the rate of 2.30% per annum on the balance in the Project Account based on expected draws from this account.

(2) Includes Letters of Credit fees, underwriter's discount, fees and expenses of Bond Counsel, Authority Counsel, Bank Counsel and consultants, printing costs, fees and expenses of the Trustee and miscellaneous expenses.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds, the Series 2005A Bonds and the Series 2008 Bonds.

Fiscal Year Ending June 30⁽¹⁾	Outstanding Bonds⁽²⁾⁽³⁾	Series 2008A Bonds⁽⁴⁾	Series 2008B Bonds⁽⁵⁾	Total Debt Service Requirements
2008	\$ 9,543,985	\$ 792,521	\$ 1,463,759	\$ 11,800,264
2009	9,548,468	3,953,054	2,425,145	15,926,667
2010	9,546,006	4,346,713	2,417,075	16,309,794
2011	9,355,656	4,347,225	2,405,325	16,108,206
2012	9,361,289	4,353,898	2,394,054	16,109,241
2013	9,365,574	4,360,098	2,385,476	16,111,148
2014	9,362,596	4,364,638	2,380,725	16,107,959
2015	9,389,294	4,371,762	2,367,175	16,128,231
2016	9,380,275	4,373,676	2,358,554	16,112,504
2017	3,415,538	4,381,282	2,348,226	10,145,045
2018	3,415,388	4,384,975	2,335,475	10,135,837
2019	3,418,388	4,391,162	2,329,275	10,138,825
2020	3,418,988	4,395,878	2,316,978	10,131,843
2021	3,421,888	4,407,333	2,303,940	10,133,161
2022	1,971,200	4,417,100	2,292,075	8,680,375
2023	1,967,250	4,423,950	2,281,737	8,672,937
2024	1,970,325	4,432,733	2,269,645	8,672,703
2025	-	4,439,462	2,252,739	6,692,201
2026	-	4,446,563	2,240,425	6,686,988
2027	-	4,460,675	2,224,675	6,685,350
2028	-	4,464,557	2,211,446	6,676,003
2029	-	4,478,241	2,199,531	6,677,771
2030	-	4,488,275	-	4,488,275
2031	-	4,504,975	-	4,504,975
2032	-	4,509,108	-	4,509,108
	\$107,852,105	\$106,289,853	\$ 50,203,454	\$264,345,413

⁽¹⁾ Principal (including mandatory sinking fund requirements) and interest payments are reflected in the fiscal year that they are due for payment by the Authority to the Trustee; principal (including mandatory sinking fund requirements) and interest payments due for payment to the Bondholders on July 1 are treated as due for payment in the immediately preceding fiscal year.

⁽²⁾ Includes the Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds and the Series 2005A Bonds.

⁽³⁾ Includes interest, principal and mandatory sinking fund requirements.

⁽⁴⁾⁽⁵⁾ Includes principal, mandatory sinking fund requirements and interest at an assumed interest rate of 4.25% per annum.

NOTE: Certain amounts may not foot due to rounding.

SECURITY FOR THE BONDS

Credit Facility Generally

With respect to each Series of the 2008 Bonds, except during a Long-Term Rate Period in which the interest rate of such Series of the 2008 Bonds is fixed to maturity and such Series of the 2008 Bonds is not subject to optional or mandatory tender for purchase by the owners thereof, the Authority is required to keep a Credit Facility in effect at all times for such Series of the 2008 Bonds. The initial Credit Facility for the Series 2008A Bond is the 2008A Letter of Credit and the initial Credit Facility for the Series 2008B Bond is the 2008B Letter of Credit.

For purposes of giving any consents or directions contemplated under the Bond Order or the Series Resolution to be given by any Owner of either Series of the 2008 Bonds, or exercising any voting rights given to Owners thereunder, including for purposes of requesting an acceleration of a Series of the 2008 Bonds, for so long as the Credit Facility for such Series is in effect, the applicable Credit Provider will be deemed to be the Owner of the Series 2008 Bonds of such Series. Notwithstanding the foregoing, all rights of such Credit Provider to exercise voting rights and give consents will cease, determine and become null and void for so long as such Credit Provider wrongfully dishonors any draft (or other appropriate form of demand) presented in strict conformity with the requirements of the applicable Credit Facility (other than a dishonor pursuant to any administrative or judicial order, ruling, finding or decision).

The Letters of Credit

In addition to the Security described below under the caption “The Bond Order and the Series Resolution,” payment of the principal of and interest on each Series of the 2008 Bonds will be secured, respectively, by the irrevocable, direct-pay Letter of Credit pertaining to such Series, to be issued by the Bank on the date of issuance of the Series 2008 Bonds pursuant to the terms of the Reimbursement Agreement. See “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT” herein. The 2008A Letter of Credit when issued will be in the stated amount of \$65,747,946 (the “Stated Amount”) of which an aggregate amount not exceeding \$65,000,000 (the “Principal Component”) may be drawn upon with respect to the payment of principal of the Series 2008A Bonds or the principal component of the purchase price of the Series 2008A Bonds and an aggregate amount not exceeding \$747,976 (the “Interest Component”) may be drawn upon with respect to the payment of up to 35 days’ interest on the Series 2008A Bonds or the interest component of the purchase price of the Series 2008A Bonds (computed at a rate of 12% per annum based on a 365-day year); provided, however, that the amount available to be drawn under the 2008A Letter of Credit with respect to interest on the Series 2008A Bonds or the interest component of the purchase price of the Series 2008A Bonds will in no event exceed the actual amount of interest accrued on the Series 2008A Bonds.

The 2008B Letter of Credit when issued will be in the stated amount of \$33,496,050 (the “Stated Amount”) of which an aggregate amount not exceeding \$33,115,000 (the “Principal Component”) may be drawn upon with respect to the payment of principal of the Series 2008B Bonds or the principal component of the purchase price of the Series 2008B Bonds and an aggregate amount not exceeding \$381,050 (the “Interest Component”) may be drawn upon with respect to the payment of up to 35 days’ interest on the Series 2008B Bonds or the interest

component of the purchase price of the Series 2008B Bonds (computed at a rate of 12% per annum based on a 365-day year); provided, however, that the amount available to be drawn under the 2008B Letter of Credit with respect to interest on the Series 2008B Bonds or the interest component of the purchase price of the Series 2008B Bonds will in no event exceed the actual amount of interest accrued on the Series 2008B Bonds.

Each of the Letters of Credit will terminate on the earliest to occur of any of the following: (i) 3:00 p.m. (New York City time) on March 18, 2015 (the “Expiration Date”), (ii) the close of business on the second Business Day following a conversion of the interest rate on the Series 2008 Bonds that such Letter of Credit secures to a rate other than the Weekly Interest Rate, (iii) the date the Bank honors a draft following receipt from the Trustee of a certificate stating that an Event of Default has occurred under the Bond Order and such Series 2008 Bonds have been accelerated, (iv) the date the Letter of Credit is surrendered to the Bank for cancellation following the Trustee’s acceptance of a Alternate Credit Facility, (v) the date on which the Bank honors a draft drawn under the Letter of Credit to purchase such Series 2008 Bonds following the Trustee’s receipt of written notice from the Bank that an Event of Default under and as defined in the Reimbursement Agreement has occurred and is continuing and a written notice from the Bank directing a mandatory purchase of such Series 2008 Bonds pursuant to the Series Resolution or (vi) the date the Bank receives notice from the Trustee that the principal amount of and interest on such Series 2008 Bonds shall have been paid, redeemed or defeased in full, pursuant to the Series Resolution. The Bank may extend the Expiration Date of either or both of the Letters of Credit at its discretion from time to time at the request of the Authority by delivering to the Trustee a notice of extension of such Letter of Credit specifying a new Expiration Date.

Drawings under the Letters of Credit. The Trustee is authorized and directed to draw moneys under each of the Letters of Credit to the extent available in accordance with the terms thereof to make timely payments of principal of and interest on the Series of the 2008 Bonds that such Letter of Credit secures. The Trustee is authorized and directed to draw in accordance with the provisions of the Bond Order and the Series Resolution moneys under such Letter of Credit to the extent available in accordance with the terms of such Letter of Credit in order to effect the purchase of the applicable Series 2008 Bonds (or portions thereof in Authorized Denominations) on a date of purchase, if the proceeds of the remarketing of such Bonds are insufficient to pay the purchase price thereof. Upon declaration of acceleration of a Series of the 2008 Bonds following an Event of Default under the Bond Order, the Trustee is authorized and directed to draw on the Letter of Credit that secures such Series 2008 Bonds to the extent available in an amount equal to the full unpaid principal of and accrued interest on such Series 2008 Bonds.

Reduction and Reinstatement of the Letters of Credit. The Bank’s obligation under a Letter of Credit will be reduced immediately following the Bank’s honoring any draft drawn under such Letter of Credit by an amount equal to the amount of such draft. In connection with a drawing to pay the principal of a Series of the 2008 Bonds upon the acceleration, redemption or stated maturity thereof, the Interest Component of the Stated Amount of the applicable Letter of Credit will be automatically and permanently reduced by the amount of interest that would accrue on the amount of such drawing (computed at a rate of 12% per annum based on a 365-day year) for a period of 35 days. Amounts drawn under a Letter of Credit to pay interest on the applicable Series of the 2008 Bonds will be reinstated immediately following such drawing

except for any portion of such drawing honored with respect to interest accrued on such Series 2008 Bonds upon the acceleration, redemption or stated maturity thereof. At such time as the Trustee receives written notice from the Bank that the Bank has been reimbursed for a drawing under a Letter of Credit to pay the purchase price of the applicable Series of the 2008 Bonds, the amount so drawn will be reinstated. Drawings made under a Letter of Credit to pay the principal of the applicable Series of the 2008 Bonds in connection with a redemption will not be reinstated.

Alternate Credit Facility for Series 2008 Bonds

If at any time there shall be delivered to the Trustee (i) an Alternate Credit Facility covering a Series of the 2008 Bonds, (ii) either (A) written evidence from each Rating Agency then rating such Series 2008 Bonds, in each case to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and the ratings of such Series 2008 Bonds after substitution of such Alternate Credit Facility or (B) a statement of the Authority that no ratings have been obtained, (iii) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an opinion of counsel that no registration of such Series 2008 Bonds or such Alternate Credit Facility is required under the Securities Act of 1933, as amended, (iv) an opinion of counsel satisfactory to the Trustee to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof and (v) all information required to give the notice of mandatory tender for purchase of such Series 2008 Bonds if required by the Series Resolution, then the Trustee will accept such Alternate Credit Facility and, after the Trustee has drawn under the Credit Facility securing such Series 2008 Bonds and received sufficient funds to pay the purchase price of such Series 2008 Bonds on the date of the mandatory tender for purchase established pursuant to the Series Resolution, promptly surrender the applicable Credit Facility then in effect to the Credit Provider that issued such Credit Facility in accordance with its terms for cancellation or deliver any document necessary to reduce the coverage of such Credit Facility.

The Bond Order and the Series Resolution

Pledge of Net Receipts. The Bonds, including the Series 2008 Bonds, and all Parity Debt will also be secured by a pledge of and lien upon the Authority's Net Receipts. "Net Receipts" means, for any particular period, the excess, if any, of Receipts after payment of Current Expenses for such period. Under the Bond Order, all Receipts are to be deposited when received to the credit of the Revenue Fund. The Bonds will be payable from the Revenue Bond Fund, deposits into which are to be made from the Revenue Fund after payment of Current Expenses has been made.

"Receipts" means all receipts, revenues, income, proceeds and money received in any period by or for the Authority in respect of the Airport Facilities, including, but without limiting the generality of the foregoing, (i) all payments, proceeds, fees, charges, rents, land rents and all other income derived by or for the Authority for the use of and for the services and facilities furnished by or from the operation or ownership of the Airport Facilities and all other income derived by the Authority from the operation or ownership of the Airport Facilities, and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence,

and (ii) any proceeds of use and occupancy or business interruption insurance; provided, however, Receipts do not include (i) the proceeds of any gifts, grants, bequests, contributions or donations; (ii) proceeds from the sale and disposition of all or any part of the Airport Facilities; (iii) reimbursements received by the Authority of advances in respect of (a) the 1999 Project, (b) any Additional Project, including the Series 2008A Project, (c) any refinancing of Indebtedness, and (d) any capital improvements; (iv) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the Authority in any funds, accounts and subaccounts established by, or pursuant to, the Bond Order, but only to the extent such income and gains as so realized are required to be deposited to some fund, account or subaccount other than the Revenue Fund as may be provided in the Bond Order or in any Parity Resolution or Subordinated Indebtedness Resolution; (v) to the extent and for so long as such payments are pledged to secure the financing of the same, debt service payments made in respect of Special Purpose Facilities, including payments made from the proceeds of any appropriations made by any county, municipal corporation or political subdivision in the State of North Carolina (the "State"), or the State or any agency of the State, except to the extent otherwise provided by the Authority in respect of any such payments; (vi) Net Insurance Proceeds or Net Eminent Domain Proceeds or the proceeds of any insurance other than use and occupancy or business interruption insurance; (vii) the proceeds of any passenger facility charge or similar charge levied by or on behalf of the Authority against passengers, unless the proceeds of such charges are designated, in whole or in part, as Receipts by the Authority; (viii) the proceeds of land rent, if any, charged by the Authority in connection with any Special Purpose Facilities, unless the proceeds of any such rents are designated, in whole or in part, as Receipts by the Authority; (ix) the proceeds of any appropriation made by any county, municipal corporation or political subdivision in the State or by the State or any State agency unless the proceeds of any such appropriation are designated, in whole or in part, as Receipts by the Authority; (x) income from the investment of Qualified Escrow Funds to the extent that such income is applied to the payment of debt service on Long-Term Indebtedness which is excluded from the Long-Term Debt Service Requirement; (xi) the proceeds of any Indebtedness; and (xii) the proceeds derived from any Derivative Agreement.

The land rents, but not other rental payments, being paid to the Authority by the lessee pursuant to the Cessna Lease (as hereinafter defined) have been designated in whole as Receipts. The land rent under this lease totaled approximately \$30,875 in each of Fiscal Years 2006 and 2007 (see "OTHER AIRPORT ACTIVITIES AND AGREEMENTS – Cessna").

Funds and Accounts. The Bond Order establishes the Revenue Fund, the Revenue Bond Fund, the Construction Fund and the Insurance and Condemnation Award Fund.

Revenue Fund. The Revenue Fund is held by a Depository selected by the Authority. The Authority is required to deposit all Receipts and all proceeds of a Derivative Agreement as received in the Revenue Fund. However, upon the occurrence of an Event of Default, the Trustee may (a) require the Authority to endorse all checks and other negotiable instruments representing Receipts to the order of the Trustee immediately upon receipt thereof and deliver such endorsed instruments daily to the Trustee, (b) notify any or all account debtors of the Authority to pay any amounts representing Receipts, when due and owing, directly to the Trustee and (c) require the Authority to deliver to the Trustee all money and Investment Obligations held by the Authority in the Revenue Fund. The endorsement and delivery requirements and the

payment of Receipts directly to the Trustee as described in this paragraph will continue until the Event of Default has been cured to the satisfaction of the Trustee.

Revenue Bond Fund. The Revenue Bond Fund is held by the Trustee and is composed of six separate accounts known as the Revenue Bond Capitalized Interest Account, the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account, the Revenue Bond Sinking Fund Account and the Parity Reserve Account. Each series resolution authorizing a Series of Bonds will provide for the creation, to the extent applicable, of separate subaccounts within the Revenue Bond Capitalized Interest Account, the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Redemption Account and the Revenue Bond Sinking Fund Account relating to each Series of Bonds authorized by such series resolution. Moneys held in such subaccounts are pledged to the payment of the principal of (whether at maturity or pursuant to mandatory sinking fund redemption) and interest on the Series of Bonds for which such subaccounts are established and do not secure other Series of Bonds or other Parity Debt.

Parity Reserve Account. Each Parity Resolution providing for the incurrence of Parity Indebtedness may provide that the Parity Indebtedness authorized thereby (whether Bonds or Parity Debt) will be secured by the Parity Reserve Account. If any Parity Indebtedness is secured by the Parity Reserve Account, the Authority must, by the deposit of cash, Investment Obligations or Reserve Alternative Instruments (or any combination thereof), fund the Parity Reserve Account in an amount equal to the Parity Reserve Account Requirement at the time of delivery of and payment for such Parity Indebtedness. If the Parity Resolution authorizing Parity Indebtedness does not provide that such Parity Indebtedness will be secured by the Parity Reserve Account, such Parity Indebtedness will have no claim on the Parity Reserve Account.

Moneys on deposit in the Parity Reserve Account (or provided under a Reserve Alternative Instrument) will be used as necessary to pay the principal of and interest on all Parity Indebtedness secured by the Parity Reserve Account to the extent that moneys on deposit for such payment are insufficient therefor.

The Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds and the Series 2005A Bonds are secured by the Parity Reserve Account. **The Series 2008 Bonds will not be secured by the Parity Reserve Account.**

Special Reserve Accounts. Each Parity Resolution providing for the incurrence of Parity Indebtedness may provide that the Parity Indebtedness authorized thereby (whether Bonds or Parity Debt) will be secured by a Special Reserve Account. If any Parity Indebtedness is secured by a Special Reserve Account, the Authority must, by the deposit of cash, Investment Obligations or Reserve Alternative Instruments (or any combination thereof), fund the Special Reserve Account at the times and in the amount required by the Parity Resolution authorizing such Parity Indebtedness.

Moneys on deposit in a Special Reserve Account (or provided under a Reserve Alternative Instrument) will be used as necessary to pay the principal of and interest on only the Parity Indebtedness secured by the Special Reserve Account to the extent that moneys otherwise

on deposit for such payment are insufficient therefor. **The Series 2008 Bonds will not be secured by a Special Reserve Account.**

Construction Fund. In connection with the issuance of any Series of Bonds, the Authority may establish within the Construction Fund a separate account for the purpose of holding all or a portion of the proceeds of the Bonds of such Series pending disbursement thereof to pay the Costs of any Additional Project, including cost of issuance of the Bonds of such Series. The proceeds of a Series of Bonds will be deposited in the applicable account of the Construction Fund in accordance with the series resolution relating to such Series of Bonds.

The money in the applicable account of the Construction Fund will be held either by the Trustee or a Depository selected by the Authority in trust and, pending application to the payment of the Costs of such Additional Project, or transfer as provided in the Bond Order or in the applicable series resolution, will, to the extent permitted by law, be subject to a lien and charge in favor of the Owners of the particular Series of Bonds to which such account relates and will be held for the security of such Owners. The account established within the Construction Fund for the Series 2008 Project will be held by the Trustee.

Insurance and Condemnation Award Fund. The Insurance and Condemnation Award Fund will be held by the Trustee. Under certain circumstances described in the Bond Order, the Authority is required to deliver Net Insurance Proceeds and Net Eminent Domain Proceeds to the Trustee for deposit in the Insurance and Condemnation Award Fund. Moneys held in the Insurance and Condemnation Award Fund will be disbursed to repair or replace the Airport Facilities or to pay or redeem Bonds and Parity Debt in the manner set forth in the Bond Order. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER AND THE SERIES RESOLUTION – THE BOND ORDER – Insurance and Condemnation Award Fund” in Appendix B hereto.

Application of Receipts. Current Expenses will be paid by the Authority from and will be a first charge and lien against the Revenue Fund. The Current Expenses will be paid from the Revenue Fund as the same become due and payable in conformity with the applicable budgetary and payment procedures of the Authority.

At such time or times as are specifically provided for in the Bond Order or any series resolution, Parity Debt Resolution or Derivative Agreement, the Authority will use amounts on deposit in the Revenue Fund to make the required deposits under the Bond Order and any series resolution and Parity Debt Resolution to the accounts and subaccounts of the Revenue Bond Fund established by such series resolutions and Parity Debt Resolutions. The deposits required by the Series Resolution are subject to the provisions of the Bond Order governing the withdrawal and transfer of funds from the Revenue Fund as described under “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER AND THE SERIES RESOLUTION – THE BOND ORDER – Use of Money in Revenue Fund for Debt Service, Reserve Funds and Other Obligations” in Appendix B hereto.

The Series Resolution provides that, with respect to the Series 2008 Bonds, the Authority will deposit with the Trustee from Net Receipts held in the Revenue Fund amounts required to pay the scheduled payments of principal of and interest on the Series 2008 Bonds; provided,

however, that if at any time principal or interest on a Series of the 2008 Bonds is due and payable or the Authority determines to redeem a Series of the 2008 Bonds and a Credit Facility for such Series is in effect and available to make such payment, then the Trustee will draw on such Credit Facility to make the required payment.

The Authority, in its discretion and except during the continuation of an Event of Default, may transfer in any month any balance remaining in the Revenue Fund at the end of the preceding month after making all deposits or payments required by the Bond Order, in whole or in part, to the General Fund or any other fund or account designated by the Authority, provided that (i) an Authorized Officer must first certify to the Trustee in a certificate that, in his or her opinion, the transfer of such amount will not have a material adverse effect on the Authority's ability over the next twelve calendar months to pay the Current Expenses, to make all deposits required by the Bond Order and to meet all other financial obligations imposed by the Bond Order or any Parity Resolution and (ii) the cumulative amount so transferred in any Fiscal Year will not exceed the total amount budgeted to be transferred from the Revenue Fund in such Fiscal Year as shown in the Authority's annual budget for such Fiscal Year. Any funds so transferred from the Revenue Fund, other than transfers made to any account or subaccount of the Revenue Bond Fund, will no longer be subject to the pledge, charge and lien upon the Net Receipts created by the Bond Order.

Faith and Credit and Taxing Power Not Pledged. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Series 2008 Bonds. **THE AUTHORITY IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2008 BONDS EXCEPT FROM THE NET RECEIPTS AND CERTAIN OTHER MONEYS MADE AVAILABLE THEREFOR UNDER THE BOND ORDER.** No registered owner of any Series 2008 Bond shall ever have the right to compel the exercise of the taxing power of the State or any of its political subdivisions nor shall the Series 2008 Bonds constitute a charge, lien or encumbrance, legal or equitable, on any property of the Authority (except for the Net Receipts and the applicable funds, accounts and subaccounts as discussed above) or of the State or any of its political subdivisions. The Authority has no taxing power.

Rate Covenant. Pursuant to the Bond Order, the Authority covenants to fix, charge and collect rates, fees, rentals and charges for the use of and services furnished or to be furnished by the Airport Facilities, and from time to time and as often as it shall appear necessary, to revise such rates, fees, rentals and charges as may be necessary or appropriate in order that, for each Fiscal Year, the Income Available for Debt Service for such Fiscal Year, will be not less than the greater of (i) 125% of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year and (ii) 100% of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year. "Income Available for Debt Service" means, generally, for any period, the excess of Revenues over Current Expenses, subject to certain adjustments. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER AND THE SERIES RESOLUTION – DEFINITIONS" in Appendix B hereto for full definitions of Income Available for Debt Service, Revenues and Current Expenses as such terms are used in the Bond Order.

The Authority also covenants to fix, charge and collect rates, fees, rentals and charges for the use of and services furnished or to be furnished by the Airport Facilities, and from time to time and as often as it shall appear necessary, to revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that the Receipts will be sufficient in each Fiscal Year to (i) pay Current Expenses, (ii) to make the cash deposits in each Fiscal Year required by the Bond Order and (iii) to make the cash deposits in each Fiscal Year required by any Subordinated Indebtedness Resolution with respect to the payment of principal of and interest on Subordinated Indebtedness. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER AND THE SERIES RESOLUTION – THE BOND ORDER – Rate Covenant” in Appendix B hereto.

Parity and Subordinated Indebtedness. The Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds and the Series 2005A Bonds are secured by a pledge of and lien upon the Net Receipts on a parity with the Series 2008 Bonds. Under the conditions and limitations set forth in the Bond Order, the Authority may issue additional Bonds and incur Parity Debt secured by a pledge of and lien upon the Net Receipts on a parity with that securing the Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds, the Series 2005A Bonds and the Series 2008 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER AND THE SERIES RESOLUTION – THE BOND ORDER – Limitations on Parity Indebtedness” in Appendix B hereto. There is no Parity Indebtedness currently Outstanding other than the foregoing Bonds.

Under the conditions and limitations set forth in the Bond Order, the Authority may incur Subordinated Indebtedness secured by a pledge of and lien upon Net Receipts subordinate to that securing Parity Indebtedness. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER AND THE SERIES RESOLUTION – THE BOND ORDER – Limitations on Subordinated Indebtedness” in Appendix B hereto. There is no Subordinated Indebtedness currently Outstanding.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

Tender Advances

Unless an event of default has occurred and is continuing under the Reimbursement Agreement or unless the representations and warranties contained in the Reimbursement Agreement or the other Related Documents (as defined in the Reimbursement Agreement) are incorrect, the proceeds of the amount of each drawing under one of the Letters of Credit to pay the portion of the purchase price of the Series 2008 Bonds that are secured by such Letter of Credit allocable to principal and interest (a “Tender Drawing”) will constitute an advance made by the Bank to the Authority on the date and in the amount of such Tender Drawing (each such loan being herein referred to as a “Tender Advance”) repayable as provided in the Reimbursement Agreement.

In addition to the other amounts payable by the Authority under the Reimbursement Agreement, the Authority is also required thereunder to pay interest on each Tender Advance to the Bank at a fluctuating rate of interest as provided in the Reimbursement Agreement. Any Tender Advances, and interest thereon, not paid when due as provided in the Reimbursement

Agreement shall thereafter bear interest at a fluctuating rate of interest as provided in the Reimbursement Agreement.

The Series Resolution provides that all Series 2008 Bonds (or portions thereof) the purchase price of which was provided pursuant to a draw on the Letters of Credit, shall be delivered to the Trustee and registered in the name of the Authority, pledged on behalf of the Bank as Pledged Bonds pursuant to the Tender Agreements and the Reimbursement Agreement to secure the Authority's obligations to the Bank under the Reimbursement Agreement.

The obligations of the Authority under the Reimbursement Agreement to reimburse drawings under the Letters of Credit will constitute "Parity Debt" within the meaning of the Bond Order, and the obligation of the Authority to reimburse drawings under the Letters of Credit and to make other payments as required under the Reimbursement Agreement will be a special obligation of the Authority secured by a pledge, charge and lien upon Net Receipts.

Events of Default under Reimbursement Agreement

The Reimbursement Agreement sets forth a number of events of default, including, but not limited to, the failure of the Authority to reimburse the Bank for any drawing under the Letters of Credit when due. The Bank may waive any event of default under the Reimbursement Agreement.

If an event of default under the Reimbursement Agreement occurs and is continuing, the Bank may, in its sole discretion, (i) declare all drawings in respect of the Letters of Credit to be immediately due and payable, and upon such declaration the same will become and be immediately due and payable, without presentment, protest, demand or other notice of any kind, all of which have been waived by the Authority in the Reimbursement Agreement, (ii) notify the Trustee that an event of default under the Reimbursement Agreement has occurred and is continuing and request that (x) each Series of the 2008 Bonds be accelerated pursuant to the Bond Order and the Letters of Credit be drawn on by the Trustee or (y) the Trustee cause a mandatory purchase of the Series 2008A Bonds and the Series 2008B Bonds, pursuant to the Series Resolution and (iii) pursue all remedies available to it at law, by contract, at equity or otherwise, including a right of set off against Authority funds held by the Bank that are permitted to be used for payment of the Authority's Bonds.

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission of North Carolina (the "LGC"), a division of the Department of State Treasurer, is a state agency that supervises the issuance of the bonded indebtedness of all North Carolina units of local government and most public authorities, including the Authority, and provides assistance in the area of fiscal management.

The LGC has a number of functions with respect to fiscal management of units of local government and public authorities. The LGC monitors compliance with certain fiscal and accounting standards prescribed by the North Carolina Local Government Budget and Fiscal Control Act and attempts to ensure that units of local government and public authorities follow generally accepted accounting principles, systems and practices. Such Act requires each unit of local government and each public authority to operate under a balanced budget and to have its

accounts audited annually by a certified public accountant or by an accountant certified by the LGC as qualified to audit local government accounts. As of this date, no audit contract to be performed by an accountant other than an independent certified public accountant has been approved by the LGC. The LGC has the statutory authority to impound the books and records of any unit of local government and of public authorities subject to its jurisdiction, including the Authority, and assume full control of all its financial affairs if the unit of local government or public authority defaults on any debt service payment or, in the opinion of the LGC, will default on a future debt service payment if its financial policies and practices are not improved. If the LGC elects to exercise this authority, it is vested with all of the powers of the governing board of such unit of local government or public authority as to the levy of taxes, if applicable, expenditure of money, adoption of budgets and all other financial powers conferred upon the governing board by law. Moreover, if a unit of local government or public authority defaults on a required payment of principal of or interest on its outstanding debt and remains in default for 90 days, the LGC may take such action as it deems advisable to investigate the fiscal affairs of the unit of local government or public authority and negotiate with its creditors in order to assist in working out a plan for refinancing or adjusting such debt. The LGC is authorized to enter an order finding a plan to be equitable and within the ability of the unit of local government or public authority to meet and to advise such entity to take the necessary steps to implement such plan. If the unit of local government or public authority declines to do so within 90 days, the LGC may enter an order directing it to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the unit of local government or public authority must make such financial reports to the LGC as required by the LGC and must obtain the approval of the Secretary of the LGC of its annual budget ordinance until the LGC is satisfied that the unit of local government or public authority has performed or will perform the duties required of it in the refinancing plan and until agreements made with its creditors have been performed in accordance with such plan.

THE AUTHORITY

Organization

The Authority consists of seven members who constitute its Board of Directors for purposes of conducting business. One member is appointed by the City Council of the City of Greensboro, one by the City Council of the City of High Point, three by the Board of Commissioners for the County of Guilford, one by the City Council of the City of Winston-Salem and one by the Board of Commissioners for the County of Forsyth. The members are appointed for staggered three-year terms. Two members must be resident voters of High Point (one appointed by the City Council of the City of High Point and one appointed by the Board of Commissioners for the County of Guilford), two must be resident voters of Greensboro (one appointed by the City Council of the City of Greensboro and one appointed by the Board of Commissioners for the County of Guilford), one must reside in Guilford County at large (appointed by the Board of Commissioners for the County of Guilford), one must be a resident voter of the City of Winston-Salem (appointed by the City Council of the City of Winston-Salem) and one must reside in Forsyth County at large (appointed by the Board of Commissioners for the County of Forsyth). Members serve without compensation although they are reimbursed for expenses incurred in transacting the business of the Authority.

The Authority is a body corporate and politic under the laws of North Carolina and has the power, among other things, (a) to issue revenue bonds and to borrow money in anticipation thereof, (b) to purchase, acquire, construct, improve, maintain, operate and regulate airports and landing fields and all facilities incidental thereto within the limits of Guilford County, (c) to purchase, acquire (by the power of eminent domain or otherwise), own, hold, lease and operate real and personal property, (d) to make contracts necessary for the exercise of its powers, (e) to charge and collect reasonable and adequate fees, royalties, rents and other charges, (f) to make reasonable rules and regulations and (g) to operate, own, lease, control or grant to others the right to operate restaurants, beverage dispensing outlets, vending machines, rental car services, novelty shops, advertising media, automobile parking, hotels and all other types of facilities directly or indirectly related to a complete air terminal installation.

The management of the Authority and its operations are carried out by a staff headed by the Executive Director, who reports directly to the Chairman of the Board of Directors. Reporting to the Executive Director are the Assistant Airport Director, the Director of Finance, the Director of Development, the Director of Human Resources and the Director of Operations. Each of these individuals is aided by administrative, operations and maintenance personnel.

Management Philosophy

The policy of the Authority in establishing fees and charges for the use of Airport Facilities is to recover the costs of providing the facilities, including maintenance, operating and administrative expenses, capital costs and interest on borrowed funds, and to earn a return on its investment in the facilities. In the case of aeronautical users, with respect to terminal facilities and landing and apron space, the Authority's fees and charges are designed to recover its costs which are allocated to the users based upon the extent of their use of the facilities. In the case of nonaeronautical users such as concessionaires, the Authority's fees and charges are based upon market value and competitive pricing policies. In all cases, the Authority applies its own business judgment in order to establish fees and charges which, in its opinion, are reasonable and will tend to foster use of the Airport rather than inhibit its growth.

The Authority has the power to establish fees and charges by regulations. It has done so from time to time, for example, with respect to landing fees for certain scheduled air carriers and certain charter, supplemental or commuter air carriers, or users which are not lessees of the Airport terminal building space. Generally, however, the Authority prefers to enter into leases or other agreements with the major users of the Airport. While the Authority may consult with its principal tenants prior to proceeding with proposed improvement or construction programs, its leases and agreements are designed to permit the Authority to develop the Airport as it deems in the public interest and to retain control over operation and maintenance of the Airport.

Board of Directors

HENRY H. ISAACSON, Chairman of the Board, was appointed to the Board of Directors in April 1999. He is senior partner of the law firm Isaacson Isaacson Sheridan & Fountain, LLP specializing in the areas of zoning, land use and regulation, civil litigation, general corporate law and international law. He graduated from the University of North Carolina – Chapel Hill in 1955 and is an honors graduate of the University of North Carolina School of

Law. Following graduation, he served in the armed services from 1958-1961, obtaining the rank of Captain, JAGD. He has served as a member of the Greensboro Human Relations Commission, the Governmental Center Commission, the Greensboro Alcoholic Beverage Control Board (Chairman 1980-1988), North Carolina Alcoholic Beverage Control Board (President), Greensboro Junior Chamber of Commerce (President, Vice President and Secretary), Greensboro Chamber of Commerce Board of Directors, Greensboro Development Corporation (Secretary), Greensboro Merchants Association Board of Directors, Guilford County Mental Health Society Board of Directors, The National Conference of Christians and Jews (Chairman), Guilford College Board of Visitors, Sit-In Movement, Inc. Board of Directors, One Step Further Board of Directors, Greenhill Center for North Carolina Art Board of Directors, Greensboro Music Academy Board of Directors, the Board of Trustees of North Carolina A&T State University and First Flight Centennial Foundation Board of Directors. Mr. Isaacson was appointed to the North Carolina Aeronautics Council in July 2007. He is also a member of the Greensboro and North Carolina Bar Associations as well as the American Bar Association.

WALTER C. COCKERHAM, Vice-Chairman of the Board, was appointed to the Board of Directors in April 1991. He is a member of the Airport Commissioners Round Table Steering Group for Airports Council International – North America. He has served on the Greensboro City Council, on the Board of County Commissioners of Guilford County, and in the North Carolina Senate. In 1979 and 1981, he was named “Senator of the Year” by The Good Government Commission. He is former Chairman and Chief Executive Officer of Cockerham Construction Co., Inc., which he founded in 1952. He is Chairman of the Board of Directors of Lakewood Knitting, Inc.; Chairman of the Board of Directors of Supreme Mills, Inc.; former President and Chief Executive Officer of Triad Network, Inc.; President of Cockerham Realty; Chairman of Speakers’ Bureau-Employers’ Support of the National Guard and Reserve; a member of the Advisory Council, U.S. Department of Interior-Historical Preservation; founder and Vice-Chairman of the Board of Directors of Gateway Bank; and former owner of Air Express-Air Freightlines. He is a veteran, a life member of the Veterans of Foreign Wars and the American Legion, and a member of the Greensboro Engineers Club. He is an instrument and multi-engine pilot with 30 years’ experience.

NANCY A. VAUGHAN, Secretary of the Board, was appointed to the Board of Directors in April 2003. Mrs. Vaughan is the former Operations Manager for Talley Machinery Corp. She graduated from the Textile Rental Services Association of America/Uniform and Textile Service Association Maintenance Management Institute in 1993. She presently serves on the board of the Greensboro Beautiful. She has served as Public Affairs Community Liaison for the Junior League of Greensboro, as Co-Chair of the Children of Domestic Violence Task Force, as Chair of the Chamber of Commerce Transportation Committee and as a member of the Greensboro City Council, the Guilford College Branch Library Advisory Board, the Scenic Corridor Task Force and the Greensboro Housing Development Partnership.

DR. OTIS E. TILLMAN, SR., Treasurer of the Board, was appointed to the Board of Directors in April 2001. Dr. Tillman has a private family practice. He received his M.D. from Howard University in 1957, and received his B.S. degree in Organic Chemistry from North Carolina A&T State University in 1953. He has served on numerous boards, commissions and committees for, among other entities, The United Way, Social Services, Boy Scouts, Y.M.C.A., Sickle Cell Anemia Foundation, America Cancer Society, Human Relations Commission, The

American Red Cross, The North Carolina Shakespeare Festival, Advisory Board of Branch Banking and Trust Company, and the High Point Chamber of Commerce. Dr. Tillman was past Chairman of The Model Cities Project and was one of the original board members of the Developmental Day Care Program in High Point. Recently, he was a member of the Minority Male Study Commission for the State of North Carolina. Presently, he serves as a member of the Board of Hospice of the Piedmont, Inc., the Board of the High Point Community Foundation, the Board of Trustees of the Presbyterian Home of High Point, the Board of Trustees of the High Point Y.M.C.A., and the Board of Directors of the Guilford Community AIDS Partnership Grants Review Commission. Dr. Tillman has served on the board of trustees of North Carolina A&T State University for 25 years and on the board of trustees of the University of North Carolina at Pembroke for two years. He is a former member of the Board of the Open Door Shelter. He is a life member of the NAACP. Dr. Tillman was the *High Point Enterprise* Citizen of the Year in 1999 and was the recipient of the Nat Green Sertoma Club's Service to Mankind Award in 1992. Dr. Tillman has authored two books concerning the spiritual aspects of the practice of medicine, and his professional associations include holding memberships in the Greensboro, the Old North State and the National Medical Societies.

DR. W. EARL BARBOUR was appointed to the Board of Directors in April 2003. Dr. Barbour has a private chiropractic practice. He received his Doctor of Chiropractic degree from Lincoln College of Chiropractic in 1968, and attended Wake Forest University to receive his B.S. degree in Human Biology in 1964. He has served as past President of the North Carolina Board of Chiropractic Examiners, past President of the North Carolina Chiropractic Association, past Chairman of the Board of Directors, National Federation of Licensing Boards, and a member of the North Carolina Chiropractic Board of Directors. Dr. Barbour has received on multiple occasions the Distinguished Service Award from the National Federation of Chiropractic Licensing Boards and the Special Recognition Award and the Distinguished Service Award from the North Carolina Chiropractic Association, and he is a Fellow of the International College of Chiropractic. He is also active in numerous civic organizations and community activities.

DONALD E. FLOW was appointed to the Board of Directors in July 2007. Mr. Flow is Chairman and Chief Executive Officer of Flow Companies, Inc. He received a Bachelor of Science degree in Commerce from the University of Virginia in 1977 and an M.B.A. from Wake Forest University in 1983. He currently serves on the Boards of Wake Forest University, Wake Forest University Baptist Medical Center and the North Carolina School of the Arts. Mr. Flow served as Board President of Summit School and Winston-Salem Business Inc. and is currently serving as President of the Winston-Salem Alliance.

GLORIA WHISENHUNT was appointed to the Board of Directors in December 2006. Mrs. Whisenhunt is the owner of a small business. She is the Chair of the Forsyth County Board of Commissioners, the Vice Chairman of the Piedmont Authority for Regional Transportation and a member of the Forsyth County Emergency Management Advisory Council, the Forsyth County Airport Authority/Smith Reynolds Airport, the Forsyth County School Tech/Prep Advisory Council, the State Intergovernmental Committee, the National Economic Development Committee, the North Carolina Association of County Commissioners Board of Directors, the Transportation Advisory Committee (alternate), the National Association of Counties Board of Directors and the North Carolina Risk Management Board of Trustees. She is a former member

of the Forsyth County Board of Education and was the Co-Chair of the 2000-2001 NCACC Legislative Goals Committee.

Key Management Personnel

EDWARD A. JOHNSON, Executive Director, has served in various management positions since joining the Authority in 1968 and has held his present position since September 1993. He is a graduate of Duke University with a Bachelor of Science degree in civil engineering. He is a member of the American Association of Airport Executives and a past president and present member of the Board of Directors of the North Carolina Airports Association. Mr. Johnson was the recipient of the Ally of the Year award presented by the North Carolina Economic Developers Association recognizing his work with developers to promote economic development. Mr. Johnson is active in the community, serving on the Transportation Committee of the Greensboro and High Point Chamber of Commerce and as past president of the Jamestown Jaycees and the Jamestown Civitan Club. He served as president of the Parent Teacher Associations for Florence Elementary School, Jamestown Middle School, and Ragsdale High School. He currently serves on the Advisory Committee at Ragsdale High School, previously served on the advisory committee of the Millis Road School and is the Vice Chair of the Guilford Technical Community College Foundation.

KEVIN J. BAKER, PE, Assistant Airport Director, joined the Authority in January 2008. He served previously as a Vice President of the Michael Baker Corporation, a 5,000 person international consulting firm. In that role, Mr. Baker has served as a consultant to the Authority for the last 10 years, leading major airport development programs. Mr. Baker is a 1990 Graduate of Lehigh University, with a Bachelor of Science in Civil Engineering. He is a registered Professional Civil Engineer in North Carolina. He also has coursework toward a Masters in Business Administration from Robert Morris College. Mr. Baker's industry involvement includes the American Association of Airport Executives (AAAE), Airport Consultants Council (ACC), Airports Council International (ACI), and the North Carolina Aviation Association (NCAA). Mr. Baker has been involved in numerous community, civic and other activities, including serving on the Board of Trustees of the Natural Science Center of Greensboro; the Board of Directors of the Michael Baker Federal Credit Union; the Board of Directors of the Michael Baker ESOP Committee; Chair of a Boy Scouts of America Explorer Post; and has led YMCA and Boy Scout fundraising committees.

DOREANN L. SMITH, Director of Finance, joined the Authority as Director of Administration in March 1988 and was named to her current position in November 1988. She was previously Director of Accounting at Salem Academy and College in Winston-Salem, North Carolina, and held the position of General Accounting Supervisor for the United States Air Force, among other positions. She is active in community affairs and currently serves on the Muscular Dystrophy Association Gala committee which raises money for amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease). She has served on the County Advisory Council for the State of North Carolina Public School System and the State of North Carolina Community Schools Programs. Ms. Smith is a certified public accountant who graduated *summa cum laude* from High Point College with a bachelor's degree in accounting. She served as Community Affairs Director for the Piedmont Chapter of the National Association of Accountants, and is currently a member of the North Carolina Association of Certified Public Accountants, the

American Association of Airport Executives, the Airport Association of Internal Auditors and the Government Finance Officers Association. She currently serves on the Regional Board for the North Carolina Capital Management Trust.

MICKIE L. ELMORE, Director of Development, joined the Authority in November 1998. A North Carolina native, he studied Architectural Technology at Central Piedmont Community College and worked as a consultant in the design and development of various airports until joining the Authority. He has been involved in the development of the Airport since construction of the new terminal building. He currently serves as Vice President on the Board of Directors for the North Carolina Airports Association, and is a member of the American Association of Airport Executives.

KELLY HILLIARD, Director of Human Resources, joined the Authority in September 2005. She holds a Masters degree in Public Affairs and a Bachelor of Science degree in Finance. Prior to joining the Authority, Kelly served as a Human Resources Program Manager for the University of North Carolina at Greensboro. Kelly has over seventeen years of experience in the field of human resources and has served in various leadership positions during her career. She also has served in leadership positions within the community and currently is a member of the Helping People Help Themselves Focus Area Committee for the United Way of Greater Greensboro. Kelly has been recognized with the Mayor's Committee Outstanding Service Award and the North Carolina College and University Professional Association "Award of Excellence" during her career.

JULIE A. BEADLE, Director of Operations, joined the Authority in December 2007. She was previously Operations Duty Manager at Memphis International Airport where she worked for the past 10 years. She was also an Operations Supervisor with the New Orleans Aviation Board and Security/Operations Supervisor at Albany County Airport (NY). She received her Bachelor of Science and Master of Business in Aviation Business Administration from Embry-Riddle Aeronautical University. She has been an Accredited Airport Executive with the American Association of Airport Executives since 2001 and serves on several AAAE committees. She has done community work in cooperation with FedEx for the Women In Aviation and the Options Education Program for the City of Memphis. She has also worked with the Muscular Dystrophy Association as a volunteer to organize fund-raising events for the past 3 years.

THE AIRPORT

General

The Airport is located in Guilford County in north central North Carolina, near Interstates 40 and 85, U.S. Highway 421 and North Carolina Highway 68, approximately 10 miles west of the central business district of Greensboro, 10 miles north-northeast of the central business district of High Point and 20 miles east of the central business district of Winston-Salem. The Airport currently consists of approximately 3,700 acres with two runways and associated taxiways, aircraft ramps, a 339,671 square-foot terminal building with 23 passenger gates and a food service area, and other facilities. One of the existing runways is 10,000 feet long; the other is 6,380 feet long. One of the approaches to each of the runways is equipped with a Category I

Instrument Landing System. The second approach to the 10,000-foot runway is equipped with a Category II Instrument Landing System. A third runway is under construction. The Airport has been in operation since the inception of commercial aviation in the area in 1927.

As of December 17, 2007, the Airport was served by six air carrier airlines operating under Air Carrier and Lease Agreements, namely, Continental Airlines, Inc. (“Continental”), Delta Air Lines, Inc. (“Delta”), Northwest Airlines, Inc. (“Northwest”), United Air Lines, Inc. (“United”), US Airways, Inc. (“US Airways”) and Skybus Airlines (“Skybus”), a low-cost carrier. The Airport was also served by a regional/commuter airline, American Eagle Airlines, Inc. (“American Eagle”) operating as a non-signatory airline, by another low-cost carrier, Allegiant Air (“Allegiant”), and by thirteen other regional/commuter airlines, operating as Continental Express, Delta Connection (Atlantic Southeast, Chautauqua, Comair, and Freedom), Northwest Airlink, United Express (Trans States, Chautauqua, GoJet, and Mesa) and US Airways Express (Chautauqua, Mesa, Piedmont, PSA, Trans States, Republic, and Air Wisconsin), as well as miscellaneous charter services. As of December 1, 2007, five all-cargo airlines served the Airport: DHL Express (USA) Inc. (“DHL Express”), Federal Express Corporation (“Federal Express”), Mountain Air Cargo, Inc. (“Mountain Air Cargo”), United Parcel Service, Inc. (“UPS”) and Tradewinds Inc. (“Tradewinds”).

The Airport is designated as a small hub airport by the FAA, accounting for less than 0.25% of total revenue passengers enplaned by U.S. flag air carrier airlines in the United States and its territorial possessions in 2006. US Airways and Delta, together with their codesharing affiliates, accounted for 29.5% and 29.3%, respectively, of the passengers enplaned at the Airport during Fiscal Year 2007. No other airline during this period accounted for more than 14% of total enplanements. Almost 87% of scheduled passenger flights are short-haul, i.e., less than 600 miles in stage length. Many of these nonstop flights link the Airport to major airlines’ hub airports, reflecting the role the Airport has played in the national air transportation system as a “spoke” to “connecting hubs.”

The Authority is now carrying out a major expansion project consisting of three main elements: (1) site preparation for an air cargo facility to be leased by the Authority to Federal Express for its Mid-Atlantic hub; (2) construction of a new 9,000-foot public runway, parallel to existing Runway 5/23, and related airfield improvements; and (3) the relocation of Bryan Boulevard, which previously provided access directly to the Terminal Area and modifications to the internal road network at the Airport. In October 2002, the Authority and Federal Express signed a 25-year lease with a 10-year renewal option for the cargo hub facility. The first phase of the cargo hub is scheduled to commence operation in 2009. The cargo hub facility itself, and additional businesses that may be attracted by it, are expected to add nearly 16,000 new jobs in a 14-county area over a 16-year period.

Charlotte/Douglas International Airport (“Charlotte”) and Raleigh-Durham International Airport (“Raleigh/Durham”) are located 82 and 67 miles, respectively, from the Airport. Smith-Reynolds Airport (“Smith-Reynolds”) is located within the Combined Statistical Area of the Greensboro—Winston-Salem—High Point region (the “CSA”) about 16 miles from the Airport. Smith-Reynolds, which provides general aviation, air cargo, and regional/commuter services, is owned by Forsyth County and operated by the Airport Commission of Forsyth County.

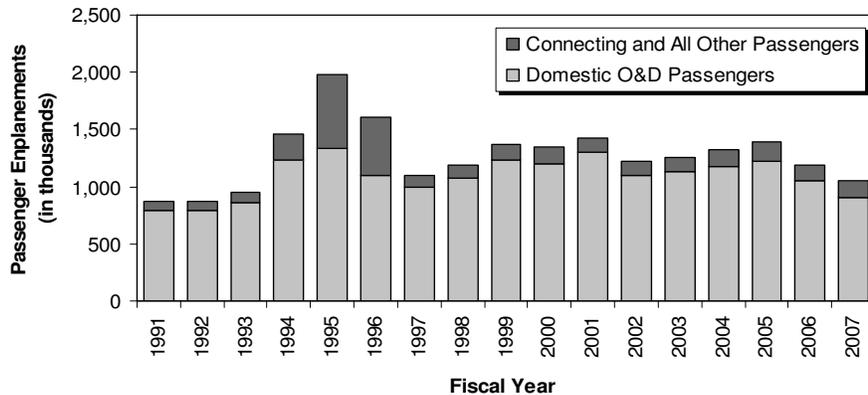
The operation of the Airport and the various business activities associated with the transportation of passengers and cargo by air, the maintenance of aircraft, and the conduct of other aeronautical activities, at or in the immediate vicinity of the Airport, all have a major impact upon the economy of the area. As of November 2007, the Authority and the airlines, concessionaires, and other tenants of the Authority, employed more than 4,000 persons at the Airport.

Passenger Traffic and Air Service

The Airport relies on a large base of domestic origin and destination (“O&D”) passengers. As can be seen in the following chart, connecting passenger traffic accounted for a significant share of total traffic only in the mid-1990’s, when Continental’s low-fare service, CALite, operated at the Airport. Flights from the Airport serve primarily short-haul U.S. destinations, and the Airport is a “spoke” on many carriers’ route networks. No carrier currently operates a hub at the Airport, although low-cost carrier Skybus began basing aircraft at the Airport in January 2008 as part of its plan to conduct a hub-like (or “focus city”) operation at the Airport. The only other low-cost carrier that currently provides service at the Airport, Allegiant, began operations at the Airport in May 2007. In Fiscal Year 2007, two carriers, US Airways and Delta, together with their respective affiliated commuter airlines, enplaned over half of total passengers.

The Airport has recently experienced a significant decline in enplanements. Between Fiscal Year 2005 and Fiscal Year 2007, the number of enplaned passengers declined 24.4% while the number of departing seats (“capacity”) at the Airport declined 29.7% and average airfares paid at the Airport increased 24.2%. The reason traffic declined to a lesser extent than capacity was an increase in the percentage of occupied seats (“load factors”) on departing flights.

**Historical Annual Enplanements
Piedmont Triad International Airport
(for the 12 months ended June 30)**



Source: Piedmont Triad Airport Authority; DOT, *Air Passenger Origin-Destination Survey*, reconciled to DOT Schedules T-100 and 298C T-1.

This traffic decline arose from a confluence of events. One such event occurred in September 2004, when AirTran, then the Airport’s only low-cost carrier ceased service at the Airport, thereby reducing price competition.

Subsequently, Delta and Northwest, in bankruptcy from the fall of 2005 to the spring of 2007, removed significant capacity at the Airport while in the process of restructuring their route networks. Between the third quarters of 2005 and 2006, for example, Delta's capacity declined 40.7% and Northwest's capacity declined 36.4% at the Airport. While these cuts were significant, they were not particularly out of line with broader cuts those airlines made elsewhere. In the Southern U.S., for example, both airlines reduced capacity by almost one-quarter at small-hub airports.

Between November 2005 and November 2007, US Airways increased domestic capacity on jet aircraft at its Charlotte hub by 10.5%. When US Airways emerged from bankruptcy in September 2005, it merged with America West, a low-cost carrier. At Charlotte, US Airways' average one-way airfares declined from \$167 in Fiscal Year 2005 to \$159 in Fiscal Year 2007.

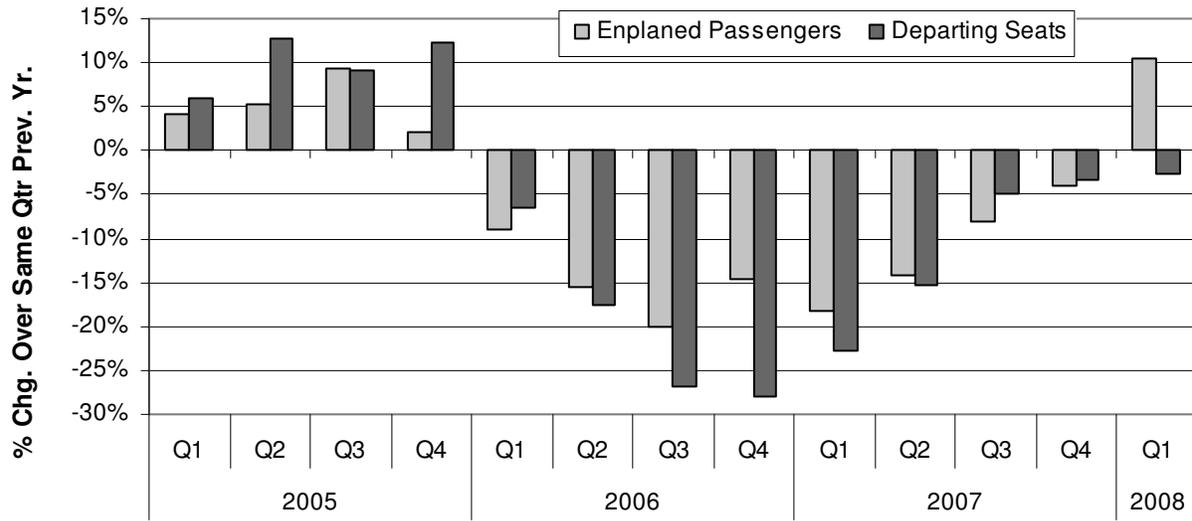
As the attractiveness of driving to Charlotte to access lower fares increased, particularly for the budget-conscious traveler, the Airport experienced erosion of this segment of its traffic. As a result, average one-way airfares paid at the Airport increased from \$137 in Fiscal Year 2005 to \$170 in Fiscal Year 2007. While average fares at the Airport were \$30 less than at Charlotte in Fiscal Year 2005, they were \$11 higher in Fiscal Year 2007.

There are indications that, with Charlotte being no more than 1.5 hours by car, the service increases and lower fares may have proved increasingly attractive to travelers in the Airport's service region. According to a September 2007 study by Sabre Airline Solutions, passenger leakage to other airports from the Airport's primary catchment area increased from 38% in 2005 to 50% in 2007. In other words, one of every two passengers for whom the Airport is the closer airport chose to fly from either Charlotte or Raleigh instead.

Additionally, the Airport has traditionally experienced lower than average load factors (generally in the mid-60% range). This results partly from the high proportion of regional jet operations at the Airport (regional affiliate airlines often operate more frequent feeder-service flights than they otherwise might, due to capacity purchase agreements with their partner legacy airlines). When airlines are faced with lower load factors they typically charge higher fares to cover their costs.

In the first quarter of Fiscal Year 2008, however, the Airport experienced a year-over-year increase (up 10.6%) in enplaned passengers following eight consecutive quarters of traffic losses. Even without the enplaned passengers carried by the Airport's two new low-cost carriers, Skybus and Allegiant, the Airport still would have experienced traffic growth of 3.5%.

**Year-Over-Year Percent Change in Enplaned Passengers and Departing Seats
Piedmont Triad International Airport**



(fiscal years ended June 30)

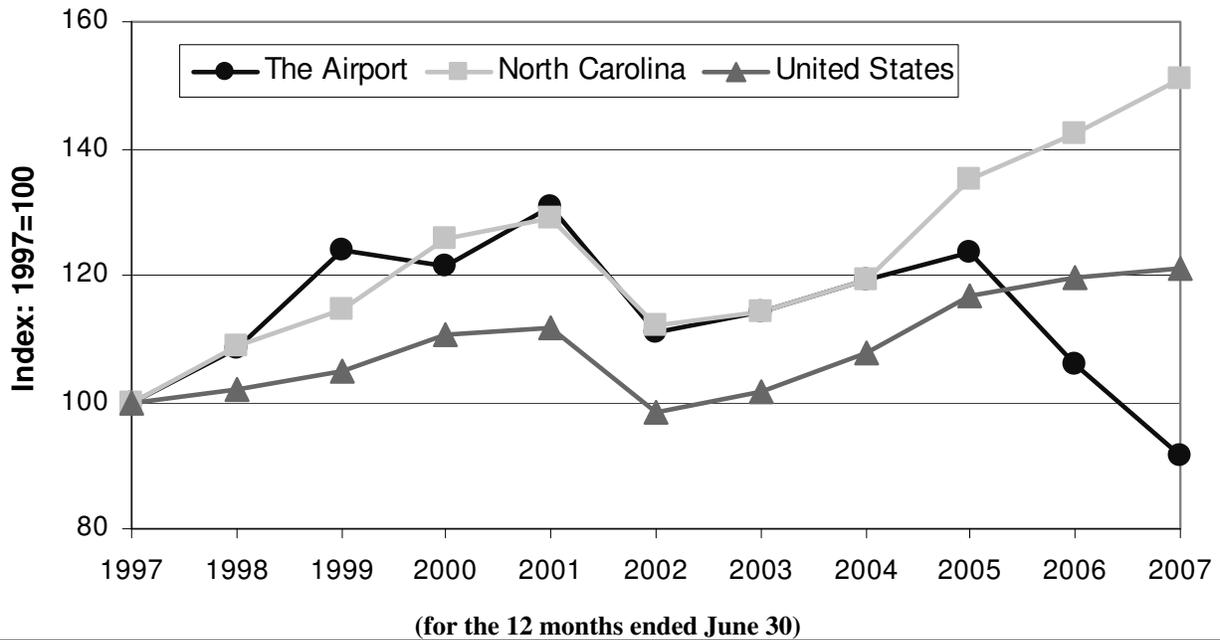
Source: Piedmont Triad Airport Authority; *Official Airline Guide*; Jacobs Consultancy; DOT, Schedule T100.

In late 2007, Skybus announced its intention to create a base of operations at the Airport beginning in January 2008. See “OTHER AIRPORT ACTIVITIES AND AGREEMENTS – Skybus Memorandum of Understanding” herein. According to public statements by Skybus management as of December 5, 2007, this could add roughly 750,000 departing seats per year, effectively increasing total capacity at the Airport by 40% assuming no reduction in capacity by the other carriers at the Airport. As a result of this increase in service and the resulting downward pressure on fares, the possibility of competitive responses by other airlines at the Airport, and some recapture of traffic leakage, there is significant potential for traffic growth at the Airport.

Passenger Trends

One of the key strengths of the Airport is a large base of domestic O&D passengers. Most of the passengers using the Airport either originate or terminate their journeys at the Airport. Domestic O&D passengers accounted for 86% of total passengers enplaned at the Airport in Fiscal Year 2007. International O&D passengers, i.e., those passengers who boarded a domestic flight at the Airport and connected to an international flight at another U.S. gateway airport, and to a lesser degree, domestic connecting passengers, accounted for the remaining 14%.

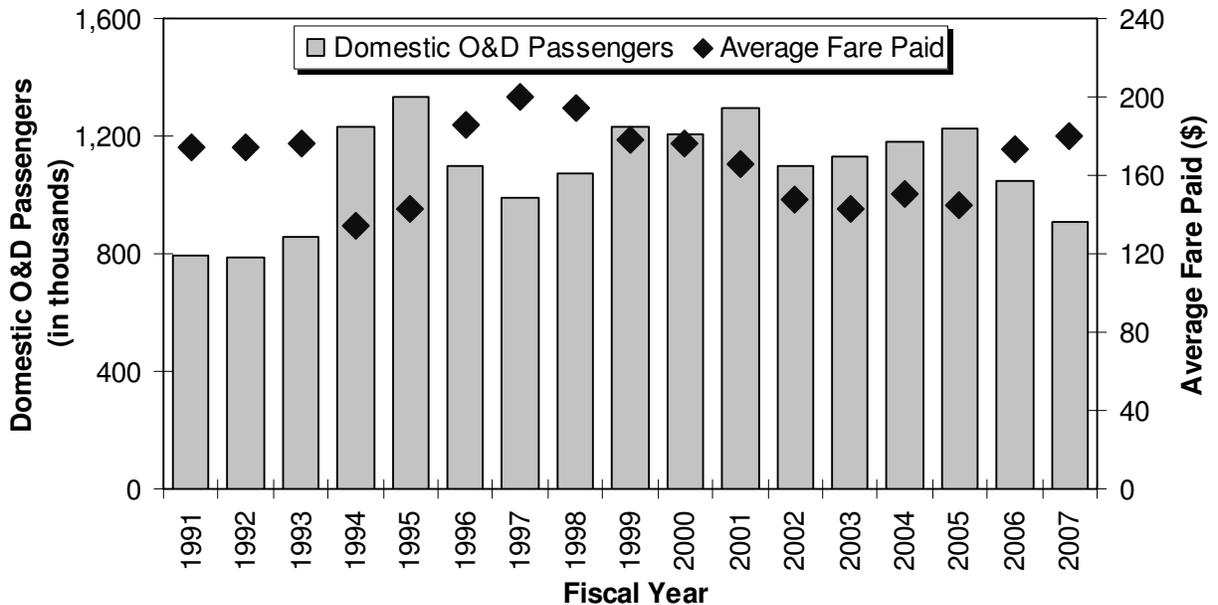
**Domestic Outbound O&D Passenger Trends
Piedmont Triad International Airport,
All North Carolina Airports & All U.S. Airports¹**



Source: DOT, *Air Passenger Origin-Destination Survey*, reconciled to DOT Schedules T-100 and 298C T-1.
 Note: 1. Excludes airports outside the continental U.S., i.e., those in Puerto Rico, the U.S. Virgin Islands, Hawaii, and the islands of the Pacific Trust.

From Fiscal Year 1997 to Fiscal Year 2005, domestic outbound O&D traffic growth followed the same basic pattern at the Airport as in the state of North Carolina and the nation overall. All experienced growth until Fiscal Year 2001, then a steep decline in Fiscal Year 2002, largely as a result of the U.S. and global economic recession and the aftermath of the September 11, 2001 terrorist attacks, followed by recovery in the three years thereafter. In Fiscal Year 2006, however, the patterns diverged. Domestic outbound O&D enplanements increased 11.8% in the state of North Carolina from Fiscal Year 2005 to Fiscal Year 2007, while growth was 3.6% at the national level. Domestic outbound O&D traffic at the Airport, on the other hand, declined 25.8%, due at least in part to significant fare increases and service pullbacks.

**Analysis of Domestic O&D Fares and Passengers
Piedmont Triad International Airport
(for the 12 months ended June 30)**



Source: DOT, *Air Passenger Origin-Destination Survey*, reconciled to DOT Schedules T-100 and 298C T-1.
 Note: Average fares exclude the dilutive effect of passengers traveling on frequent flyer reward program tickets.

In general, there tends to be an inverse relationship between fare levels and passenger traffic at the Airport, as illustrated in the chart above, with the notable exception of Fiscal Year 2002. In Fiscal Year 2002, airlines generally introduced much lower fares into the market in a bid to stimulate traffic. Domestic outbound O&D traffic at the Airport peaked in Fiscal Year 1995 at approximately 1.33 million passengers. The strong growth of domestic outbound O&D traffic at the Airport in Fiscal Years 1994 and 1995 coincided with Continental’s introduction of its low-fare service, dubbed CALite, in October 1993. However, Continental announced the discontinuance of its CALite service nationwide in April 1995, resulting in a sharp decline in domestic outbound O&D traffic and a sharp increase in average fares at the Airport in Fiscal Year 1996.

From Fiscal Year 1996 to Fiscal Year 2001 (the period after CALite service was terminated at the Airport and before the events of September 2001), domestic outbound O&D traffic at the Airport grew at an average annual compound growth rate of 3.4%. During this period, domestic outbound O&D traffic increased in all but four of the Airport’s top 20 O&D domestic city-pair markets determined by Fiscal Year 2007 rankings (see the following table).

In Fiscal Year 2002, domestic outbound O&D passenger traffic at the Airport declined 15.1% as a result of weak demand for air travel, stemming from the economic recession and the aftermath of the September 2001 terrorist attacks. The Fiscal Year 2002 decline in domestic outbound O&D traffic was accompanied by an 11% reduction in the average fare paid.

Top 20 Domestic O&D Passenger City Markets
Piedmont Triad International Airport⁷
(fiscal years ended June 30; ranked on 2007; passengers in thousands)

Rank	City Market <i>Airport</i>	Domestic Outbound				AAG		% Chg.	Market
		O&D Revenue Passengers				1996-	2001-	2006-	as % of
		1996	2001	2006	2007	2001	2006	2007	2007 Total
1	New York	152.5	150.3	129.3	101.7	-0.3%	-3.0%	-21.3%	11.2%
	<i>LaGuardia</i>	83.7	95.7	82.6	66.8	2.7	-2.9	-19.1	7.4
	<i>Newark</i>	68.1	53.6	39.8	33.6	-4.7	-5.8	-15.5	3.7
	<i>Kennedy</i>	0.7	1.0	7.0	1.3	6.0	49.2	-81.1	0.1
2	Chicago ¹	43.9	46.8	41.9	42.3	1.3	-2.2	1.1	4.7
3	Washington DC/Baltimore ²	62.9	53.9	62.8	40.0	-3.1	3.1	-36.2	4.4
4	Philadelphia	32.4	46.2	31.6	38.3	7.3	-7.3	21.5	4.2
5	Atlanta	75.0	141.3	57.7	38.0	13.5	-16.4	-34.1	4.2
6	Los Angeles ³	32.0	34.6	36.4	31.6	1.6	1.0	-13.2	3.5
7	Dallas/Ft. Worth ⁴	30.0	48.7	28.7	31.1	10.2	-10.0	8.3	3.4
8	Orlando	33.2	53.5	39.6	30.2	10.0	-5.8	-23.8	3.3
9	Las Vegas	14.2	17.8	25.1	25.6	4.6	7.1	2.0	2.8
10	Boston	30.6	40.9	26.0	22.9	6.0	-8.7	-11.9	2.5
11	Detroit	20.6	25.7	22.5	21.9	4.5	-2.6	-2.5	2.4
12	Houston ⁵	30.5	27.9	21.2	21.1	-1.7	-5.3	-0.6	2.3
13	San Francisco ⁶	21.6	18.4	23.9	20.3	-3.1	5.3	-14.9	2.2
14	Memphis	8.5	19.2	15.4	19.1	17.6	-4.2	23.8	2.1
15	Minneapolis-St. Paul	10.7	15.9	16.8	17.0	8.2	1.1	1.3	1.9
16	Tampa	24.4	28.3	21.5	16.0	3.0	-5.3	-25.4	1.8
17	Denver	13.1	14.1	17.3	15.7	1.4	4.2	-9.3	1.7
18	Miami	20.2	23.5	12.5	13.7	3.1	-11.9	9.5	1.5
19	Seattle	10.3	13.9	16.0	13.0	6.2	2.9	-18.7	1.4
20	Fort Lauderdale	18.7	24.6	19.8	12.9	5.6	-4.2	-35.1	1.4
	Total—Top 20 Markets	685.4	845.3	666.1	572.6	4.3%	-4.7%	-14.0%	63.0%
	All Other Markets	414.2	451.8	383.1	335.7	1.8	-3.2	-12.4	37.0
	Total—All Markets	1,099.6	1,297.1	1,049.1	908.3	3.4%	-4.2%	-13.4%	100.0%

Source: DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T-100 and 298C T-1.

- Notes:
1. Market includes O'Hare and Midway airports.
 2. Market includes Reagan, Dulles, and Baltimore airports.
 3. Market includes Los Angeles, Burbank, Long Beach, Ontario, and Orange Country airports.
 4. Market includes Dallas/Ft. Worth Airport and Love Field.
 5. Market includes Hobby and Bush airports.
 6. Market includes San Francisco, Oakland, and San Jose airports.
 7. Includes six markets that are not served with nonstop service from the Airport.
- AAG=Average Annual Compound Growth.

From Fiscal Year 2003 to Fiscal Year 2005, fares remained relatively stable, while domestic O&D traffic recovered at the Airport, growing 3.6% per year, on average. In Fiscal Year 2006, however, domestic O&D enplanements dropped 14.3%, concurrent with a 19.9% increase in the average fare paid. From Fiscal Year 2001 to Fiscal Year 2006, traffic declined in

13 of the Airport's top 20 markets, with growth exceeding 3.0% occurring only in the Washington DC/Baltimore, Las Vegas, Denver and San Francisco markets.

In Fiscal Year 2007, average fares continued to climb (up 3.6% from Fiscal Year 2006), while domestic O&D traffic continued to erode (down 13.4%). From Fiscal Year 2006 to Fiscal Year 2007, domestic O&D traffic declined in 13 of the Airport's top 20 city-pair markets. Traffic declines to New York (down 21.3%), Washington DC/Baltimore (down 36.2%), and Atlanta (down 34.1%) were particularly significant. Among the top 20 markets, only Philadelphia, Dallas/Ft. Worth, Memphis and Miami exhibited traffic growth in excess of 2.0%.

Carrier Market Shares

The relative ranking of carriers at the Airport has changed over the past ten years. A time series of enplaned revenue passengers by carrier, grouped by airline affiliation, is presented in the following table. Market shares were calculated for each airline group, rather than for individual carriers.

In Fiscal Year 2007, US Airways and its affiliated carriers comprised the largest carrier group at the Airport in terms of enplaned passengers. In Fiscal Year 1997, the US Airways group of carriers accounted for 36.5% of total enplanements. US Airways traffic has declined at the Airport in each year since Fiscal Year 2002. By Fiscal Year 2007, US Airways accounted for 29.5% of enplanements at the Airport, still the largest carrier group at the Airport but by only a slim margin.

Delta and its affiliated commuter airlines ranked second in terms of enplanements in Fiscal Year 2007, accounting for 29.3% of total enplanements at the Airport, compared with a 26.6% share ten years before. In Fiscal Years 2003 to 2006, Delta and its affiliates were the largest carrier group at the Airport, but US Airways regained that status in Fiscal Year 2007.

United's market share has increased over the past ten years, from 7.5% to 13.9%. Continental accounted for 9.4% of total passengers enplaned in Fiscal Year 2007, down from 13.9% in Fiscal Year 1997. Northwest and American ranked fifth and sixth, with 8.4% and 8.3% of total enplanements in Fiscal Year 2007, respectively.

No other carrier, besides those mentioned above, enplaned more than 1% of total passengers in Fiscal Year 2007.

In the first four months of Fiscal Year 2008, enplanements at the Airport increased 9.8% over the corresponding period in Fiscal Year 2007. Northwest, US Airways, American, and Continental experienced enplanement growth of 20.8%, 14.8%, 3.2%, and 2.0%, respectively. These increases were offset by 13.4% and 4.2% declines for United and Delta, respectively. Although Skybus and Allegiant both began operations at the Airport only in May 2007, the airlines accounted for 3.6% and 2.5% shares, respectively, of the Airport's total enplanements in the first four months of Fiscal Year 2008.

**Carrier Market Shares: Enplaned Revenue Passengers
Piedmont Triad International Airport**

(for the 12 months ended June 30, unless otherwise noted; ranked on 2007; passengers in thousands)

Rank	Carrier Group <i>Operator</i>	1997	2002	2003	2004	2005	2006	2007	Four months ended Oct. 31,	
									2006	2007
1	US Airways	400.9	442.4	400.0	393.9	382.1	319.2	310.0	104.0	119.4
	<i>US Airways</i>	355.3	263.4	189.7	182.5	115.1	32.5	0.1	0.0	0.3
	<i>US Airways Express</i>	45.6	179.0	210.3	211.4	267.0	286.7	309.8	104.0	119.1
2	Delta	291.8	416.3	477.4	515.4	534.5	413.1	307.7	110.0	105.4
	<i>Delta</i>	254.1	296.2	318.4	336.6	302.1	213.3	119.8	47.6	32.7
	<i>Delta Connection</i>	37.7	120.1	159.0	178.8	232.4	199.8	187.9	62.4	72.7
3	United	82.4	92.3	95.3	109.7	133.9	155.0	145.6	51.3	44.4
	<i>United</i>	67.6	52.2	50.3	52.5	53.8	55.7	31.4	17.1	11.1
	<i>United Express</i>	14.9	40.2	45.1	57.2	80.1	99.3	114.3	34.2	33.3
4	Continental	152.5	85.1	78.6	84.1	89.1	100.7	98.8	34.3	35.0
	<i>Continental</i>	150.0	23.0	12.4	9.2	3.5	2.7	2.0	1.1	2.0
	<i>Continental Connection</i>	2.5	62.0	66.2	74.8	85.6	98.1	96.8	33.1	33.0
5	Northwest	39.9	52.5	76.7	98.5	106.4	98.3	87.8	27.3	32.9
6	American	45.1	52.5	44.8	37.8	49.1	68.2	86.8	30.1	31.0
	<i>American</i>	45.1	40.5	23.5	-	-	23.4	15.3	22.6	16.3
	<i>American Eagle</i>	-	12.0	21.3	37.8	49.1	44.8	71.5	7.5	14.7
7	Skybus	-	-	-	-	-	-	3.8	-	14.3
8	Allegiant	-	-	-	-	-	-	3.7	-	9.7
	Independence Air	-	-	-	-	75.5	25.3	-	-	-
	AirTran	35.6	68.8	75.9	74.8	12.6	-	-	-	-
	Air Canada	-	8.3	-	-	-	-	-	-	-
	Eastwind	39.8	-	-	-	-	-	-	-	-
	Charter Carriers	10.0	7.9	6.5	9.1	7.0	7.3	7.1	2.5	2.4
	Total	1,098.0	1,226.1	1,255.2	1,323.3	1,390.2	1,187.2	1,051.3	359.4	394.4
1	US Airways	36.5%	36.1%	31.9%	29.8%	27.5%	26.9%	29.5%	28.9%	30.3%
2	Delta	26.6	34.0	38.0	38.9	38.4	34.8	29.3	30.6	26.7
3	United	7.5	7.5	7.6	8.3	9.6	13.1	13.9	14.3	11.3
4	Continental	13.9	6.9	6.3	6.4	6.4	8.5	9.4	9.5	8.9
5	Northwest	3.6	4.3	6.1	7.4	7.7	8.3	8.4	7.6	8.4
6	American	4.1	4.3	3.6	2.9	3.5	5.7	8.3	8.4	7.9
7	Skybus	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	3.6
8	Allegiant	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	2.5
	Independence Air	0.0	0.0	0.0	0.0	5.4	2.1	0.0	0.0	0.0
	AirTran	3.2	5.6	6.0	5.7	0.9	0.0	0.0	0.0	0.0
	Air Canada	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Eastwind	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Charter Carriers	0.9	0.6	0.5	0.7	0.5	0.6	0.7	0.7	0.6
	Total	100.0%	100.0%							

Source: Piedmont Triad Airport Authority.

Note: Percentages may not sum to totals due to rounding.

Market concentration at the Airport, as measured by the share of total enplanements of the top two airlines, declined somewhat between Fiscal Year 1997 (63.1%) and Fiscal Year 2007

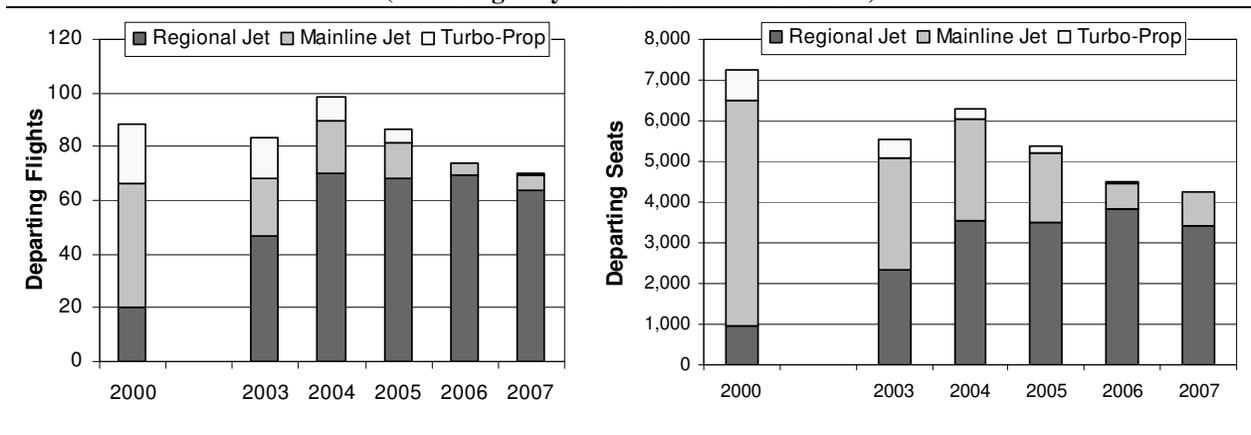
(58.8%). Affiliated airlines have tended to account for significantly more passengers within their respective groups than the mainline carriers, particularly since the events of September 11, 2001. While Northwest, Skybus, and Allegiant do not rely on affiliated carriers at the Airport, affiliated carriers accounted for more than half of the passengers in all other airline groups. US Airways and Continental now rely almost solely on their regional affiliates at the Airport.

Scheduled Service Patterns

In recent years, regional jets have been deployed at the Airport primarily to replace and supplement mainline jet service. This has enabled network airlines to reduce capacity without decreasing the scope and frequency of their service to the same degree.

Between November 2000 and November 2007, weekly flight departures at the Airport decreased 21.0%. A significant increase in regional jet flights (217.1%) was more than offset by a decline in mainline jet flights (-87.0%) and turboprop flights (-98.2%) at the Airport. Over the same period, seats on scheduled departing flights per week declined 41.4%, with regional jet capacity increasing 259.8% and mainline jet and turboprop capacity declining 85.4% and 97.6%, respectively. As a result, the average number of seats per departure at the Airport declined from 82 seats in November 2000 to 61 seats in November 2007.

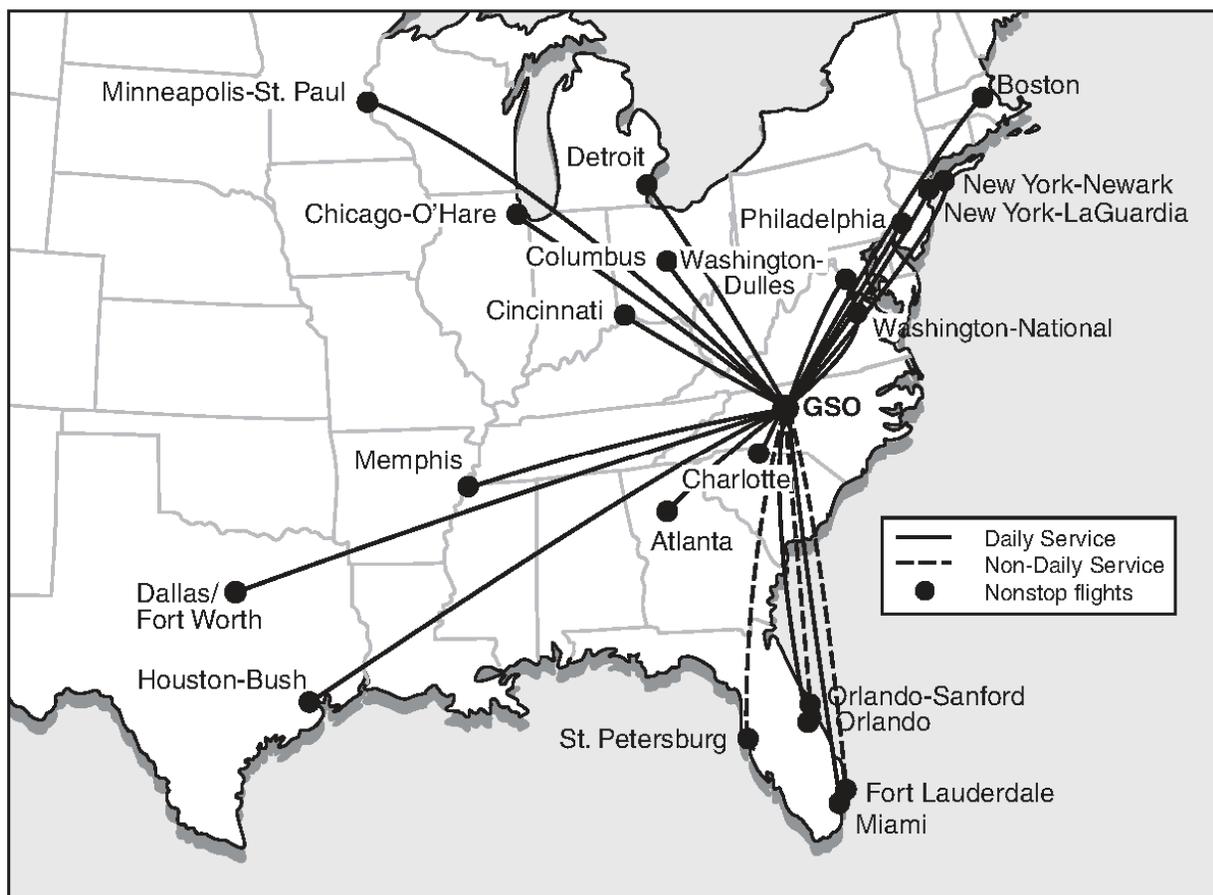
**Average Daily Scheduled Departing Flights and Seats
Piedmont Triad International Airport
(an average day in the month of November)**



Source: *Official Airline Guide* and Skybus Airlines website.

The accompanying map shows the routes on which scheduled nonstop passenger air service was available at the Airport in November 2007. Most of the destinations are located in the eastern half of the United States within 600 miles of the Airport. Nonstop service was available on some longer-haul routes, including Boston, Miami, Dallas/Ft. Worth, Houston, and Minneapolis-St. Paul.

**Scheduled Nonstop Passenger Service
Piedmont Triad International Airport
(November 2007)**



Prepared by Jacobs Consultancy.
Sources: *Official Airline Guide*, Skybus Airlines website.

For the second week of November 2007, 14 of the Airport's top 20 city-pair markets were served nonstop from the Airport, up from 13 in November 2004. Total departing seats were down 31% over the three-year period, relatively more in the top 20 markets (down 37%) than in the smaller-volume markets (down 7%).

US Airways, together with its affiliated commuter carriers, accounted for 33% of all scheduled flight departures at the Airport and provided service to four of the 21 cities served nonstop. Delta and its affiliated commuter carriers accounted for 27% of the total flights and provided nonstop service to five cities. Competitive nonstop service was available on only two routes (to New York and Washington DC/Baltimore) during the second week of November 2007, down from five routes in November 2004.

In May 2007, two low-cost carriers, Skybus and Allegiant, began operations at the Airport. In November 2007, Skybus operated one daily roundtrip between the Airport and its base at Columbus, Ohio using a 156-seat Airbus A319. Allegiant served three Florida markets (Fort Lauderdale, St. Petersburg, and Orlando-Sanford) with less-than-daily service on a 150-seat MD-80 aircraft.

**Weekly Scheduled Departing Flights and Seats
to the Top 20 Domestic O&D Markets¹
Piedmont Triad International Airport
(for the second week of November)**

Rank ²	City Market <i>Airport</i>	2004			2007		
		Carriers Serving ³	Flights	Seats	Carriers Serving ³	Flights	Seats
1	New York		111	5,550		86	4,222
	<i>LaGuardia</i>	<i>DL, US</i>	65	3,250	<i>DL, US</i>	55	2,672
	<i>Newark</i>	<i>CO</i>	32	1,600	<i>CO</i>	31	1,550
	<i>Kennedy</i>	<i>DL</i>	14	700	-	-	-
2	Chicago ⁴	UA	28	2,180	UA	34	2,238
3	Washington DC/Baltimore ⁵	DH, UA, US	135	6,230	UA, US	55	2,737
4	Philadelphia	US	36	2,914	US	42	2,100
5	Atlanta	DL	65	8,292	DL	58	4,608
6	Los Angeles ⁶	-	-	-	-	-	-
7	Dallas/Ft. Worth ⁷	AA, DL	25	1,650	AA	21	1,680
8	Orlando	DH, DL	42	2,009	DL	12	600
9	Las Vegas	-	-	-	-	-	-
10	Boston	DL, US	38	1,900	DL	11	550
11	Detroit	NW	28	2,450	NW	21	1,050
12	Houston ⁸	CO	18	900	CO	20	1,000
13	San Francisco ⁹	-	-	-	-	-	-
14	Memphis	NW	14	700	NW	20	1,000
15	Minneapolis-St. Paul	NW	7	350	NW	7	350
16	Tampa	DH	14	700	-	-	-
17	Denver	-	-	-	-	-	-
18	Miami	-	-	-	AA	7	308
19	Seattle	-	-	-	-	-	-
20	Fort Lauderdale	-	-	-	G4	1	150
	Total—Top 20 Markets		561	35,825		395	22,593
	All Other Markets		131	8,378		102	7,826
	Total—All Markets		692	44,203		497	30,419

Sources: *Official Airline Guide* and Skybus Airlines website.

- Notes:
1. Includes six markets that are not served with nonstop service from the Airport.
 2. Ranked by domestic outbound O&D passengers for the 12 months ended June 30, 2007.
 3. Airlines operating scheduled passenger jet service. Affiliated code-sharing carriers are included with their major airline partners and are not shown separately.
 4. Market includes O'Hare and Midway airports.
 5. Market includes Dulles, Reagan, and Baltimore airports.
 6. Market includes Los Angeles, Burbank, Long Beach, Ontario, and Orange County airports.
 7. Market includes Dallas/Ft. Worth Airport and Love Field.
 8. Market includes Bush and Hobby airport.
 9. Market includes San Francisco, San Jose, and Oakland airports.

Legend: AA=American; CO=Continental; DH=Independence Air; DL=Delta; G4=Allegiant; NW=Northwest; UA=United; US=US Airways.

The following table summarizes air service and traffic at selected airports within four hours driving time of the Airport. The two closest airports, Charlotte and Raleigh/Durham, compete for passenger traffic with the Airport. Charlotte (82 miles by road, 1.5 hours driving time) is a hub airport for US Airways. In the second week of November 2007, US Airways offered 3,720 weekly nonstop flights to 99 destinations across the country from Charlotte. Low-fare service provided primarily by Southwest Airlines (averaging 30 daily flights to 8 destinations in the second week of November 2007) attracts many passengers to Raleigh/Durham (65 miles by road, 1 hour driving time).

**Comparison of Domestic Scheduled Service and Traffic
Piedmont Triad International Airport
(for the second week of November, except as noted)**

Airport	Airports Served Nonstop	Weekly Scheduled Departures				Enplaned Passengers ¹	
		Mainline Jet	Regional Jet	Turbo-Prop	Total	Domestic O&D Only ²	Domestic Enplanements ³
Charlotte	101	1,759	2,127	521	4,407	4,351,620	14,576,437
Raleigh/Durham	43	663	919	2	1,584	4,203,470	4,680,812
Richmond	21	141	505	13	659	1,560,760	1,689,993
Piedmont Triad	21	43	451	3	497	908,310	1,026,513
Greenville/Spartanburg	18	24	351	32	407	651,470	733,925
Columbia	14	7	298	20	325	568,730	623,585
Charleston, W.Va.	10	-	108	95	203	240,220	268,425

Sources: *Official Airline Guide*; DOT, Schedule T-100; DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T-100 and 298C T-1; Skybus Airlines website.

- Notes: 1. For the 12 months ended June 30, 2007.
2. O&D passengers outbound on domestic scheduled flights.
3. The sum of all O&D and connecting passengers enplaned on domestic scheduled and charter flights, including passengers who boarded domestic flights to other U.S. gateway airports enroute to an international destination. Totals may differ from those published by the airports.

Although total domestic enplanements at Charlotte and Raleigh/Durham greatly exceeded those at the Airport, the number of domestic O&D passengers at Charlotte and Raleigh/Durham exceed those at the Airport by a lesser, though still substantial, magnitude. In Fiscal Year 2007, for example, approximately 900,000 domestic outbound O&D passengers were enplaned at the Airport, compared with approximately 4.4 million at Charlotte and approximately 4.2 million at Raleigh/Durham.

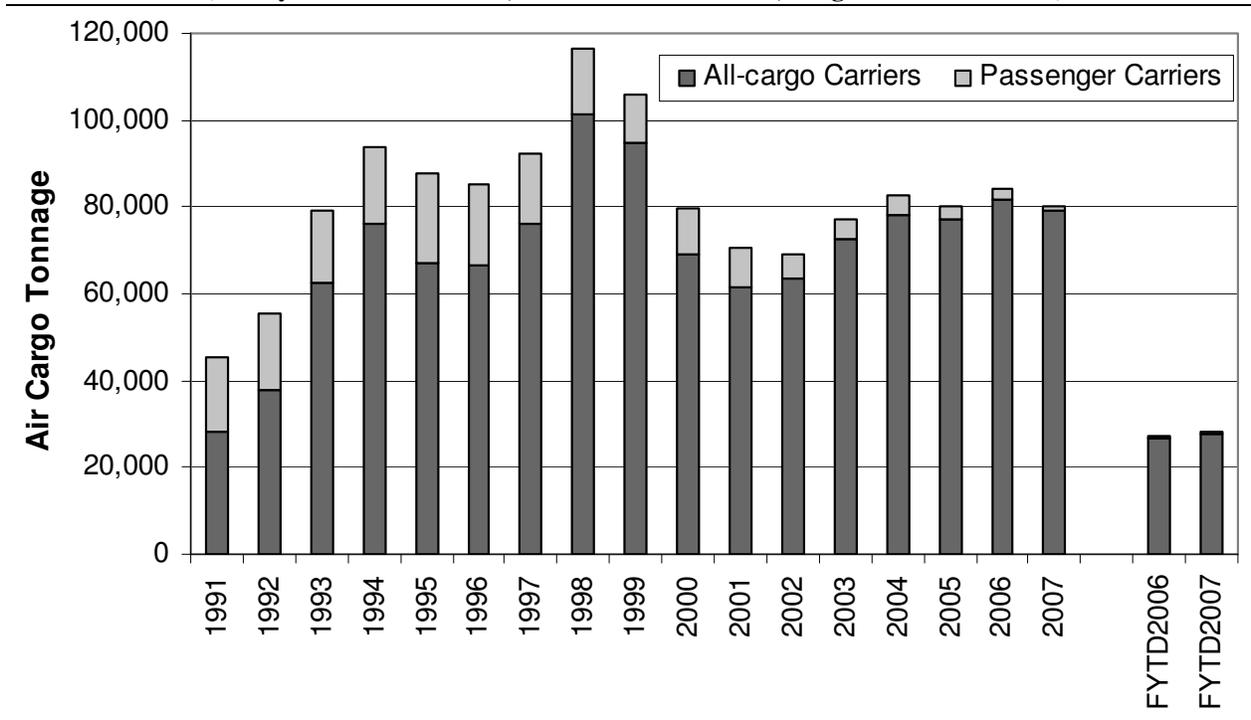
Air Cargo Trends

Air cargo tonnage at the Airport grew 75.4% between Fiscal Year 1991 and Fiscal Year 2007. While there was considerable fluctuation in the years in between, air cargo tonnage in Fiscal Year 2007 was only 1.0% higher than it was in Fiscal Year 1993.

For the first four months of Fiscal Year 2008, passenger carriers handled 34.7% less air cargo at the Airport than during the corresponding period of the prior Fiscal Year. Air cargo tonnage on all-cargo carriers was up 4.1%.

The percentage of cargo handled at the Airport by all-cargo carriers grew from 62.3% in Fiscal Year 1991 to 98.7% in Fiscal Year 2007. FedEx was the largest all-cargo carrier in Fiscal Year 2007, accounting for 62% of all cargo carried at the Airport. The second largest cargo carrier, Tradewinds, accounted for 15% of the total in Fiscal Year 2007, representing a significant decline from its high of 35.5% in Fiscal Year 1997.

Trends in Total Air Cargo, by Carrier Type
Piedmont Triad International Airport
 (fiscal years ended June 30, unless otherwise noted; freight and mail in tons)



Source: Piedmont Triad Airport Authority.
 Notes: Data represent sum of enplaned and deplaned tonnage.
 FYTD=Fiscal year-to-date, July 1 through October 31.

AIRPORT EXPANSION PROJECT

As part of its Capital Improvement Program the Authority is carrying out a major expansion project (the “Airport Expansion Project”) consisting of three main elements: (1) site preparation for an air cargo facility to be leased by the Authority to Federal Express for its Mid-Atlantic hub; (2) construction of a new 9,000-foot public runway, parallel to existing Runway 5/23, and related airfield improvements, a portion of the costs of which will be financed with proceeds of the Series 2008A Bonds; and (3) the relocation of Bryan Boulevard, which previously provided access directly to the terminal area of the Airport and modifications to the internal road network at the Airport. A portion of these roadway modifications will also be financed with the proceeds of the Series 2008A Bonds. The Airport Expansion Project carries out the long-range plans of the Authority for the construction of a parallel runway and expansion of the Authority’s air cargo facilities.

Federal Express Hub Facility

On October 10, 2002, the Authority and Federal Express entered into an Agreement and Lease (the “Federal Express Lease”) under which the Authority leased to Federal Express approximately 170 acres at the Airport for the initial construction of Federal Express’ Mid-Atlantic hub facility (the “Federal Express Hub Facility”). The parties subsequently agreed to a revision of the lease boundaries which reduced the leased area to approximately 165 acres. The initial lease term began upon the tender of the site to Federal Express in 2006 and will continue for 25 years from the date of beneficial occupancy of the Federal Express Hub Facility. Land rent will be due at the annual rate of \$0.025 per square-foot for an initial construction period and \$0.05 per square-foot thereafter, subject to periodic adjustment for inflation. At the end of the initial term, Federal Express will have a right to renew the lease for an additional term of 10 years at a rental equal to the fair market rent of the land and real property improvements upon the premises.

Federal Express will also have an option for 10 years, beginning on the date of beneficial occupancy, to add to the premises by leasing an additional tract of approximately 44 acres adjacent to the initial site, and if Federal Express exercises this option it will then have an option, through December 31, 2024, to add a second adjacent tract of approximately 37 acres. A fair market land rental would be charged for the option areas, subject to periodic adjustment for inflation. This possible expansion of the project is referred to herein as “Phase 2”.

The Federal Express Hub Facility is scheduled to open in June 2009, at which time Federal Express is scheduled to operate as many as 42 flights (21 arrivals and 21 departures) on each full day of operation. The Federal Express Hub Facility could be expanded to accommodate 126 flights for each full day of operation.

Under the Federal Express Lease, Federal Express is now constructing the Federal Express Hub Facility on the leased premises, at its expense, consisting generally of the following improvements:

- Cargo sort facility and attached truck building;
- Associated aircraft apron;
- Administration building;
- Buildings for aircraft maintenance, field stores, and vehicle/ground service equipment maintenance;
- Other operations and support facilities such as truck parking and service areas, an employee parking lot and a service center;
- FAA-approved security fencing; and
- Utility lines and sanitary sewer systems within the premises.

Federal Express also has the option to construct a fuel farm on the premises, with the Authority reimbursing certain costs of the fuel farm up to \$500,000. Federal Express will construct all storm water management and treatment facilities for the premises, other than three off-premises storm water management ponds to be built by the Authority. An 11-acre site will be reserved through December 31, 2014 for any additional storm water treatment facilities that may be required for Federal Express. No rent will be charged for this area.

Under the Federal Express Lease, the Authority is making certain improvements with respect to the site of the Federal Express Hub Facility, including among such improvements:

- Rough grading the entire site;
- Relocating a portion of Old Oak Ridge Road, which previously ran through the site, to a new route outside the premises;
- Relocating certain utilities;
- Extending utility lines to the premises; and
- Constructing the three off-premises storm water management ponds for the premises.

The Authority has substantially completed the rough grading of the entire site, the utility work (other than construction of a sanitary sewer line) and the basins for the storm water ponds. The Federal Express Lease calls for the remainder of the site-related improvements to be completed by the time the Federal Express Hub Facility is substantially completed and ready for its intended use.

Airfield Improvements

The Authority is constructing a major expansion of the public facilities at the Airport (a portion of the costs of which will be financed with proceeds of the Series 2008A Bonds), including:

- Constructing a new 9,000-foot runway parallel to existing Runway 5/23 and constructing associated taxiways;
- Constructing a new taxiway (Taxiway E) connecting the parallel runways, including a taxiway bridge across the entrance road to the Airport, and relocating certain facilities to accommodate the connecting taxiway; and
- Extending an existing taxiway to the site of the Federal Express Hub Facility.

The Authority has agreed in the Federal Express Lease that the airfield improvements will be completed by June 1, 2009, subject to a right on the part of the Authority to an extension of the completion date if the Authority fails to receive grant funding through the Federal Fiscal Year 2009 in the approximate amount that was originally scheduled in the hereinafter defined FAA Letter of Intent (see “Estimated Costs of the Expansion Project” below). The initial phases

of the runway and Taxiway E projects, including the taxiway bridge, have been completed. Grading for the runway and Taxiway E is now in progress, and contracts have been awarded for the final phases of both the runway and Taxiway E construction.

The airfield improvements include an upgrade of the instrument approaches to existing Runway 5R and the installation of instrument approaches at each end of the new runway. The Authority has purchased the equipment for the instrument approaches and has advanced the funds to the FAA for the FAA to complete a portion of the installation work, with the remainder of the work to be done by the Authority.

Bryan Boulevard Relocation and Roadway Modifications

In addition to relocating Old Oak Ridge Road, the Authority is also relocating a portion of Bryan Boulevard (which formerly provided access directly to the terminal area) by constructing a new 2.7 mile segment around the northeast end of the new runway, and the Authority is also constructing a new highway interchange where the new alignments for Bryan Boulevard and Old Oak Ridge Road intersect with each other. The mainline of the new Bryan Boulevard has already been completed along with a major portion of the highway interchange. After completion of this project, access to the Airport will be provided through modifications to a former segment of Bryan Boulevard and to the Airport road network, which are now underway. A portion of the costs of these modifications will be financed with the proceeds of the Series 2008A Bonds.

The Authority has agreed in the Federal Express Lease that the Bryan Boulevard work will be completed by the time the Federal Express Hub Facility is substantially completed and ready for its intended use, which is scheduled for June 2009.

Environmental Mitigation

In addition to the site improvements, airfield improvements and roadway improvements described above, the Authority is also carrying out a wetlands and stream mitigation plan as a condition for the certification and permit that have been issued for the Airport Expansion Project under Sections 401 and 404 of the Clean Water Act, respectively, and will undertake other environmental mitigation required by the FAA Record of Decision approving the Airport Expansion Project. The required mitigation includes noise mitigation for housing around the Airport, a noise and operations monitoring system and a noise compatibility program under Part 150 of the federal aviation regulations (14 CFR Part 150). The Authority has now completed a draft Part 150 study, including proposed noise exposure maps and a proposed Noise Compatibility Program, which includes all of the measures that were required by the FAA Record of Decision and additional measures that were developed in the Part 150 program itself. The Part 150 study is now before the FAA for review. According to the draft study, the initial cost of the proposed Noise Compatibility Program is in the range of approximately \$3,500,000 to \$5,000,000.

Estimated Costs of the Expansion Project

Based on current estimates, the costs to be incurred by the Authority for the Airport Expansion Project in Fiscal Year 2008 and thereafter, exclusive of noise mitigation and the Phase 2 improvements described below, is approximately \$104,000,000.

On March 25, 2002, the FAA issued the FAA Letter of Intent to issue grants from future budget authority for the runway and taxiway project. The FAA Letter of Intent was amended in January 2007 to provide additional funding. The grants scheduled under the FAA Letter of Intent, as amended, include discretionary grants to be paid in installments, which began in Federal Fiscal Year (“FFY”) 2002 and are due to continue through FFY 2010, in the total amount of \$60,000,000, as well as entitlement grants to the Authority from FFY 2002 through FFY 2013 in a total estimated amount of approximately \$58,500,000. The FAA Letter of Intent represents an intention by the FAA to obligate funds from future budget authority and is not a binding obligation. The portion that is payable from entitlement grants is based on an estimate of the Authority’s entitlements over the term of the FAA Letter of Intent and will vary depending on the actual entitlement funding that is payable to the Authority in any particular year. The FAA had paid a total of \$67,267,703 in grants to the Authority under the FAA Letter of Intent through July 2007.

The Authority has also entered into a Reimbursement Agreement (the “NCDOT Reimbursement Agreement”) with the North Carolina Department of Transportation (“NCDOT”) under which the Authority will be reimbursed for the costs of the Bryan Boulevard relocation, other than construction management costs, up to a total amount of \$52,000,000, as costs are incurred for such project. Approximately \$37,148,197 of such amount had been disbursed to the Authority through December 31, 2007. NCDOT’s obligations under the NCDOT Reimbursement Agreement are subject to its receipt of the necessary funding that it expects to receive from the Federal Highway Administration. Included in non-current funds restricted for capital expenditures are Authority investments of \$2,660,000 that are being held in escrow pursuant to the NCDOT Reimbursement Agreement to secure the Authority’s completion of the Bryan Boulevard project. Some additional grant funding for airfield improvements is also expected from the NCDOT Division of Aviation.

The Authority will be responsible for any costs that it incurs for the Airport Expansion Project in excess of the costs that are covered by grant funding from the FAA and the NCDOT. The costs to be incurred by the Authority include the costs of financing such improvements, either through expenditures from the Authority’s general fund or debt financing, including the financing costs for the Series 2008A Bonds, pending the receipt of grants by the Authority.

Federal Express Phase 2 Improvements

As stated above, Federal Express has the option, under the Federal Express Lease, to add additional option areas to the initial premises. If Federal Express exercises its option with respect to an option area, the Authority would then be obligated, at its expense, to relocate the tenant facilities currently located within the option area (including air cargo buildings now located within the 37-acre area), to rough grade the site, to provide any additional storm water runoff capacity that may be needed and to construct a taxiway stub to the option area. Federal

Express would be obligated to construct an additional aircraft apron on the option area, or a project of comparable cost approved by the Authority.

Opposition to the Airport Expansion Project

There is organized as well as unorganized opposition to the Airport Expansion Project and Federal Express Hub Facility. However, legal challenges to the FAA Record of Decision and to the Section 404 wetlands permit issued to the Authority were decided in the Authority's favor. A settlement agreement was reached in 2006 disposing all of the remaining cases that have been brought to date by the project opponents.

OTHER CAPITAL IMPROVEMENTS

Capital Improvement Program Budget

The Authority's Capital Improvement Program includes various construction projects, land acquisitions, and other asset acquisitions to be funded by federal, State and Authority funds. The Capital Improvement Budget is prepared annually and approved by the Authority's Board of Directors based on the current year capital expenditure needs and construction projects which are expected to be completed within the next three to five years. The amount budgeted for the Fiscal Year 2008 Capital Improvement Program is approximately \$44,200,000, of which approximately \$18,100,000 is expected to be reimbursed under federal and State government grants and the balance from Authority funds. The amount budgeted for the Fiscal Year 2008 Capital Improvement Program is in addition to the amount that remains to be spent to complete the Capital Improvement Programs that were adopted by the Authority in previous years.

In addition to the Airport Expansion Project, some of the additional capital projects that are proposed through Fiscal Year 2010 are as follows:

- Extension of Runway 5/23 to meet FAA runway safety area requirements (estimated cost: \$28,700,000).
- Site preparation for office, research and manufacturing facilities being constructed by Honda Motor Co. (estimated cost: \$8,900,000).
- Expansion of the terminal apron for Skybus (estimated cost: \$1,800,000).
- Expansion of the apron at the Cessna Aircraft Company maintenance facility (estimated cost: \$2,500,000).

The Authority has not yet budgeted all of the costs of the foregoing projects.

In addition to these projects and other projects, the Authority spends an average of \$1,000,000 to \$1,500,000 each year in equipment replacements and construction in other areas of the Airport. Additionally, current projections include an allowance of \$5,000,000 per year for as yet undefined capital projects in Fiscal Years 2011, 2012 and 2013.

Special Use Facilities

From time to time businesses considering operating at the Airport propose that the Authority finance the cost of special use facilities. Historically, tenants or third parties have generally financed such facilities. The Authority has also financed these facilities (1) from Authority funds, which the Authority attempts to recover through rental payments (e.g., the former US Airways hangar facility, now leased to TIMCO) and (2) from the proceeds of special purpose facility revenue bonds (e.g., the Cessna maintenance facilities). The Authority evaluates such proposals in light of its covenants to bondholders and its fiscal objectives.

HONDA JET PROJECT

In June 2007 the Authority entered into an agreement to lease to Honda Motor Co. (“Honda”) a 70-acre site at the Airport on which Honda is now constructing and will operate a jet aircraft office, research and manufacturing facility. The lease term runs for 40 years with Honda having the option (i) to terminate the lease after 20 years, or (ii) to extend the term for up to two successive 10-year periods. Honda also has a 20-year option to lease an additional 30-acre site under the lease. The lease agreement obligated the Authority to grade the initial site, to construct an aircraft ramp and access taxiway, to extend Ballinger Road, which runs adjacent to the site, and to make certain other site improvements. As of January 1, 2008, most of the work had been completed and paid for. The total estimated cost of the Authority’s work is approximately \$8,900,000. The Highway Division of the NCDOT has agreed to reimburse the Authority for the costs of the road work up to \$1,200,000. The final costs for the road work are expected to be within this amount. Based on representations made by the Aviation Division of the NCDOT at the outset of the project, the Authority expects the Aviation Division to reimburse the Authority, over a period of years, for an amount up to the balance of the project costs, but the Aviation Division has not made a binding commitment to reimburse the Authority in any particular amount.

FINANCIAL OPERATIONS

Summary Statements of Income

The following summary statements of income of the Authority for each of the Fiscal Years in the five-year period ended June 30, 2007 have been derived from the financial statements audited by the Authority’s independent certified public accountants. The summary statements of income of the Authority for the seven-month periods ended January 31, 2007 and January 31, 2008 are unaudited, but, in the opinion of management of the Authority, reflect all adjustments which are necessary for a fair presentation of the revenues and expenses for such periods. The summary statements of income should be read in conjunction with the financial statements and related notes for the Fiscal Year ended June 30, 2007 included as Appendix A hereto.

PIEDMONT TRIAD AIRPORT AUTHORITY
STATEMENTS OF INCOME

	Fiscal Year Ended June 30,					(Unaudited) Seven Months Ended January 31,	
	2003	2004	2005	2006	2007	2007	2008
Revenue							
Operating Revenue							
<i>Terminal Area</i>							
Terminal Rentals and Fees.....	\$ 4,138,980	\$ 4,415,525	\$ 4,426,091	\$ 4,733,001	\$ 5,707,798	\$ 3,234,768	\$ 3,516,226
Consumer Services	4,385,672	4,478,223	4,333,549	4,527,721	4,184,801	2,458,421	2,601,882
<i>Parking Area</i>							
Parking Fees.....	7,327,866	7,717,560	7,786,236	7,760,518	7,117,040	4,079,877	4,339,365
<i>Apron Area</i>							
Apron Charges	290,969	307,818	332,706	320,468	313,192	177,487	201,958
<i>Airfield Area</i>							
Landing Fees.....	2,205,472	2,348,285	2,732,356	2,588,092	2,706,545	1,507,232	1,700,115
Aviation Fuel Fees	183,049	174,858	145,805	165,919	201,753	111,590	111,780
<i>Air Cargo Area</i>							
Cargo Bldg. Rentals.....	1,147,949	1,193,137	1,219,275	1,200,378	1,341,506	752,871	829,964
<i>Other Areas</i>							
Other Revenue	5,244,290	5,479,191	4,915,123	4,490,952	4,137,207	2,498,050	2,286,744
Total Operating Revenue.....	\$ 24,924,247	\$ 26,114,597	\$ 25,891,141	\$ 25,787,049	\$ 25,709,842	\$ 14,820,296	\$ 15,588,034
Other Revenue							
Investment Income	2,753,259	2,460,673	3,298,632	3,687,580	3,089,679	1,944,746	1,332,016
Recovery of Bad Debts.....	0	20,184	319	56,031	80,570	0	1,347
K-9 unit reimbursement	0	0	21,813	171,717	135,095	51,403	47,041
Federal security costs reimbursement.....	382,696	190,026	197,672	200,270	203,831	103,082	93,153
Advertising grants	0	0	0	0	0	0	350,000
Total Revenue	\$ 28,060,202	\$ 28,785,480	\$ 29,409,577	\$ 29,902,647	\$ 29,219,017	\$ 16,919,527	\$ 17,411,591
Operating Expenses							
Terminal Area.....	\$ 4,350,690	\$ 4,441,448	\$ 4,581,947	\$ 5,191,122	\$ 5,113,525	\$ 2,931,070	\$ 3,262,430
Roadway and Parking.....	1,903,217	2,047,615	2,157,016	2,264,846	2,255,149	1,241,006	1,389,636
Apron Area.....	296,698	315,113	336,223	354,391	359,333	198,481	234,158
Airfield Area.....	2,053,822	2,202,362	2,480,670	2,520,216	2,402,793	1,375,319	1,669,852
Air Cargo Area.....	174,857	169,679	181,015	197,282	207,029	112,769	132,245
Other Areas.....	314,823	454,418	397,386	268,877	231,262	142,107	140,414
Total Operating Expenses.....	\$ 9,094,107	\$ 9,630,635	\$ 10,134,257	\$ 10,796,734	\$ 10,569,091	\$ 6,000,752	\$ 6,828,735
Income Available for Debt Service (Per Bond Order Definition)	\$ 18,966,095	\$ 19,154,845	\$ 19,275,320	\$ 19,105,913	\$ 18,649,926	\$ 10,918,775	\$ 10,582,856
Other Revenue							
Net increase (decrease) in the Fair Value of Investments	\$ (219,188)	(\$1,319,661)	\$ 440,279	\$ (1,696,963)	\$ 1,129,572	\$ 915,492	\$ 1,252,376
Gain (loss) on Sale of Fixed Assets	612,778	(5,671)	0	666,822	0	0	0
Total Other Revenue	\$ 393,590	(\$1,325,332)	\$ 440,279	\$ (1,030,141)	\$ 1,129,572	\$ 915,492	\$ 1,252,376
Other Expenses							
Interest	\$ 5,386,984	\$ 5,099,972	\$ 5,158,503	\$ 4,657,383	\$ 5,323,867	\$ 3,106,119	\$ 2,945,845
Depreciation	8,007,565	7,861,559	7,873,011	9,404,167	10,286,451	3,892,256	5,447,801
Costs Associated with Financing the Special Facility	26,132	26,132	26,132	26,132	15,924	0	0
Total Other Expenses.....	\$ 13,420,681	\$ 12,987,663	\$ 13,057,646	\$ 14,087,682	\$ 15,626,242	\$ 6,998,375	\$ 8,393,646
Income before Capital Contributions Net of Capital Costs.....	\$ 5,939,004	\$ 4,841,850	\$ 6,657,953	\$ 3,988,090	\$ 4,153,256	\$ 4,835,892	\$ 3,441,586
Capital contributions net of capital costs.....	15,548,990	22,123,060	14,472,851	16,169,057	5,065,456	4,683,424	12,471,808
Net Income.....	\$ 21,487,994	\$ 26,964,910	\$ 21,130,804	\$ 20,157,147	\$ 9,218,712	\$ 9,519,316	\$ 15,913,394

Airport Management's Discussion of Operations

Operating Revenues. Operating revenues increased \$785,595, or 3.2%, from \$24,924,247 in Fiscal Year 2003 to \$25,709,842 in Fiscal Year 2007. In the seven-month period ended January 31, 2008, operating revenues increased \$767,738 or 5.2%, over the corresponding period of the prior Fiscal Year.

The financial reports of the Authority appearing herein present operating revenues in the following functional categories: terminal area, parking area, apron area, airfield area, air cargo area and other areas.

Terminal Area. Terminal area revenues include space rentals paid by signatory airlines, other terminal building rentals and consumer services.

In Fiscal Year 2007, revenues from signatory airline space rentals represented 89.4% of terminal area revenue and 19.8% of total operating revenue. The revenues from signatory airline space rentals revenue increased \$1,234,112, or 31.9%, from \$3,867,895 in Fiscal Year 2003 to \$5,102,007 in Fiscal Year 2007 as a result of increases in rental rates and increases in area under lease. Currently six airlines - Continental, Delta, Northwest, Skybus, United, and US Airways – lease space in the terminal area under Air Carrier Lease Agreements that expire December 31, 2008. American Eagle leases space in the terminal area under a verbal agreement. (See “THE AIR CARRIER LEASE AGREEMENTS” herein for additional information.)

Other terminal building rentals increased \$334,706, or 123.5%, from \$271,085 in Fiscal Year 2003 to \$605,791 in Fiscal Year 2007. Space leased to the Transportation Security Administration and for crew base areas accounted for 74.9% of this change or \$250,835. From Fiscal Year 2006 to Fiscal Year 2007, there was an increase of \$92,765, or 18.1%. New jet bridges for Delta and United along with additional charter activity contributed to this increase.

For the seven-month period ended January 31, 2008, revenues from signatory airline space rentals increased 9.8%, or \$283,942, compared to the corresponding period of Fiscal Year 2007. An increase in airline signatory terminal rates of 8.8%, and additional terminal area space under lease contributed to this increase in terminal revenues.

Consumer services revenue includes receipts from rental car, advertising, ground transportation, telecommunications, amusement and food, beverage and gift concessions. Revenues from consumer services decreased 4.6% from \$4,385,672 in Fiscal Year 2003 to \$4,184,801 in Fiscal Year 2007. These revenues are significantly related to levels of enplaned passengers, which decreased 16.3% during this period.

Enplanements increased 9.0% for the first seven months of Fiscal Year 2008 in comparison to the corresponding period of Fiscal Year 2007. During this same time period, the Authority's revenues from consumer services increased 5.8% or \$143,461. Revenue from advertising, ground transportation and food, beverage and gifts increased a combined \$101,368, or 18.1%. Revenue from rental car commissions, game room, telecommunications, and miscellaneous increased a combined \$42,094, or 2.2%.

The Airport is served by seven rental car companies occupying counter space within the terminal building and two off-premises rental car companies. In addition, four of the rental car companies have leases with the Authority for service facilities. Revenue attributable to these service center leases is included in other area revenue.

Parking Area. Automobile parking fees represent a significant source of operating revenue, totaling 27.7% and 29.4% of total operating revenue in Fiscal Years 2007 and 2003, respectively. Parking area revenue is generated from public parking facilities operated by the Authority, metered parking adjacent to the terminal entrance, executive and employee parking and rental car lot fees. Parking area revenue decreased 2.9%, or \$210,826, in Fiscal Year 2007 compared to Fiscal Year 2003. A significant factor contributing to this decrease was the 16.3% decline in enplaned passengers, which was partially mitigated by an increase in parking rates effective July 1, 2005.

Enplanements for the seven-month period ended January 31, 2008, compared to the corresponding period of the prior Fiscal Year, showed an increase of 9.0% which resulted in an increase in parking revenue of \$259,488, or 6.4%. Revenues from automobile parking were 27.8% of total operating revenue for the seven-month period ended January 31, 2008.

Apron Area. Apron area revenue is derived from fees charged to air carriers for the use of aircraft parking positions. There are currently 23 parking positions available for use at the Airport. Apron revenue increased 7.6%, or \$22,223, and the average per aircraft parking position annual fee increased 1.3% in Fiscal Year 2007 compared to Fiscal Year 2003. Apron revenue was \$313,192 for Fiscal Year 2007 compared to \$290,969 for Fiscal Year 2003.

For the seven-month period ended January 31, 2008, compared to the same period in the prior Fiscal Year, apron area revenue increased \$24,471, or 13.8%, due to an increase of 3.4% in the per aircraft parking position annual fee and one additional parking position under lease.

Airfield Area. Revenue in the airfield area is generated by landing fees and fuel flowage fees. Fuel flowage fees are paid by two fixed-based operators and one corporate tenant located at the Airport. In Fiscal Year 2007, landing fee revenue increased 22.7%, or \$501,073, over Fiscal Year 2003 primarily as a result of increased landing fee rates. Aviation fuel fees increased 10.2%, or \$18,704, for Fiscal Year 2007 over Fiscal Year 2003.

For the seven-month period ended January 31, 2008, compared to the corresponding period of the prior Fiscal Year, airfield area revenue generated from landing fees increased \$192,883, or 12.8%. Revenue from fuel flowage stayed relatively flat. Decreased landed weights during this period were offset by an increased landing fee rate.

Air Cargo Area. Air cargo area revenue is derived from four cargo buildings with space leased to Air Carriers, the U.S. Postal Service, freight forwarders and other tenants. Beginning in October 2006, this category also included the ground rent that Federal Express began paying on its Hub Facility. Revenue from cargo building rentals between Fiscal Year 2003 and Fiscal Year 2007 increased \$193,557, or 16.9%, due to additional square-footage under lease and increased rental rates.

Revenue from cargo building rentals in Fiscal Year 2007 compared to Fiscal Year 2006 increased \$141,128, or 11.8%. Land rental from the new Federal Express Hub Facility accounted for the majority of this increase.

For the seven-month period ended January 31, 2008, compared to the same period in the prior Fiscal Year, air cargo area revenue increased \$77,093, or 10.2%, with the Federal Express Hub rent accounting for the majority of this increase.

Other Areas. Other areas revenue consists of revenue derived from hangar facility rents, valet parking fees, land and paving rents, commissions from the hotel located at the Airport, rentals of commercial properties, and miscellaneous items. Other areas revenue decreased 21.1%, from \$5,244,290 in Fiscal Year 2003 to \$4,137,208 in Fiscal Year 2007, mainly due to the loss of commercial properties on land that had been purchased for the future runway protection zone for the parallel runway. The properties were taken out of service in December 2005 to accommodate construction of the runway.

For the seven-month period ended January 31, 2008, compared to the same period in the prior Fiscal Year, other area revenue decreased \$211,306, or 8.5%, due primarily to decreases in rentals for TIMCO Hangar Facility which were partially offset by increased revenues in the rental car service center area as a result of new leases that became effective January 1, 2007. TIMCO and the Authority agreed to reduce the rent on one of TIMCO's four hangars for three years, beginning January 1, 2007 in the total amount of \$1,538,582 (\$512,861 per year) starting January 1, 2007 and to increase the rentals above the pre-2007 rate for the remaining life of the lease starting January 1, 2010.

Operating Expenses. The financial reports of the Authority appearing herein present operating expenses, excluding depreciation and interest expense, in the same functional areas as revenues.

Operating expenses increased \$1,474,984, or 16.2%, from \$9,094,107 in Fiscal Year 2003 to \$10,569,091 in Fiscal Year 2007. Salaries and benefits accounted for \$959,188, or 65.0%, of the total increase; utilities accounted for \$177,296, or 12.0%, of the total increase; and professional services accounted for \$207,909, or 14.1%, of the total increase. The balance of the increase of \$130,591, or 8.9% of total increase, includes all other operating expenses of the Authority.

Operating expenses decreased 2.1%, or \$227,643, from \$10,796,734 in Fiscal Year 2006 to \$10,569,091 in Fiscal Year 2007. This change resulted in part from a decrease in bad debt expense of \$165,000 from Fiscal Year 2006 to Fiscal Year 2007. The marketing program experienced a significant decrease of approximately \$261,000. Increases in salary, wages and benefits of \$205,498 offset a portion of this decrease.

Total Operating Expenses includes a Canine Program started in Fiscal Year 2005 and the Law Enforcement Officers Security Program started after September 11, 2001. During Fiscal Year 2007 expenses for these programs were \$432,967 and were partially offset by federal funds received of \$338,926.

Operating expenses for the seven-month period ended January 31, 2008, compared to the same period in the prior Fiscal Year, increased by \$827,983, or 13.8%. Increases in salaries, wages and benefits of \$125,918, accounted for 15.2% of the total increase. Increases in other areas include: an increase in professional services, including advertising, of approximately \$651,000, or 78.6% of the total increase; and an increase in maintenance and custodial areas of approximately \$51,000, or 6.2% of the total increase. The remaining portion of the increase was mostly attributable to the timing of payouts in the four months of Fiscal Year 2008 as compared to Fiscal Year 2007.

The Authority has received from surrounding communities advertising grants of \$350,000 to off set marketing costs. As of January 31, 2008, \$307,626 of the grants received has been expended.

Historical Debt Service Coverage

The following table sets forth the historical actual and maximum annual debt service coverage ratios for the Authority for each of Fiscal Year 2006 and Fiscal Year 2007. The maximum annual debt service coverage ratio calculations include the debt service requirements relating to the Series 1999 Bonds, the Series 2001 Bonds, the Series 2004A Bonds, the Series 2004B Bonds and the Series 2005A Bonds. The actual rate on the Series 2004B Bonds, which bear interest at a variable rate, was used to calculate the Actual Debt Service Requirement for each of Fiscal Year 2006 and Fiscal Year 2007. For the Maximum Annual Debt Service Requirement, the Series 2004B Bonds were assumed to bear interest at a rate of 4.25% per annum. The table does not include a pro-forma presentation of the ratios taking into account the issuance of the Series 2008 Bonds and the refunding of the Series 2004B Bonds. See “THE FINANCING PLAN,” above, regarding the Authority’s intention to use certain funds expected from the FAA to meet a portion of its debt service requirement on the Series 2008A Bonds and to redeem portion of the Series 2008A Bonds prior to maturity over the next few Fiscal Years.

PIEDMONT TRIAD AIRPORT AUTHORITY DEBT SERVICE COVERAGE

	Fiscal Year Ended June 30,	
	2006	2007
Income Available for Debt Service	\$19,105,913	\$18,649,926
<i>Actual</i>		
Actual Debt Service Requirement	\$11,579,007	\$11,833,867
Debt Service Coverage Ratio	1.65	1.58
<i>Maximum Annual</i>		
Maximum Annual Debt Service Requirement	\$12,001,060	\$12,001,060
Debt Service Coverage Ratio	1.59	1.55

Analysis of Payments By Airlines

As shown in the following table, the Airport provided airlines access to passengers who collectively paid approximately \$419,000,000 in fares during Fiscal Year 2007 for travel originating or terminating at the Airport. To access the Airport's passenger market in Fiscal Year 2007, airlines collectively paid the Authority approximately \$7,300,000 in landing fees, apron fees and terminal rentals, equivalent to 1.75% of airline passenger revenues at the Airport (1.75 cents out of every fare revenue dollar). By contrast, major airlines expend on average approximately 1 cent per revenue dollar for advertising, 25 cents for fuel, 1 cent for commissions, 2 cents for maintenance, and 24 cents for labor. In the opinion of management, the costs to access the Airport market are reasonable in both absolute and relative terms.

ANALYSIS OF PAYMENTS BY AIRLINES PIEDMONT TRIAD INTERNATIONAL AIRPORT

	Fiscal Years ended June 30,			Six-month Period ended December 31,	
	2005	2006	2007	2006	2007
Airline Payments	\$ 6,554,456	\$ 6,424,480	\$ 7,344,411	\$ 3,528,538	\$ 3,942,613
Enplaned Passengers	1,390,179	1,187,181	1,051,259	532,481	572,394
Airline Payment Per Enplaned Passenger	\$ 4.71	\$ 5.41	\$ 6.99	\$ 6.63	\$ 6.89
Fare Revenue	\$430,648,843	\$453,403,059	\$419,289,848	\$213,583,978	n.a.
Airline Payment As % of Fare Revenue	1.52%	1.42%	1.75%	1.65%	n.a.

SOURCES: Piedmont Triad Airport Authority; DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T-100 and 298C T-1.

THE AIRPORT MARKET AREA

The market area for the Airport can be described as the area within a 50-mile radius of the Airport, or approximately 7,900 square miles in central North Carolina and a portion of southern Virginia. In the following discussion, because statistical information is not readily available regarding the Airport market area as a whole, data derived from the Combined Statistical Area of the Greensboro—Winston-Salem—High Point region (the “CSA”) is used for comparative purposes. The United States Census Bureau defines a Combined Statistical Area as an aggregate of adjacent Core Based Statistical Areas that are linked by commuting ties. The CSA is comprised of the North Carolina counties of Alamance, Davidson, Davie, Forsyth, Guilford, Randolph, Rockingham, Stokes, Surry and Yadkin (see map on the following page).

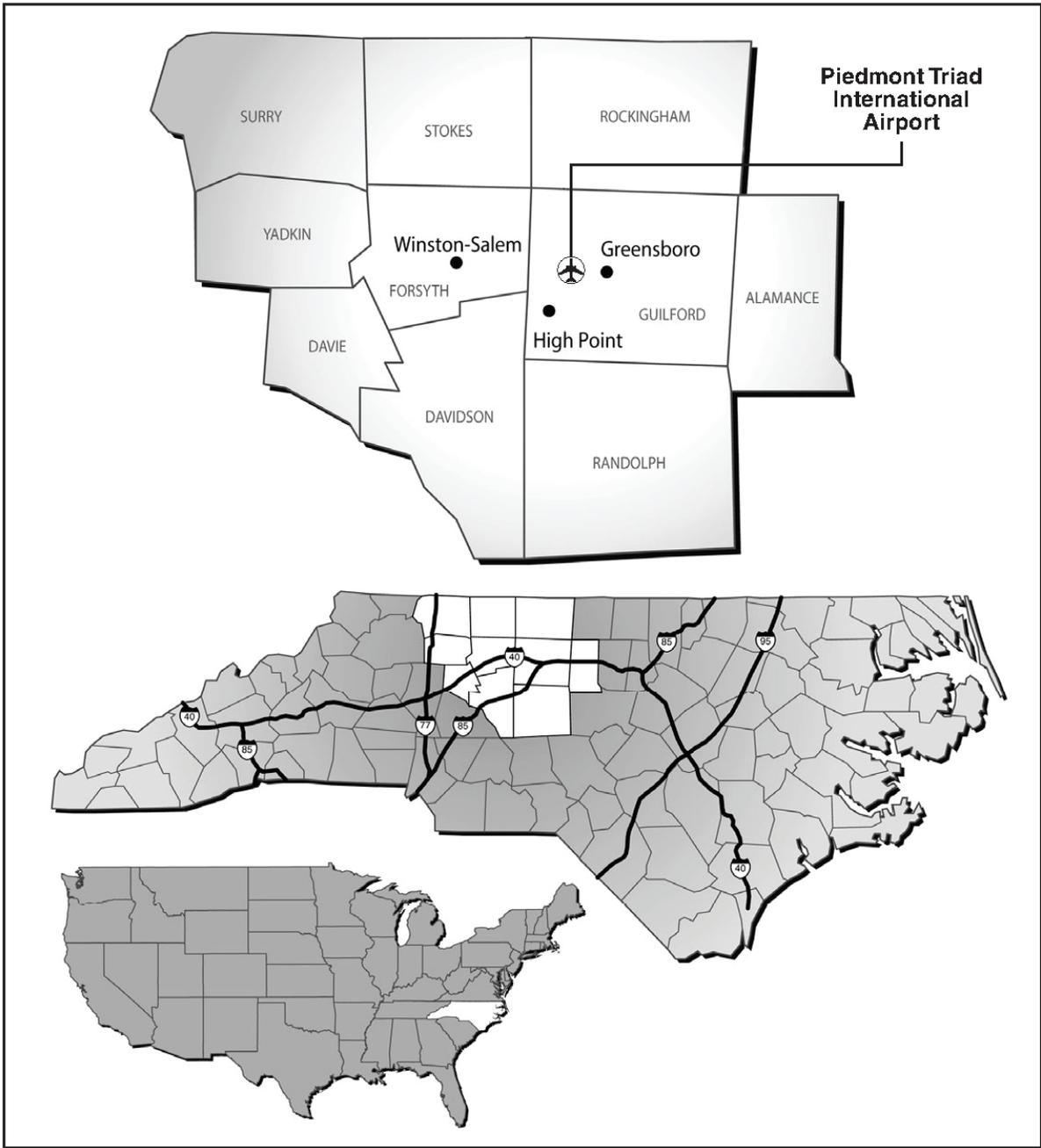
Management of the Authority believes that growing demand will support the expansion of airline services at the Airport. Communities with growing populations and a strong income base have a demonstrated record of air passenger growth. Such communities have generally realized increased air service by air carriers. Airport management believes that the market provided by the CSA and surrounding communities has the kind of demonstrated growth record, as well as diversity of economic activity, that provides an attractive market to airline management. Several important considerations relative to the Airport’s original development and current economic viability are examined in greater detail below.

Historical Overview

The Greensboro—Winston-Salem—High Point area developed in the early 1800s as the axis of seven main roads, converging at Greensboro, which led towards other towns and cities of the Southeast. Following 1850, the area became a center of interstate railroad transportation. By the turn of the century, Greensboro had become a major regional railroad passenger and freight center.

In 1927, Pitcairn Aviation, Incorporated was given a government contract to fly mail from New York to Atlanta with Greensboro/High Point as one of five stops. This was the second official air route in the United States. Regular airmail service was established in 1928, followed two years later by the inauguration of passenger service from Greensboro/High Point to Washington, D.C. Both airmail and passenger service were provided by Pitcairn Aviation under its new name, Eastern Air Transport, which later became Eastern Air Lines, Inc.

With a solid base as a transportation center, a favorable combination of circumstances has further contributed to the development of the area as an industrial center. The main contributing factors are a climate that provides good working and living conditions; a substantial population and varied agricultural activity; accessibility to raw materials and markets; and relatively inexpensive labor. Today, the Greensboro—Winston-Salem—High Point area is economically diverse, with activity focused in the manufacturing, financial services, agriculture, health care and higher education sectors.



G303081 F-0001

LEGEND
 Air carrier airport

**GREENSBORO-WINSTON-SALEM-HIGH POINT
 COMBINED STATISTICAL AREA**

Piedmont Triad International Airport
 November 2007



Population

Based on population estimates by the U.S. Department of Commerce Bureau of the Census, North Carolina State was the 11th largest state in the nation in 2006 and it ranked 8th in the rate of population growth between 1990 and 2006. In 2006, the CSA was the second most populous in the State and the 37th largest in the nation, according to the U.S. Census Bureau. Guilford County, the third most populous county in the State, accounted for approximately 30% of the total CSA population.

In terms of population growth, both the CSA and the State grew faster than the nation between 1970 and 2006. Growth in the CSA and the State exceeded the national growth rate most markedly between 1990 and 2000. The CSA population, as a percentage of the State population, declined over the 36-year period, from 18.9% to 17.1%.

POPULATION TRENDS (in thousands)

Calendar Year	United States	North Carolina	CSA	CSA as a percentage of United States	CSA as a percentage of North Carolina
1970	203,302	5,084	963	0.5%	18.9%
1980	226,542	5,880	1,094	0.5	18.6
1990	248,710	6,629	1,198	0.5	18.1
2000	281,422	8,049	1,415	0.5	17.6
2006E	300,086	8,811	1,507	0.5	17.1
Historical Average Annual Growth					
1970-2006E	1.1%	1.5%	1.3%		
1970-1980	1.1	1.5	1.3		
1980-1990	0.9	1.2	0.9		
1990-2000	1.2	2.0	1.7		
2000-2006E	1.1%	1.5%	1.1%		

Source: U.S. Department of Commerce, Bureau of the Census 2007.

Notes: Population counts for 2006 are estimates by the U.S. Census Bureau. The Bureau is expected, at a future date, to revise these estimates to reflect the actual change in the population between the census years 2000 and 2010.

E=Estimated.

Age Distribution

The age groups with the greatest concentration of frequent air travelers are those between 15 and 49 years and the proportion of the CSA population in this range is almost identical to that of the nation as a whole. The CSA's proportion of residents over the age of 50, who have a lower frequency of air travel than those between the ages of 15 and 49, is slightly higher than that of the nation as a whole. The median age for the CSA in 2006 was 37.0 years, slightly higher than the national median of 36.4 years.

2006 POPULATION AGE DISTRIBUTION
(percentage of total)

Age Groups	United States	North Carolina	CSA
0-14 years	20.3%	20.7%	20.4%
15-19 years	7.1	6.9	6.9
25-34 years	20.5	20.9	19.6
35-49 years	22.2	22.1	22.3
50+ years	<u>29.9</u>	<u>29.4</u>	<u>30.7</u>
Total	100.0%	100.0%	100.0%

Source: U.S. Department of Commerce, Bureau of the Census 2007.

Notes: Population counts for 2006 are estimates by the U.S. Census Bureau. The Bureau is expected, at a future date, to revise these estimates to reflect the actual change in the population between the census years 2000 and 2010.
E=Estimated.

Personal Income

Trends in the growth and distribution of personal income in the CSA are significant factors underlying locally originating demand for air transportation. Growth of income is caused in part by the expansion of economic activity, which is attributed to, among other things, increased output from existing firms and the creation of new jobs by new businesses. Growth in business activity leads to greater discretionary income for individuals, which in turn correlates positively with demand for air travel.

Since 1970, the CSA's real per capita personal income (adjusted for inflation) has been higher than the real per capita personal income for the State, but lower than the real per capita personal income for the nation. However, real personal income declined in the CSA in the period from 2001 through 2003. This decline began with the recession of March 2001 through November 2001 and was exacerbated by the events of September 11, 2001. For the U.S. and State economies, the change in real per capita personal income was positive, though reduced from recent historical norms, for all of the years from 2001 through 2006. In the CSA, however, real per capita personal income contracted in each of the years from 2001 through 2003 (by 0.5% or less in each year) before increasing in each year from 2004 through 2006. Due to stronger per capita personal income growth in the State as compared to the CSA from 2004 to 2006, real per capita personal income in the CSA now more closely approximates the State average than it did in the 1970 to 2000 period.

REAL PER CAPITA PERSONAL INCOME
(in 2006 dollars)

Year	United States	North Carolina	CSA	CSA as a Percentage of United States	CSA as a percentage of North Carolina
1970	18,553	14,833	17,175	92.6%	115.8%
1980	23,352	18,931	21,288	91.2	112.5
1990	29,093	25,760	28,424	97.7	110.3
2000	35,886	32,546	33,553	93.5	103.1
2006	37,024	32,892	33,362	90.1	101.4

Historical Average Annual Growth

1970-2006	1.9%	2.2%	1.9%
1970-1980	2.3	2.5	2.2
1980-1990	2.2	3.1	2.9
1990-2000	2.1	2.4	1.7
2000-2006	0.5	0.2	(0.1)

Source: U.S. Department of Commerce, Bureau of Economic Analysis, 2007.

Notes: Personal income is calculated in constant dollars that demonstrates real personal income after adjustment for inflation.

The distribution of household income for 2006 for the CSA approximated that of the State, with 46.5% and 45.8%, respectively, of households having incomes of \$45,000 or more, both of which are lower than the national average (50.1%). Air travelers tend to live in households with higher buying incomes.

Distribution of Household Income - 2006
(percent of total)

Income Range	United States	North Carolina	CSA
Under 45,000	49.9%	54.2%	53.5%
\$45,000 to \$59,999	14.8	15.4	15.9
\$60,000 to \$74,999	11.2	10.7	11.0
\$75,000 to \$99,999	11.0	9.5	9.7
\$100,000 and over	<u>13.1</u>	<u>10.1</u>	<u>9.9</u>
Total	100.0%	100.0%	100.0%

Source: United States Department of Commerce, Bureau of the Census, 2007.

Notes: The Bureau is expected, at a future date, to revise estimates made between the census years 2000 and 2010.

Civilian Labor Force

The economy of the CSA expanded to create employment opportunities for its growing population at a rate that outpaced population growth from 1970 to 2000. This was followed by a decline in CSA employment figures in the period 2000 to 2003 and an annual increase since 2004. Over the past three decades, non-agricultural employment in the CSA has remained relatively stable as a proportion of total non-agricultural employment in both the State and the nation.

In the six years after 2000, the U.S., the State and the CSA exhibited slower than historical rates of growth in the civilian labor force. This slower growth in employment from 2000 to 2006 began with the recession of March 2001 through November 2001 and was exacerbated by the events of September 11, 2001. As with growth in real per capita personal income mentioned previously, the U.S. and State job growth experienced modest growth for all of the years from 2001 through 2006. In contrast, the CSA civilian labor force contracted in each of the years from 2001 through 2003. From 2004 through 2006, the CSA has shown a consistent growth in the civilian labor force of 1.4% per annum, compared with 1.6% for the U.S. and 1.8% for the State.

TOTAL NON-AGRICULTURAL EMPLOYMENT
(in thousands of jobs)

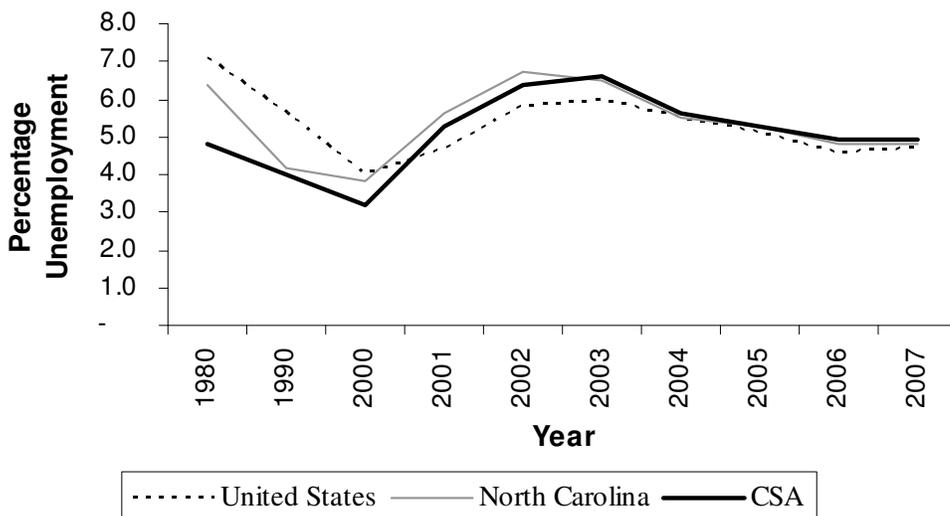
Calendar Year	United States	North Carolina	CSA	CSA as a percentage of United States	CSA as a percentage of North Carolina
1970	86,795	2,260	480	0.6%	21.3%
1980	109,524	2,888	587	0.5	20.3
1990	134,774	3,795	757	0.6	19.9
2000	161,525	4,778	886	0.5	18.5
2006E	169,793	4,991	887	0.5	17.8
Historical Average Annual Growth					
1970-2006E	1.9%	2.2%	1.7%		
1970-1980	2.4	2.5	2.0		
1980-1990	2.1	2.8	2.6		
1990-2000	1.8	2.3	1.6		
2000-2006E	0.8	0.7	0.0		

Source: U.S. Department of Labor, Bureau of Labor Statistics, 2007.

Notes: The Bureau is expected, at a future date, to revise estimates made between the census years 2000 and 2010.
E= Estimated.

Expansion of the CSA economy is reflected, in part, through its unemployment rate, which remained below the national and State unemployment rates from 1980 through 2000. During the years following 2000, the pattern reversed, with unemployment in the CSA and the State equaling or exceeding the national rate. The 2004 figures reflect an improvement, both absolute and relative to the nation, in the CSA unemployment rate, and the unemployment rates for the CSA and the State converge toward the national rate from 2004 forward.

Civilian Unemployment Rate



Source: Bureau of Labor Statistics, 2007.

Notes: A national recession during all or part of year in 1980, 1990 and 2001, according to the National Bureau of Economic Research. 2007 data is through October 2007.

Employment by Sector

Non-agricultural employment figures presented in the following table compare the growth and structure of the economies of the CSA, the State and the nation, as well as shifts in employment among industry sectors. In the decade from 1996 to 2006, CSA employment increased at an average annual rate of 0.6%, compared to 1.4% for the nation and 1.4% for the State.

As shown in the table below, the CSA economy is oriented principally to services, manufacturing, and retail trade, which collectively represent two-thirds of the CSA's non-agricultural employment. Manufacturing currently accounts for 17.5% of local non-agricultural employment, compared to 13.5% in the State and 9.7% nationally. Employment in this sector declined in the CSA, State and nation during the 1996-2006 period, but the greatest percentage decline was in the CSA. Manufacturing employment in the CSA is concentrated in furniture and fixtures and in textile and apparel products, all of which are areas that have shifted manufacturing overseas to lower cost labor markets.

Statistical summaries of the Federal Reserve Bank of Richmond since 2004⁸ confirm that manufacturing employment has continued to decline though at a slower rate than in the period from 1994 to 2004. The October 2007 monthly review noted a decline in manufacturing jobs of 2,400 for the Federal Reserve region.⁹

⁸ Fifth Federal Reserve Bank- Regional Focus reports issued quarterly.

⁹ Fifth Federal Reserve Bank - 5E Indicators, October, 2007.

*AVERAGE ANNUAL GROWTH IN NON-AGRICULTURAL EMPLOYMENT 1996-2006
AND EMPLOYMENT SHARE BY INDUSTRY 2006*

Industry Sector	AAG 1996-2006			2006 Percent of Total		
	United States	North Carolina	CSA	United States	North Carolina	CSA
Services	2.6%	3.4%	2.7%	35.0%	30.9%	32.5%
Manufacturing	(1.5)	(2.5)	(2.6)	9.7	13.5	17.5
Retail Trade	1.1	1.2	0.3	16.8	6.9	16.7
Government	(0.4)	0.1	(0.7)	14.5	16.4	10.1
Financial Activities	2.5	3.2	1.7	8.5	7.2	7.2
Construction	2.0	1.5	0.9	5.7	6.5	6.3
Wholesale Trade	0.8	1.4	1.0	4.5	4.5	5.1
Transportation, Communication & Utilities	1.2	0.6	(0.3)	4.8	4.1	4.6
Mining	(1.5)	(0.4)	0.3	0.4	0.1	0.1
TOTAL				100.0	100.0	100.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, 2007.

Major Private Sector Employers

The largest 20 private sector employers in the CSA (based on the number of employees in the CSA) are presented in the following table.

Seven of the twenty companies listed on the table are ranked in the Fortune 500 list of largest U.S. companies (based upon revenues). The CSA benefits from having a diverse industry base that includes a variety of health services, manufacturing, and financial services.

Wake Forest University Health Sciences and North Carolina Baptist Hospital (the “Health System” and “Baptist Hospital,” respectively) together constitute the largest private sector employer in the CSA with approximately 11,400 employees. U.S. News & World Report’s “Guide to America’s Best Graduate Schools” (2008 edition) ranked Wake Forest University School of Medicine 18th in primary care and 44th in research among the nation’s medical schools. The North Carolina Baptist Hospital, comprising 100 buildings on 290 acres, operates various facilities and satellite clinics throughout the region. U.S. News & World Report ranks North Carolina Baptist Hospital as one of America’s Best Hospitals in six categories: 21st nationally in cancer on the latest list, 24th in geriatrics, 26th in urology, 33rd in ear, nose, and throat, 37th in heart and heart surgery and 50th in orthopedics.

Major Private Sector Employers in the CSA
(ranked by number of employees)

Company	Employment	Type of Business
Wake Forest University/Baptist Medical Center	11,398	Health & Medical Care/Medical School
Wal-Mart*	9,695	Retail
Novant Health Inc.	8,843	Health Care
Moses Cone Health System	7,437	Health Care
Reynolds American Inc. (HQ)*	3,800	Cigarette Manufacturing
Hanesbrands (HQ)	3,500	Apparel
Wachovia Corp.*	3,500	Banking
Laboratory Corp. of America	3,300	Laboratory Testing
High Point Regional Health System	2,395	Health Care
American Express Service Center*	2,280	Financial Services, Credit Card Operations
BB&T Corp. (HQ)	2,242	Banking
Unifi Inc.	2,400	Textiles
Klaussner Furniture Industries Inc. (HQ)	3,375	Furniture Manufacturing
AT&T*	2,000	Telecommunications
VF Corp. (HQ)*	2,338	Branded Apparel
Bank of America*	1,800	Banking
Wake Forest University	1,780	Higher Education
Alamance Regional Medical Center	1,754	Health Care
Lorillard Inc. (HQ)	1,750	Cigarette Manufacturing
Thomas Built Buses	1,600	School Bus Manufacturing

Source: Piedmont Triad Partnership - from data provided by Triad Business Journal, September 2007.

Note: *Ranked in 2006 Fortune 500 list of largest U.S. companies (based upon 2005 revenues).

Wal-Mart stores, with approximately 9,700 employees, is the CSA's second largest employer.

Novant Health, Inc. ("Novant"), together with its affiliates, is the third largest private sector employer in the CSA, with approximately 8,800 employees. Novant and its affiliates operate an integrated healthcare system based in Winston-Salem and Charlotte, North Carolina that includes Forsyth Medical Center, Presbyterian Hospital, Thomasville Medical Center and numerous other facilities.

Moses Cone Health System, with approximately 7,400 employees, is the CSA's fourth largest employer. Moses Cone Health System includes Moses H. Cone Memorial Hospital, Wesley Long Community Hospital, The Women's Hospital of Greensboro, Annie Penn Hospital, and Moses Cone Behavioral Health Center. The Moses H. Cone Memorial Hospital has a nationally renowned heart and vascular health center that performs over 9,000 heart procedures a year and The Women's Hospital of Greensboro provides the only Level II and Level III Neonatal Intensive Care in Alamance, Guilford, Randolph and Rockingham counties.

Reynolds American headquartered in Winston-Salem, is the parent of R.J. Reynolds Tobacco Company, Conwood Company, LLC, Santa Fe Natural Tobacco Company, Inc. and R.J. Reynolds Global Products, Inc. and employs approximately 3,800.

In 1998, Federal Express chose the Airport for its fifth major U.S. air cargo hub serving primarily the eastern coast of the United States. The project is divided into two phases, with the first phase scheduled for completion by 2009. Federal Express is expected to hire 750 workers (full and part-time) at the completion of each phase of construction for a total of 1,500 employees (full and part-time). See “AIRPORT EXPANSION PROJECT” herein

Over the past decade, there has also been development of a biotechnology sector in the CSA. The creation of the Piedmont Triad Research Park in the early 1990s, in addition to the benefits from having three premier universities located nearby, helped lay the foundation for this economic development. Management of the Authority expects that the Airport Expansion Project at the Airport will increase the opportunities for air traffic growth in this area, as biotechnology goods are often shipped via air.

In late 2005, Dell Inc. completed construction of a 500,000 square-foot assembly plant in the Alliance Science and Technology Business Park located in the southeast part of Forsyth County. The plant currently employs 1,100 and is expected to expand to 1,500 jobs over the next five years. In addition, more than 6,000 indirect jobs could be created for suppliers, logistics operations, retail and restaurants. One such contract has been awarded. Dell has selected APL Logistics to handle inventory for suppliers. APL Logistics will operate from a 500,000 square-foot warehouse to be built and plans to hire up to 50 employees over the next three years with up to 100 seasonal employees.

Convention and Coliseum Facilities

The Greensboro Coliseum Complex (the “Coliseum Complex”) is a multi-facility sports and entertainment complex, located near the downtown area of Greensboro. The Coliseum Complex has been in service for approximately 45 years with 50 million in attendance over that time period. In 1993, an approximately \$60 million renovation and expansion of the Coliseum Complex was completed. The Coliseum Complex is among the 20 largest facilities of its type nationally. The Coliseum Complex consists of an arena with a seating capacity of 23,500, a proscenium theater (War Memorial Auditorium) with a seating capacity of 2,376 plus pit seating, a Town Hall Theater with a seating capacity of 298 adjoining a 3,000 square foot activity room, an exhibition facility (Special Events Center) containing 120,000 square feet of exhibit space and 47,000 square feet of lobby space and meeting rooms.

The Coliseum Complex hosted the ACC Men’s Basketball Tournament from 1995 to 1998 and in 2003, 2004 and 2006 and will host it again in 2010. Since 2000, the Coliseum Complex has hosted the ACC Women’s Basketball Tournament and will continue to do so through 2009. The Coliseum Complex hosted the NCAA Women’s East Regional Basketball Tournament in 1999, 2006 and 2007 and the Men’s NCAA East Regional Basketball Tournament in 1998, 2001 and 2006 and will do so again in 2009. The Coliseum Complex hosted the ACC Women’s Basketball Tournaments in 2007 and will continue to host the tournament through 2015. The Coliseum Complex is also home to the Greensboro Symphony

Orchestra, the Central Carolina Fair and the Theater League Best of Broadway Series. Hockey and arena football have formerly been played in the Coliseum Complex and remain top candidates for a return to the facility.

Koury Corporation is a major real estate development and management company in Greensboro, with a significant real estate portfolio including the Sheraton Greensboro Hotel at Four Seasons/Joseph S. Koury Convention Center, Four Seasons Town Centre and Grandover Resort. The corporation owns and operates the 250,000 square-foot Joseph S. Koury Convention Center in conjunction with its three Greensboro hotel properties, which have a total of 1,398 guestrooms. The Sheraton Four Seasons is the largest hotel facility between Washington, D.C. and Atlanta, Georgia. The convention center contains a ballroom that can seat approximately 5,000 people and approximately 250,000 square feet of meeting and banquet space.

Four Seasons Town Centre Mall features 200 specialty stores located on three levels with approximately 1.3 million square feet of retail space, including three nationally recognized department stores and a modern food court. The mall has recently completed an extensive renovation of all interior common areas and the major exterior entrances. A major expansion of the Dillard's department store was recently completed at Four Seasons Mall.

The Grandover Resort project involves development of 1,500 acres of land in the southwest Greensboro metropolitan area into multi-use office, residential, hospitality and retail area. The Koury Corporation has already completed the infrastructure, championship golf courses and clubhouse, Grandover Resort and Conference Center and four office buildings. The Grandover Resort and Conference Center, with 247 guestrooms and 45,000 square feet of meeting facilities, has become the premier conference center in the State. Further development projects include a single-family residential area and additional office buildings.

The M.C. Benton Jr. Convention and Civic Center (the "Benton Center") in Winston-Salem seats up to 3,500 people theater-style, or accommodates 2,500 people for banquets. The Benton Center is directly connected to 1,400 covered parking spaces, 600 first-class hotel rooms (a total of 1,200 rooms are available within a six-block radius of the Benton Center), shops and an additional 35,400 square feet of meeting space. The Benton Center offers two main ballroom-type meeting halls and a 47,000 square-foot exhibition area.

The Lawrence Joel Veterans Memorial Coliseum and Annex in Winston-Salem is a fixed-seat arena able to seat up to 15,000 people. There are 25,740 square feet of exhibit space on the coliseum floor. The coliseum annex is located in a separate building and has retractable seating for 4,500. The annex can also provide 30,000 square feet of exhibit space.

The exhibition space in High Point, which is known as "The Home Furniture Capital of the World," is largely devoted to the International Home Furnishings Market, with approximately 10 million square feet of space used exclusively for this semiannual event. The International Home Furnishings Market is held in High Point in April and October each year. Exhibitors, representing over 3,000 manufacturers, draw 80,000 visitors from all 50 states and 110 foreign countries to this seven-day event. The major convention spaces in High Point are housed in the Suites at Market Square and Show Place, with 375,000 and 450,000 square feet of meeting and exhibit space, respectively. The semiannual International Home Furnishings

Market is the State's largest economic development event and contributes about \$1.07 billion to the region's economy. In spite of growing competition from furnishings shows in Las Vegas and Shanghai, China, attendance in October, 2007 was only slightly lower (84,000 versus 85,000) than the attendance in October, 2006.¹⁰ A similar percentage decline in attendance was noted at the smaller Las Vegas Furniture Market (attendance 50,000) in August, 2007, with both declines attributed to the softening in the U.S. housing market.

THE AIR CARRIER LEASE AGREEMENTS

General

The Authority has an Air Carrier Lease Agreement in effect with each of Delta, US Airways, Northwest, United, Continental and Skybus (the "Signatory Carriers") through December 31, 2008, and the Authority proposes to extend the Air Carrier Lease Agreements with these same carriers on substantially the same terms and conditions through December 31, 2010. The Air Carrier Lease Agreements provide for the leasing of premises in the Terminal Complex, the preferred use of aircraft parking/loading positions, the payment of aircraft landing fees and other matters. All Air Carrier Lease Agreements are substantially identical, with the principal difference being the amount of space leased in the Terminal Complex and thus the respective amounts of rentals payable thereunder.

American Eagle is currently leasing space pursuant to a month-to-month verbal agreement with the Authority and pays a non-signatory rental rate. Allegiant, which does not fly daily, pays per-use fees.

The rights of the Authority under the Air Carrier Lease Agreements and under the other agreements discussed below under the caption "OTHER AIRPORT ACTIVITIES AND AGREEMENTS" have not and will not be assigned to the Trustee. Therefore, neither the Air Carrier Lease Agreements nor such other agreements will constitute security for the Bonds, and such agreements may be amended from time to time or terminated by mutual agreement of the parties thereto.

In general, rental amounts, landing fees and other payments under the Air Carrier Lease Agreements are designed to be sufficient to cover the Signatory Carrier's part of operating costs and depreciation and interest on the investment in the Terminal Building, apron and landing field for the period through the lease termination date. If the Air Carrier Agreements expire without being extended or renewed, the Authority can determine a new rates and charges formula, within certain limitations, for the use of the Terminal Building, apron and landing field.

The summary set forth below does not purport to be comprehensive or definitive and is qualified by reference to all of the terms and provisions of the Air Carrier Lease Agreements, copies of which may be inspected at the office of the Authority.

¹⁰ Home Accents Today, 11/1/2007

Lease of Premises

Each Signatory Carrier has agreed to lease designated Leased Premises and Preferred Use Aircraft Parking/Loading Positions. As used herein, the term “Leased Premises” means both exclusive use leased premises (occupied and used by a single carrier) and joint use leased premises (occupied and used by more than one carrier), and the term “Preferred Use Aircraft Parking/Loading Positions” means those aircraft positions identified for preferred use by a single carrier but otherwise available to other aircraft operators.

The Authority reserves the right to reallocate certain Leased Premises and to include additional lessees in existing joint use Leased Premises under specified circumstances.

Rentals and Fees

Each Signatory Carrier has agreed to pay rentals, fees and charges at rates established in the manner set forth in, and subject to adjustment as provided in, the Air Carrier Lease Agreements. The most significant of these payments are described below.

Rentals for Leased Premises

Space rentals are charged at a fixed rate (payable monthly in advance) each year. With respect to Leased Premises, the annual rental rate per square-foot for each calendar year is the sum of two cost components less a potential credit adjustment divided by the rentable area in the Terminal Building. The rentable area in the Terminal Building, without inclusion of the additions resulting from current construction projects, is approximately 212,407 square feet, of which the Signatory Carriers together rent approximately 65%. The rental rate components are as follows:

Depreciation and Interest Components. The annual depreciation on the total capital cost of the Terminal Building based on the projected useful lives of the Terminal Building and any improvements thereto; interest on the remaining undepreciated total capital cost of the Terminal Building at the rate of the average net interest cost on the outstanding Bonds; and interest and depreciation on the capital cost of any repair, replacement or improvement (depreciated at appropriate rates) needed to maintain an adequate terminal area.

Maintenance, Operating and Administrative (“MO&A”) Component. The Authority’s actual audited amount for MO&A expenses allocated to the Terminal Building for the prior Fiscal Year. The MO&A component is subject to adjustment to account for unusual or extraordinary expenses.

Consumer Service Revenue Credit Adjustment. As a partial credit to the above rentals, the Authority has agreed to make a prospective “credit adjustment” to the MO&A component equal to 40% of all consumer services revenues for the prior Fiscal Year in excess of \$2,000,000 but less than \$5,000,000 plus 20% of such consumer services revenues in excess of \$5,000,000. Consumer services revenues include commissions and privilege fees received by the Authority from car rentals, food service, vending machines, advertising displays, gift shops, telecommunications, game rooms, ground transportation and other similar sources of revenue within the Terminal Building, but do not include parking lot, parking deck or Preferred Use

Aircraft Parking/Loading Position revenues or annual rentals (on a square-foot basis) which concessionaires pay to the Authority for their space in the Terminal Building; provided, however, that the credit adjustment shall not be applied to the MO&A components if during the prior Fiscal Year the Authority's Income Available for Debt Service was less than 125% of the Authority's Long-Term Debt Service Requirement for the Authority's Parity Indebtedness. Annual consumer services revenues ranged from \$4,200,000 to \$4,500,000 in each of the past five Fiscal Years.

The sum of the depreciation and interest and MO&A components less the consumer service revenue credit adjustment, in dollars, divided by the total rentable square feet of the Terminal Building produces the rental rate per square-foot per annum. The Signatory Carriers using a particular joint-use space jointly pay the total rental amounts for such space in accordance with a joint use formula provided in the Air Carrier Lease Agreements.

Preferred Use Aircraft Parking/Loading Position Rentals

Rental rates (on a per position, rather than per square-foot, basis) for the Preferred Use Aircraft Parking/Loading Positions are computed in a manner substantially equivalent to that for the Leased Premises, as described above, excluding the consumer service revenue credit adjustment. Rental payments are based upon depreciation, interest and MO&A components which are designed to cover operating costs and depreciation and interest on the facilities.

Landing Fees

Landing fees (on a per 1,000 pounds landed weight basis) are computed in a manner substantially equivalent to that for the Leased Premises, excluding the consumer service revenue credit adjustment. The total airfield costs to be paid by landing fees are apportioned among the various airfield users (the passenger carriers and others) by the Authority to determine the proportion of total airfield costs chargeable to the passenger carriers. Landing fees are adjusted to account for any underpayment or overpayment resulting from overestimates or underestimates of landed weights in the preceding rate year. All air carriers currently pay landing fees at the same landing fee rate whether or not they are Signatory Carriers.

Limitations on Rentals, Fees and Charges

The Authority, in the present Air Carrier Lease Agreements, has agreed not to enter into any agreement or lease with any other air carriers making substantially similar use of the Airport, operating substantially similar aircraft and utilizing substantially similar facilities to those of the Signatory Carriers, which contains more favorable terms than the Air Carrier Lease Agreements, or to grant to any such air carrier rights and privileges with respect to the Airport which are not accorded to the Signatory Carriers, unless the same terms, rights and privileges are concurrently made available to the Signatory Carriers.

Except as specifically provided in the Air Carrier Lease Agreements, the rentals, fees and charges provided therein may not be increased by the Authority without the consent of each Signatory Carrier affected thereby; provided, however, that the Authority may charge additional fees or rents for additional space, services or privileges furnished to and accepted by a Signatory Carrier under applicable law. The Air Carrier Lease Agreements do not prevent the Authority

from charging members of the general public, including passengers, customers, agents and contractors of the Signatory Carriers, for use of the Airport Facilities.

Damage to Leased Premises

If any part of the Leased Premises or adjacent public facilities is damaged by fire or other casualty the risk of which is covered in a standard fire and extended coverage insurance policy, then, depending upon the extent of such damage, the Authority may be required to repair the same to usable condition at the Authority's cost and expense, to use its best efforts to provide suitable alternate facilities and to abate or cease collecting rent in respect thereof. If the Authority has not repaired or entered into a contract to repair such damage, such damage causes the affected portion of the premises to be untenable and such damage is incapable of being repaired within 60 days, either party may cancel the lease as to the affected premises, including any portion of the premises which cannot be effectively used due to the loss of the damaged portion.

In the event that Leased Premises suffer such damage due directly or indirectly to the negligence or willful act of any Signatory Carrier or its employees or agents, there shall be no abatement or cessation of such carrier's rent during the restoration thereof, and the carrier shall pay any costs of repair in excess of insurance proceeds and shall have no option to cancel the lease due to such damage.

Indemnification

Each Signatory Carrier has agreed to indemnify fully and hold harmless the Authority, its members, officers, agents and employees from and against all claims and actions, and all expenses incidental to the investigation and defense thereof, based upon or arising out of the carrier's operations on or about the Airport or the carrier's occupation and use of the Leased Premises, provided the same are not the result of negligence or wrongful acts or omissions by the Authority.

Insurance

Each Signatory Carrier has agreed to carry general comprehensive public liability insurance, with combined single limits of not less than \$250,000,000, aircraft liability insurance with combined single limits of not less than \$250,000,000, and automobile liability insurance with combined single limits of not less than \$10,000,000. The Authority is listed as an additional insured and the amount of coverage can be adjusted from time to time as required in writing by the Authority to comply with changes in minimum requirements or customary insurance practices. The Authority is to be provided with at least 30 days' advance notice of any policy cancellation.

The Authority maintains standard fire and extended coverage as well as boiler and other vessel insurance on the Terminal Complex including improvements made by the Signatory Carriers and excluding their personal property. Such insurance extends to at least 80% of full replacement value less a \$10,000 deductible.

Events of Default

In addition to all other remedies, each Air Carrier Lease Agreement is subject to termination by the respective Signatory Carrier should any one or more of the following events occur: (a) the Airport is permanently closed as an “Air Carrier Airport” by governmental action, (b) the United States government assumes control or use of the Airport in such manner as substantially to restrict the Air Carrier from conducting its operations for a period of six months or more, (c) the FAA or other competent governmental agency prohibits scheduled or chartered service by the Air Carrier at the Airport or (d) the Authority substantially breaches any of the terms, covenants, commitments or conditions on its part under the Air Carrier Lease Agreement and fails to cure such breach after required notice and opportunity to cure.

In addition to all other remedies, each Air Carrier Lease Agreement shall be subject to termination (after any applicable notice and opportunity to cure) by the Authority upon the occurrence of certain events, including (a) abandonment of the Leased Premises for a period of 30 consecutive days, (b) the carrier defaults in any payment under the Air Carrier Lease Agreement or (c) the carrier fails to perform, keep and observe any covenant or condition contained in the Air Carrier Lease Agreement to be performed, kept and observed by it.

AIR SERVICE INCENTIVE PROGRAM

In October 2007, the Authority approved a New Nonstop Service Passenger Development Incentive, which is to be in effect from January 1, 2008, through December 31, 2010, for New Nonstop Service that passenger airlines introduce at the Airport. The Authority will allow a refund of its charges to passenger airlines of \$2.15 per passenger enplaned by the airline at the Airport on such New Nonstop Service. New Nonstop Service is generally defined as service, with at least six weekly frequencies to other airports that have not had such service from the Airport for at least six months prior to the time the new service begins. The offer is valid only for one airline per new destination on a first-come, first-served basis. The refund to any airline may not exceed the amount of that airline’s landing fees for its nonstop flights to qualifying destinations, and the proportion of its other Airport charges attributable to such service, in any given quarter, as determined under the incentive program.

OTHER AIRPORT ACTIVITIES AND AGREEMENTS

Other Airlines

There are fifteen regional/commuter airlines operating at the Airport, operating as Continental Express, Delta Connection (Atlantic Southeast, Chautauqua, Comair, and Freedom), Northwest Airlink, United Express (Trans States, Chautauqua, GoJet and Mesa) and US Airways Express (Chautauqua, Mesa, Piedmont, PSA, Trans States, Republic and Air Wisconsin), as well as miscellaneous charter services. As of December 1, 2007, five all-cargo airlines served the Airport: DHL Express, Federal Express, Mountain Air Cargo, UPS and Tradewinds. Low cost-carrier Allegiant operates at the Airport on a non-daily basis.

General Aviation

The Authority has entered into separate building, land and pavement leases, one of which expires on June 30, 2017 and the other of which expires on June 30, 2030, with the two fixed based operators at the Airport that service and sell general aviation aircraft. The agreements provide for the payment of land, pavement and building rentals to the Authority; such rentals in Fiscal Year 2007 amounted to \$331,585. In addition, the lessees pay aviation oil and fuel fees for each gallon of aviation oil and aviation fuel delivered to the lessees at the Airport; such fees totaled \$201,752 in Fiscal Year 2007.

Land and pavement rentals and fuel flowage fees payable under the agreements are subject to readjustment by the Authority at five-year intervals; readjustment in the case of land rentals depends upon increased costs, but must not exceed 20% of the land rental for the immediately preceding five years, and readjustments of aviation fuel and aviation oil fees must be in line with comparable airports and may not be greater than 20% of the rentals or fees for the immediately preceding five years. Building rentals may be adjusted every five years depending upon economic factors.

The lessees have constructed certain improvements on their leased premises, some of which have now become the property of the Authority. The lessees have agreed to insure these improvements, covering the full insurable value thereof against fire and extended coverage perils. In the event of destruction, the lessees are required to repair or replace the same, subject to specified limitations. The lessees have indemnified the Authority against specified losses in connection with their operations and have agreed to maintain certain liability insurance in stated amounts.

The agreements may be terminated by the lessees upon the occurrence of described events pertaining to the operations of the Authority which would have the effect of substantially restricting the lessees' operations or upon default by the Authority in its performance under the agreements.

Parking Services

Public parking is available in a multi-level parking garage and a long-term surface parking lot which are operated by the Authority. The garage contains 2,000 parking spaces and the surface parking lot contains an additional 2,000 parking spaces. In addition, 225 covered metered parking spaces, which are located on both the upper and lower roadways, are available adjacent to the Terminal Building and overflow parking of 1,250 spaces is available in two additional lots. In anticipation of increased passenger traffic from the new Skybus operation, the Authority is currently constructing a new surface lot with 1,499 parking spaces. In Fiscal Year 2007, public parking revenue totaled \$7,117,040, or 27.7% of operating revenue.

Consumer Services

Rental Car

Seven operators – Avis, Budget, Dollar, Hertz, National/Alamo (Vanguard), Enterprise and Thrifty – offer automobiles and other vehicles for rent at the Airport. Each of these

operators has entered into a concession agreement with the Authority, for a term ending June 30, 2009, which provides for the rental of office and counter space in the Terminal Building, the rental of a parking area for vehicles being offered for rent or being returned, and concession privileges. The agreements further provide for a fixed rent for the office and counter space and the parking area plus a concession fee equal to \$72,000 per year, or 10% of gross receipts, whichever is greater. Four of the rental car companies (Avis/Budget, Enterprise, Hertz and National/Alamo) maintain service and storage facilities on Airport property for which they pay land and pavement rent. In addition, Payless Car Rental and Triangle provide off-airport rental car service. In Fiscal Year 2007, the Authority received \$3,536,463 pursuant to agreements with the rental car operators.

Other Concessions

The Authority has an agreement with Creative Host Services, Inc. (“CHSI”), which provides food service to the public in the Terminal Building. Pursuant to this agreement, which expires in 2014, CHSI invested approximately \$2,860,000 in equipment, fixtures and furnishings. The Authority is paid a fixed minimum annual rent or a rent based on varying percentages of gross receipts, whichever is greater. In Fiscal Year 2007, the Authority was paid \$410,208 pursuant to this agreement.

The Authority also has an agreement with Paradies Triad, LLC (“Paradies”), which provides gift shop services in the Terminal Building. Pursuant to this agreement, which expires in 2018, Paradies has invested approximately \$1,436,000 in equipment, fixtures and furnishings. The Authority is paid a minimum annual rent or a rent based on varying percentages of gross receipts, whichever is greater. In Fiscal Year 2007, the Authority was paid \$327,736 pursuant to this agreement.

In addition, the Authority receives revenue from advertising displays located in the Terminal Building, game room and baggage carts.

Hotel

The Authority entered into a land lease agreement with Marriott Corporation, which has been assigned to Potomac Hotel Limited Partnership, pursuant to which the tenant constructed, at its cost, a 300 room hotel on approximately 15 acres of land near the Terminal Complex. The term of this lease is for 25 years expiring on December 31, 2008, with one 15-year renewal option and, upon certain conditions, two additional renewal options of 10 years each. The lease provides for the payment of a minimum annual land rental or percentage rent at varying percentages of various gross sales, whichever is greater. The minimum annual guarantee is \$127,000. The contingent rent is now based upon 2.25% of annual gross room sales, 2% of annual gross alcoholic beverage sales and 1% of annual gross food sales. In Fiscal Year 2007, the Authority received approximately \$249,603 under this lease. In July 1998, the hotel was subleased to HMC Senior Communications, Inc.

Air Cargo Facilities

The Authority has four cargo buildings: (a) a 29,000 square-foot building built in 1970 and expanded in 1974, with 95% of the space in use as of January 2007 (19,905 square feet is

used by the Authority); (b) a 63,000 square-foot building with space leased to multiple tenants and the U.S. Postal Service and 6,568 square feet available for lease as of January 2007; (c) a 49,500 square-foot building with 259,285 square-feet of associated aircraft parking ramp leased to Federal Express and DHL Express and no space available for lease as of January 2007; and (d) a 16,808 square-foot building with 78,000 square feet of associated ramp leased in its entirety to UPS Supply Chain Solutions. During Fiscal Year 2007, the Authority was paid \$1,225,463 in rentals under leases at the four cargo buildings.

Federal Express

The Authority has a lease with Federal Express for the Federal Express Hub Facility. Currently, the annual rent is \$179,772. Beginning March, 2009, the annual rent will increase to \$359,544, subject to periodic adjustments for inflation. See “AIRPORT EXPANSION PROJECT – Federal Express Hub Facility” above.

Tradewinds

The Authority has a lease with Tradewinds for a 25,000 square-foot hangar which was constructed by the Authority. Total rental payments, which include rental of an older hangar, the new hangar and ground and apron space, are approximately \$254,700 annually.

TIMCO

In November 1989, the Authority entered into a 30 year lease agreement with TIMCO (the “TIMCO Lease”). TIMCO provides maintenance and aircraft rework for air carrier type aircraft. This facility, which opened in 1990, encompasses 2,096,107 square feet of ground and aircraft parking apron and a hangar facility of approximately 162,880 square feet, including offices and various maintenance shops. The TIMCO Lease also provides for payments to the Authority of ground rent and a rental amount based on the cost to the Authority of the construction of the aircraft parking apron, for the payment to the Authority of fuel and oil flowage fees and landing fees and for periodic adjustments of operating rentals and fees.

Through the exercise of options provided in the TIMCO Lease, TIMCO has entered into a separate lease with the Authority and amendments thereto, pursuant to which TIMCO has constructed two additional hangars on the premises leased under this lease agreement. This lease is for a term expiring concurrently with the TIMCO Lease and, together with the amendments thereto, it provides for the payment of land rentals, parking lot rentals, rentals for certain other improvements paid for by the Authority, and fuel and oil flowage fees or landing fees; such fees are subject to adjustment at five-year intervals, except for the parking lot fees which remain fixed.

TIMCO is also party to another lease with the Authority for a fourth maintenance hangar previously leased by the Authority to US Airways. In 1981, the Authority invested approximately \$10,700,000 in the construction of a 267,500 square-foot maintenance hangar and auxiliary buildings for Piedmont Aviation, Inc. (now US Airways) on approximately 27 acres of land owned by the Authority. In addition, Piedmont Aviation furnished approximately \$2,400,000 for construction of the hangar and of the auxiliary buildings. The Authority leased the hangar and the auxiliary buildings with the area surrounding them to Piedmont Aviation for a

term expiring in 2013, with provisions for extensions upon the occurrence of certain specified events. Thereafter, Piedmont Aviation exercised an option for additional lands and the Authority built aircraft maintenance shops thereon at a cost of approximately \$6,000,000. The original lease was assigned to TIMCO in 1999. In 2007, the Authority entered into an Amended and Restated Lease with TIMCO for the premises. The new lease provides for the payment of land rentals, which are adjustable, and improvement rentals, which are fixed. The term of the new lease runs through December 31, 2020, with renewal options. TIMCO also has the option to terminate the lease as of April 30, 2013 upon payment to the Authority of the sum of \$1,260,000.

The aggregate rental payments under these three leases with TIMCO, exclusive of payments that do not constitute Receipts, totaled \$1,015,488 in Fiscal Year 2007. Under TIMCO's new lease for the fourth hangar, its rent for the fourth hangar was reduced for three years beginning January 1, 2007 with a compensating increase beginning January 1, 2010.

Cessna

In October 1992, the Authority entered into a 30 year lease agreement with Cessna (the "Cessna Lease"). In general, Cessna provides aircraft maintenance and service on jet aircraft manufactured by it. Rental payments under the Cessna Lease provide funds to pay the principal of and interest on \$3,530,000 Special Purpose Facility Revenue Bonds which the Authority issued for the purpose of financing the construction of the Cessna facility. This facility encompasses 3.94 acres of ground, including the area for a hangar, aircraft parking apron, vehicle parking, and a fuel farm. The Cessna Lease also provides for rental payments to the Authority for ground rent. The Cessna Lease includes provisions for payment of fuel and oil flowage fees and periodic adjustments of operating rentals and fees. The land rents, but not other rents, paid to the Authority under the Cessna Lease have been designated in whole as Receipts and therefore are pledged to secure the Series 2008 Bonds and all other Parity Indebtedness. These land rents totaled \$30,875 in Fiscal Year 2007.

Comair

In May, 2005, the Authority entered into an Agreement and Lease with Comair, Inc., under which the Authority has constructed a 32,000 square-foot aircraft maintenance hangar and adjacent 9,000 square-foot office and shop area on a 2.25 acre site near Runway 14/32. The Authority has leased the site and improvements to Comair, together with the preferred use of an adjacent aircraft apron. The initial term of the lease is five years, beginning on February 1, 2006. Comair has an option to renew the term of the Lease for an additional five years, followed by a second option to renew the lease for another 15 years. Comair will pay the Authority monthly ground and pavement rents (subject to adjustment based on the consumer price index) plus a fixed project rent during the term of the lease at a rate equal to the amount that would amortize the Authority's project costs over a period of 25 years. The monthly rentals for the first two years were deferred and will be paid by Comair to the Authority over the balance of the lease term.

Skybus Memorandum of Understanding

The Authority and Skybus entered into a Memorandum of Understanding (the “MOU”) in October 2007, expressing the general intentions of the parties with respect to the operations of Skybus at the Airport.

In the MOU, Skybus agrees, among other things, to: (i) designate the Airport as its next hub and begin expanded operations on or around January 15, 2008, which could result in nine Skybus aircraft being based at the airport; and (ii) rent four gates and associated holdrooms, a ticket counter, baggage claim spaces, offices, and operation spaces. The Authority agrees, among other things, to: (x) undertake the Phase 1 Skybus Projects immediately; (y) undertake certain other projects – the Phase 2 Skybus Projects – subject to the discretion of the Authority Board to determine whether and when it would be appropriate to proceed with such projects; and (z) establish an Air Service Incentive Program to provide passenger airlines an incentive of \$2.15 per enplaned passenger for qualifying flights, see “AIR SERVICE INCENTIVE PROGRAM,” above.

The Phase 1 Skybus Projects include the installation of switchbacks on the north concourse of the terminal building (for passengers to move between the second-level holdroom and the aircraft ramp) and the construction of additional surface parking for automobiles. The Phase 1 Skybus Projects are estimated to cost \$6.35 million. Although not covered by the MOU, the Authority also plans to expand the terminal apron to accommodate Skybus operations. The apron expansion is estimated to cost \$1.8 million. The Phase 2 Skybus Projects include a \$7.2 million terminal expansion project and a 3,000-space parking garage, estimated to cost \$33.0 million. Under the MOU, the Authority has the right not to proceed with the Phase 2 Skybus Projects unless in the Authority’s judgment, the financial condition and business prospects of Skybus warrant the additional investment.

Other Agreements

In addition to the foregoing agreements, the Authority has a lease agreement with Guilford Technical Community College (for an aviation school complex), and leases space on a month to month basis to the National Weather Service. The Authority also owns and leases a golf course located on property acquired by the Authority for future Airport use. The Authority entered into an agreement with the FAA for the construction and twenty-year lease of an approximately 15,000 square-foot building for a Flight Standards District Office. Beneficial occupancy by the FAA began in January 2000.

The summary of the major agreements outlined above does not purport to be a listing of all lease agreements. The Authority has various other agreements with tenants, some by formal agreement and some informal, pursuant to which it rents land, cargo facilities or small areas of the Airport, all with the purpose of collecting reasonable rates from those providing services at the Airport. Substantial control is maintained by the Authority over certain aspects of the business operations of these various business services.

AIRPORT LITIGATION

There is no pending or, to the knowledge of the Authority, threatened litigation seeking to restrain or enjoin the issuance or delivery of the Series 2008 Bonds, the application of the proceeds thereof, the payment, collection or application of Receipts or the pledge thereof, or in any way contesting or affecting any authority for or the validity of any of such matters, or the existence or powers of the Authority. There is no litigation pending against the Authority, which, in the opinion of management, will have a material adverse effect upon its financial condition or its revenues.

AIRLINES AND THE AVIATION INDUSTRY

Information Concerning the Airlines and Cargo Carriers

The major and national airlines and cargo carriers serving the Airport, or their respective parent corporations, are subject to the periodic reporting requirements of the Exchange Act, and, in accordance therewith, file reports and other information with the SEC. Certain information, including financial information, as of particular dates concerning such airlines or their respective parent corporations is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected in the Public Reference Room of the SEC at 450 Fifth St., N.W., Washington, D.C. 20549, and at the SEC's regional offices at 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604; 233 Broadway, New York, New York 10279; and 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036-3648. Reports and other information concerning such airlines are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>, and copies of such reports and statements can be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102. In addition, each airline is required to file periodic reports of financial and operating statistics with the Department of Transportation. Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates.

Factors Affecting Airline Activity

The Authority's ability to derive Receipts from its operation of the Airport Facilities sufficient to pay debt service on the Series 2008 Bonds and other outstanding Parity Indebtedness depends upon numerous factors, many of which are not subject to the control of the Authority. The continued presence of the carriers operating at the Airport, and the levels at which their service to the Airport will be provided, are a function of a variety of factors. These factors include the financial strength of the airline industry in general and of the carriers operating at the Airport. Future airline traffic, both nationally and at the Airport, will be significantly affected by general economic conditions, the viability of air travel substitutes and alternate modes, air service quality, and airfare levels.

The airline industry is continuing to undergo relatively rapid and substantial change, and any such period of change brings with it uncertainty about how individual airlines and airports will fare. Individual airline decisions regarding the level of service at the Airport may affect total enplanements, and no assurance can be given as to the levels of aviation activity which will be achieved at the Airport. As a result of these changes and uncertainty, there can be no assurance that the Airport, despite past levels of airline service and operations, will continue to maintain such levels in the future.

The economic contraction that began in early 2001 and the events of September 11, 2001 revealed a fundamental weakness in the airline industry that had been masked by the economic expansion of the 1990's. This weakness was evident in the wide disparity between revenues and costs, particularly for traditional network airlines. Business travelers now tend to buy cheaper tickets, and the Internet has made pricing more transparent for consumers. Unlike the traditional network airlines, the rapidly growing low-fare carriers are profitable at lower fare levels, and they are increasingly available to air travelers as an alternative to the network airlines.

Given the weak revenue environment, traditional network airlines had no choice but to cut costs. Some airlines were not able to cut costs fast enough to avoid bankruptcy filings. The traditional network airlines continue to refine new business models aimed at profitably balancing demand, capacity, yield and costs. These business models will have implications for fleet size and mix, route structures, cost structure and pricing levels.

Potential purchasers of the Series 2008 Bonds are urged to review the airlines' recently filed financial information. Any significant financial or operational difficulties incurred by any of the airlines operating at the Airport, in particular US Airways, Delta and United, could have a material adverse financial and/or operational effect on the Airport.

Considerations Under the United States Bankruptcy Code with Respect to Airline Agreements

In the event a bankruptcy case is filed with respect to a Signatory Carrier, a bankruptcy court is likely to determine that an Air Carrier Lease Agreement executed by such carrier is an executory contract or unexpired lease pursuant to Section 365 of the Bankruptcy Code. In that event, a trustee in bankruptcy or the Signatory Carrier as a debtor-in-possession might reject the Air Carrier Lease Agreement. Under the Bankruptcy Code, any rejection of an Air Carrier Lease Agreement could result in a claim for damages against the particular carrier, which claim would rank as that of a general unsecured creditor of the particular carrier, and no assurance can be given that any claim under any particular Air Carrier Lease Agreement would be allowed or, if allowed, what percentage of any allowed claim would be paid.

Four of the Airport's five largest airlines have filed for, and since emerged from, Chapter 11 bankruptcy protection over the past five years. US Airways initially filed in August 2002, emerging in March 2003. Continuing financial losses led to a second period of bankruptcy protection, from September 2004 until September 2005. Upon its second emergence from bankruptcy, the airline merged with the low-cost carrier America West. United entered Chapter 11 bankruptcy in December 2002, emerging more than three years later, in February 2006. Delta and Northwest spent time under Chapter 11 protection concurrently, Delta from September 2005

to April 2007, and Northwest from September 2005 to May 2007. As of December 2007, no airline serving the Airport was under bankruptcy protection.

Fuel Costs

Fuel cost, one of the two largest airline expenses along with labor, is directly related to the price of oil. Crude oil prices have increased steadily from about \$30 per barrel in 2003 and reached a short-term peak of \$77 in July 2006. In 2007 and 2008, oil price increased further to above \$100 per barrel. Airlines are largely in a reactive position during rising oil markets except to the extent that they can implement a cost effective program to hedge against cost increases. Most airlines, however, are over-exposed to oil price fluctuations because they cannot afford such hedges. Higher oil prices have implications not only for airline financial results, but also for the economy. In general, higher oil prices slow economic growth and contribute to inflationary pressures.

Terrorist Activity

Beginning with the terrorist actions on September 11, 2001, air travel has been subject to continuing volatility as a result of the United States' reaction to terrorist activity and threats of terrorist activity. Initially, concern about the security of air travel resulted in decreased demand for air travel, as described elsewhere in this Official Statement. Then, more stringent and intensive security procedures added a further impediment to travelers by affecting the access to and convenience of air travel. These developments have had the most pronounced effect for short-haul travel, where air travel alternatives are most feasible and attractive. Concern for public safety, both domestically and abroad, appears to remain a factor in decision-making of air travelers.

Noise Liability and Costs

A number of airports around the nation have been the subject of lawsuits, brought by property owners located in the vicinity of the airports and their flight paths, concerning the level of noise created by overhead flights and other airport operations. In some cases, the damages awarded against airport operators, or the amounts that those operators have paid in settlements, have been significant. Some airport operators have also incurred substantial costs in noise mitigation programs to reduce the likelihood of such litigation and the impact of airport noise, such as programs to acquire incompatible property and to insulate homes against noise. Although the Authority has never been a party to any lawsuit relating to airport noise, the Airport Expansion Project has been opposed by opponents of the project due to their concern about its potential noise impact, among other issues. As the Airport continues to grow, both in size and in level of activities conducted at the Airport, and particularly in connection with the construction of a third runway and the introduction of additional night time flights, including night time flights using the new runway, the Authority could be a defendant in noise litigation. The Authority will undertake noise mitigation programs in the vicinity of the Airport as required by the FAA Record of Decision and as a part of the Noise Compatibility Program that the Authority is conducting under Part 150 of the federal aviation regulations (14 CFR Part 150). The Authority does not know at this time the total costs it might incur with respect to airport noise or

the level of federal assistance, if any, which may be available in meeting such costs, but such costs will be substantial.

LEGAL MATTERS

The authorization and issuance of the Series 2008 Bonds are subject to the approval of legality by Womble Carlyle Sandridge & Rice, PLLC, Raleigh, North Carolina, Bond Counsel. The proposed form of opinion of Bond Counsel is set forth in Appendix C hereto. Certain legal matters will be passed upon for the Underwriter by McGuireWoods LLP, New York, New York, counsel to the Underwriter, for the Authority by Cooke & Cooke, L.L.P., Greensboro, North Carolina, counsel to the Authority, and for the Bank by Helms Mulliss & Wicker, PLLC, Charlotte, North Carolina, counsel to the Bank.

TAX TREATMENT

Opinion of Bond Counsel

In the opinion of Womble Carlyle Sandridge & Rice, PLLC, Bond Counsel, which is based on existing law and assumes continuing compliance by the Authority with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding, among other matters, the use, expenditure and investment of proceeds of the 2008 Bonds, and the timely payment of certain investment earnings to the United States Treasury, interest on the 2008 Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation except for interest, on any Series 2008B Bonds for any period during which such Series 2008B Bonds are held by a person who is a “substantial user” of the facilities refinanced with the proceeds of the Series 2008B Bonds or a “related person” of a “substantial user” (as such terms are defined in the Code). Bond Counsel is of the opinion that interest on the 2008A Bonds will not be a specific preference item for purposes of computing the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals; however, interest on the Series 2008A Bonds will be includable in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations. Bond Counsel is of the opinion that the interest on the Series 2008B Bonds will be a specific preference item for purposes of computing the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals. Bond Counsel is also of the opinion, based on existing law, that interest on the 2008 Bonds will be exempt from all North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which Bond Counsel expresses no opinion, as a result of ownership or transfer of the 2008 Bonds or the inclusion in certain computations of interest on the 2008 Bonds that is excluded from gross income for purposes of federal and North Carolina income taxation.

Other Tax Consequences

Ownership or transfer of, or the accrual or receipt of interest on, the 2008A Bonds may result in collateral federal, State, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies,

certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains tax.

Prospective purchasers of the 2008 Bonds should consult their tax advisors as to the applicability and impact of any such collateral tax consequences. Except to the extent covered in its legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

REMARKETING AGENT

Banc of America Securities LLC, Charlotte, North Carolina, has been appointed by the Authority to serve as Remarketing Agent for the Series 2008A Bonds and the Series 2008B Bonds. The Remarketing Agent will carry out the duties and obligations provided for the Remarketing Agent in accordance with the provisions of the Series Resolution, the Tender Agreements and the Remarketing Agreements. The Remarketing Agent's principal office for purposes of carrying out the responsibilities of Remarketing Agent for the Series 2008A Bonds is Banc of America Securities LLC, NC1-027-14-01, 214 N. Tryon Street, 14th Floor, Charlotte, North Carolina 28255, Attention: Short-Term Desk.

UNDERWRITING

The Series 2008 Bonds are to be purchased by Banc of America Securities LLC (the "Underwriter") at an aggregate purchase price equal to 100% of the principal amount of the Series 2008 Bonds, less an Underwriter's discount of \$173,502. The Contract of Purchase provides that the Underwriter will not be obligated to purchase any Series 2008 Bonds unless all of the Series 2008 Bonds are available for purchase.

RATINGS

S&P and Moody's have assigned their long-term ratings of "AAA" and "Aa2", respectively, to the Series 2008 Bonds and short-term ratings of "A-1+" and "VMIG-1," respectively, to the Series 2008 Bonds reflecting the issuance of the Letter of Credit, and in the case of S&P, the financial and credit position of the Authority. In addition, S&P and Moody's have assigned independent underlying ratings of "A-" and "A2", respectively, to the Series 2008 Bonds, which ratings do not take into account the issuance of the Letter of Credit. Any explanation of the significance of each of such ratings may only be obtained from the rating agencies as follows: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10004, (212) 208-8000, and Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007, (212) 553-0300. There is no assurance that such ratings will remain in effect for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the rating agencies, or either of them. Any such downward change in or suspension or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Series 2008 Bonds.

FINANCIAL STATEMENTS

The financial statements of the Authority as of June 30, 2007 and for the year then ended have been audited by the Authority's independent certified public accountants. The financial statements of the Authority as of June 30, 2007 and for the year then ended appended hereto as Appendix A have been extracted from such audited financial statements. A copy of the audited financial statements, together with the report of the independent certified public accountants, is available in the office of Doreann Smith, Director of Finance of the Authority, at 6415 Bryan Blvd, Greensboro, North Carolina 27409, (336) 665-5600.

RELATIONSHIPS AMONG PARTIES

Branch Banking and Trust Company will serve as Trustee for the Series 2008 Bonds and the initial Credit Provider, as issuer of the Letters of Credit. Banc of America Securities LLC will serve as the Underwriter and Remarketing Agent for the Series 2008 Bonds.

MISCELLANEOUS

There are appended to this Official Statement the financial statements of the Authority for the fiscal year ended June 30, 2007; a summary of certain provisions of the Bond Order and the Series Resolution; the proposed form of opinion of Bond Counsel; the proposed form of the Letters of Credit; certain information concerning the Bank; and information regarding DTC and the book-entry-only system.

The references herein to the Bond Order, the Series Resolution, the Letters of Credit and the various agreements to which the Authority is party are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the actual documents, copies of which are available for inspection in the office of the Authority, for the full and complete provisions thereof.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the Owners of the Series 2008 Bonds.

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the Series 2008 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement. The Authority and the LGC have authorized the execution and delivery of this Official Statement.

LOCAL GOVERNMENT COMMISSION OF
NORTH CAROLINA

By: /s/ Vance Holloman
Secretary of the Commission

PIEDMONT TRIAD AIRPORT AUTHORITY

By: /s/ Henry H. Isaacson
Chairman

By: /s/ Edward A. Johnson
Executive Director

FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of June 30, 2007 and for the year then ended have been audited by the Authority's independent certified public accountants. The financial statements of the Authority as of June 30, 2007 and for the year then ended appended to this Appendix A have been extracted from such audited financial statements. A copy of the audited financial statements, together with the report of the independent certified public accountants is available in the office of Doreann Smith, Director of Finance of the Authority, at 6415 Bryan Blvd, Greensboro, North Carolina 27409, (336) 665-5600.

Piedmont Triad Airport Authority

Financial Report
Year Ended June 30, 2007

Contents

Financial Statements	
<hr/>	
Management's Discussion and Analysis	3 - 9
Basic Financial Statements	
Statements of net assets	10 - 11
Statements of revenues, expenses and changes in net assets	12 - 13
Statements of cash flows	14 - 15
Notes to financial statements	16 - 37
<hr/>	
Supplementary Information	
<hr/>	
Condensed statements of revenues and expenses compared with budget (excluding changes in fair value of investments, gain on sale of fixed assets, recovery of bad debt, other nonoperating expenses and federal and state grants)	38
The capital improvements program budget compared to actual expenditures	39
Detailed statement of operations by area	40 - 43
Rental rates and fees	44
<hr/>	

Piedmont Triad Airport Authority

Management's Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of the activities and financial performance of the Piedmont Triad Airport Authority (the "Authority") provides an introduction to the financial statements for the fiscal year ended June 30, 2007.

Following this MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

Financial Statements

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their useful lives. Amounts are restricted for debt service and, where applicable, for construction purposes. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Financial Position Summary

Total net assets serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceed liabilities by \$246.7 million at June 30, 2007, a \$9.2 million increase from June 30, 2006.

A condensed summary of the Authority's net assets is provided below:

	<u>2007</u>	<u>2006</u>
Assets		
Current	\$ 22,857,978	\$ 40,746,011
Capital Assets	310,752,208	276,641,950
Other noncurrent	52,552,602	62,677,346
Total assets	<u>386,162,788</u>	<u>380,065,307</u>
Liabilities		
Current	22,941,226	19,660,963
Noncurrent	6,417,637	144,769
Bonds payable, long term portion	110,075,114	122,894,245
Total liabilities	<u>139,433,977</u>	<u>142,699,977</u>
Net Assets		
Invested in capital assets, net of related debt	196,107,446	160,003,548
Restricted	6,977,685	13,588,995
Unrestricted	43,643,680	63,917,556
Total net assets	<u>\$ 246,728,811</u>	<u>\$ 237,510,099</u>

Piedmont Triad Airport Authority

Management's Discussion and Analysis

Airport Activities and Highlights

A condensed summary of nonfinancial measures of activities is provided below:

	<u>2007</u>	2006	Percent Increase
Enplanements	1,051,259	1,187,181	(11.4)%
Cargo enplaned (pounds)	79,399,942	81,584,302	(2.7)%
Landed weight (1,000 pounds)	1,902,605	2,199,383	(13.5)%

The cargo enplaned decrease reflects a downward trend in the amount of cargo being carried from the airport. The decrease in enplanements reflects a shift of market share back to surrounding airport locations previously attracted by low fare carriers. The decrease in landed weights is primarily due to reduction of flights and the industry trend to use smaller, more efficient aircraft whenever possible.

Financial Operations Highlights

- Operating revenues decreased by .3% from \$25.8 million in 2006 to \$25.7 million in 2007. The major contributors to the decrease were: parking and terminal concessions derived from rental car commissions and food, beverage and gifts due to the decrease in enplaned passengers; and Non-aviation building rent due to the loss of commercial rental property razed for the Airport Expansion project. The decreases were offset by increases: terminal rentals due to increases in the rate per square foot rental fee and additional terminal rental space due to expansion of the terminal; increases in airfield and apron revenues due to increases in landings and aviation fuel fees; increases in cargo building rent and land and hangar rents due to full year rent on new airline maintenance hangar; and other rent due to income from hotel.
- Operating expenses including depreciation increased by 3.2% from \$20.2 million in 2006 to \$20.9 million in 2007. The major factors contributing to the increase were: an increase in depreciation the result of assets being placed in service; a decrease in professional services due to a less aggressive marketing plan in 2007; an increase in salaries, wages and benefits attributable to normal pay and benefits increases.
- Operating income decreased by 13.1% from \$5.6 million in 2006 to \$4.9 million in 2007.
- Net nonoperating revenues and expenses increased from a net expense of \$13.1 million in 2006 to a net expense of \$13.2 million in 2007 due to an increase in interest expense, an increase in Bryan Blvd relocation project, a decrease in interest income, a decrease from a prior year gain on sale of assets, and a decrease in recovery of bad debt, offset by an increase of net increase in fair value of investments (GASB 31).
- Capital contributions received in the form of grants from federal and state governments decreased from \$27.7 million in 2006 to \$17.6 million in 2007. Included in the 2006 amount was an installment of \$12.2 million of a federal grant to construct Runway 5L-23R and associated taxiways. No federal grant installment was received in 2007.

Piedmont Triad Airport Authority

Management's Discussion and Analysis

Summary Changes in Net Assets

A condensed summary of the Authority's changes in net assets is provided below:

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 25,709,842	\$ 25,787,049
Operating expenses	<u>(20,855,542)</u>	<u>(20,200,902)</u>
Operating income	4,854,300	5,586,147
Non-operating expenses, net	<u>(13,239,072)</u>	<u>(13,145,496)</u>
Loss before capital contributions	(8,384,772)	(7,559,349)
Federal and state grants	17,603,484	27,716,496
Increase in net assets	<u><u>\$ 9,218,712</u></u>	<u><u>\$ 20,157,147</u></u>

Airline Rates and Charges

The Authority sets rates and charges annually by adoption of a resolution based on a compensatory (cost of services) rates and charges methodology. This methodology utilizes the Authority's annual operating and capital budgets, which have been approved by the Authority's Board of Directors. The rates include landing fees, terminal rental rates and preferred-use aircraft parking fees. Once authorized rates are effective for the period January 1 through December 31 of each year. These rates were:

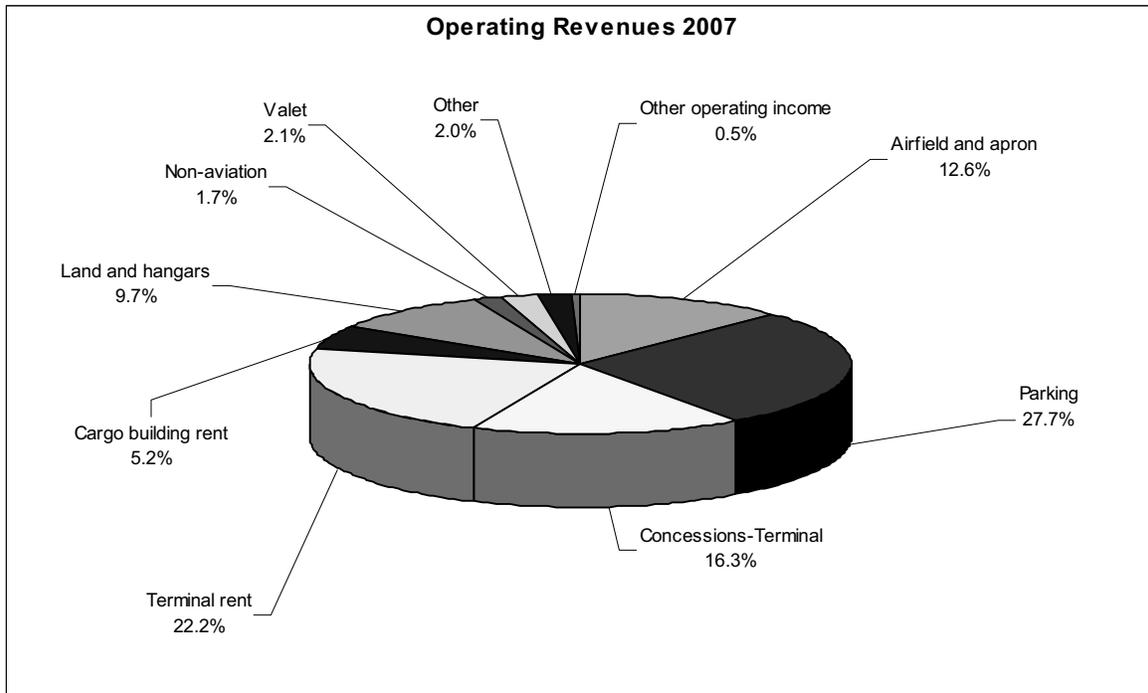
	<u>2007</u>	<u>2006</u>
Landing fees (per 1,000 lbs.)	\$ 1.5310	\$ 1.2719
Terminal building space rent (per square foot)	39.77	36.56
Preferred-use aircraft parking (per position)	\$ 18,737	\$ 18,113

Piedmont Triad Airport Authority

Management's Discussion and Analysis

Operating Revenues

The following chart shows the major sources and the percentage of operating revenues for the year ended June 30, 2007:



A summary of operating revenues for the year ended June 30, 2007 follows:

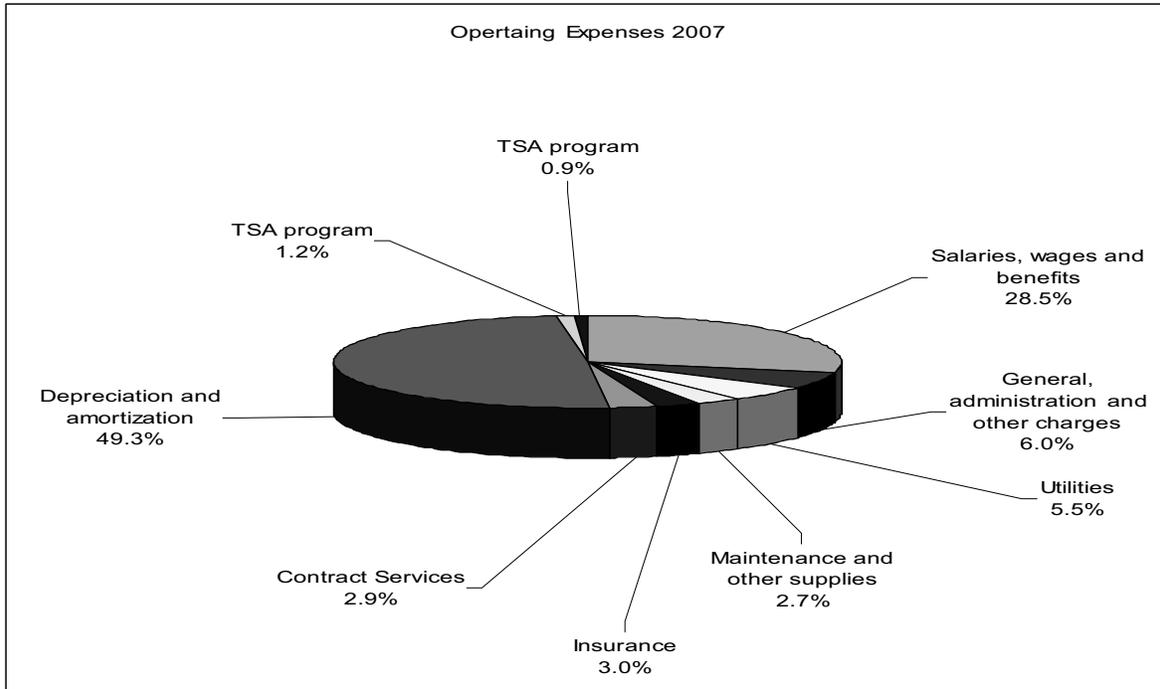
	2007 Amount	Percent of Total	Increase (Decrease) From 2006	Percent Increase (Decrease)
Airfield and apron	\$ 3,221,490	12.6%	\$ 147,011	4.8%
Parking	7,117,040	27.7	(643,478)	(8.3)
Concessions, Terminal	4,184,801	16.3	(342,921)	(7.6)
Rentals:				
Terminal	5,707,798	22.2	974,798	20.6
Cargo building	1,341,506	5.2	141,128	11.8
Land and hangars	2,503,269	9.7	59,524	2.4
Nonaviation building	448,735	1.7	(439,919)	(49.5)
Valet	551,656	2.1	(6,549)	(1.2)
Other	514,177	2.0	35,367	7.4
Other operating income	119,370	0.5	(2,168)	(1.8)
Total operating revenues	\$ 25,709,842	100.0%	\$ (77,207)	0.3%

Piedmont Triad Airport Authority

Management's Discussion and Analysis

Operating Expenses

The following chart shows operating expenses by category as a percentage of total operating expenses for the year ended June 30, 2007:



A summary of operating expenses for the year ended June 30, 2007 follows:

	2007 Amount	Percent of Total	Increase (Decrease) From 2006	Percent Increase (Decrease)
Salaries, wages and benefits	\$ 5,940,208	28.5%	\$ 205,498	3.6%
General, administration and other charges	1,246,726	6.0	(365,414)	(22.7)
Utilities	1,147,401	5.5	(50,659)	(4.2)
Maintenance and other supplies	560,210	2.7	(41,985)	(7.0)
Insurance	628,570	3.0	15,280	2.5
Contract services	613,009	2.9	37,475	6.5
Depreciation and amortization	10,286,451	49.3	882,284	9.4
TSA program	240,644	1.2	8,467	3.6
K-9 program	192,323	0.9	9,032	4.9
Impairment	-	-	(45,338)	(100.0)
Total operating expenses	\$ 20,855,542	100.0%	\$ 654,640	3.2%

Piedmont Triad Airport Authority

Management's Discussion and Analysis

Summary of Cash Flow Activities

Cash not restricted as to use is considered to be cash equivalents. The following provides a summary of the major sources and uses of cash and cash equivalents. See statement of cash flows in basic financial statements.

	<u>2007</u>	<u>2006</u>
Net cash provided by operating activities	\$ 22,532,305	\$ 14,988,689
Net cash used in capital and related financing activities	(54,483,994)	(45,041,688)
Net cash provided by investing activities	28,315,930	28,430,941
Net decrease in cash and cash equivalents	(3,635,759)	(1,622,058)
Cash and cash equivalents, beginning of year	5,501,135	7,123,193
Cash and cash equivalents, end of year	<u>\$ 1,865,376</u>	<u>\$ 5,501,135</u>

The Authority's available cash and cash equivalents decreased from \$5.5 million at the end of 2006 to \$1.9 million at the end of 2007 due to the increase in net cash from funds provided by operating activities offset by the increase in net cash used for investing, capital and related financing activities.

Budgetary Highlights

Operating revenues of \$25.7 million exceeded budgeted operating revenues by \$0.4 million or 1.4%. Operating expenses of \$20.9 million exceeded budget by 0.6 million or 3.0% primarily due to depreciation expense.

Capital Acquisitions and Construction Activities

During 2007, capital expenditures amounted to \$48.8 million. The major completed projects and acquisitions were:

Federal Express project	\$ 40,822,544
Land purchases	593,884
Airfield Equipment	699,750
Terminal renovations	6,190,698

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal and state grants, Authority funds, private investment, debt issuance and airport revenues.

Piedmont Triad Airport Authority

Management's Discussion and Analysis

As set out in the basic financial statements (Note 9), the Authority is continuing its major expansion project consisting primarily of 1) the construction of an air cargo facility to be leased to Federal Express Corporation, 2) construction of a new 9,000 foot public runway, parallel to existing runway 5/23, and related airfield improvements and 3) the relocation of Bryan Boulevard (the main access road to the Airport). Also, the Authority has entered into an agreement with Federal Express for an initial period of 25 years beginning when the premises are occupied by Federal Express. It is anticipated that these improvements will result in significant capital expenditures over the next few years. During fiscal year 2002, the FAA issued a Letter of Intent to issue grants of approximately \$108 million, amended in fiscal year 2007 to \$118 million, to the Authority for the airfield improvements. This Letter of Intent is a primary source of funding for the expansion and represents an intention by the FAA to obligate future funds but is not a binding obligation. This Letter of Intent will provide funds ranging from \$5,200,000 to \$12,237,916 through fiscal year 2013. The Authority has received approximately \$55.5 million from the FAA's Letter of Intent as of June 30, 2007. Under a Reimbursement Agreement with the Authority, the North Carolina Department of Transportation has also agreed to finance up to \$52 million for a portion of the roadway improvements, consisting of an access road relocation and construction of a new highway interchange. The Authority will pay all of the project costs other than the costs that are financed through grant funding.

Long-Term Debt Administration

At June 30, 2007 the Airport Authority had total debt outstanding of \$116,780,114. Of this amount \$1,190,000 is backed by a guarantee issued by a third party in connection with special facility constructed at the Airport. The tenant occupying the facility is responsible for making the principal and interest payments on the special facility revenue bonds. Restricted cash and revenues generated by the Authority fund all other principal and interest payments on long-term debt.

Total debt decreased by approximately \$13.2 million due to scheduled payments on the Authority's bonds and the defeasance of the 1989 series special facility revenue bonds. The Authority maintained an A2 rating from Moody's Investor Service and an A- rating from Standard & Poor's Corporation.

Request for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Piedmont Triad Airport Authority, Post Office Box 35445, Greensboro, North Carolina 27425.

Respectfully submitted,

Director of Finance

Piedmont Triad Airport Authority

**Statement of Net Assets
June 30, 2007**

Assets	
Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 1,675,517
Investments	5,419,448
Receivables:	
Rentals and fees (less allowance for possible losses of \$55,143)	1,488,087
Interest	516,148
Other government grants	4,434,338
Sales and fuel tax refunds	414,863
Prepaid insurance and other	175,413
Total unrestricted	<u>14,123,814</u>
Restricted:	
Cash	189,859
Bond funds:	
Funds restricted for current bond maturities and interest	8,544,305
Total restricted	<u>8,734,164</u>
Total current assets	<u>22,857,978</u>
Noncurrent assets:	
Long-term investments	42,971,300
Capital assets:	
Land and construction in progress	207,062,566
Depreciable buildings, land improvements, furniture, fixtures and equipment, net	103,689,642
Bond refinancing costs, net of amortization	2,135,352
Other restricted investments	7,445,950
Total assets	<u>386,162,788</u>

(Continued)

Piedmont Triad Airport Authority

Statement of Net Assets (Continued)
June 30, 2007

Liabilities	
Current liabilities:	
Payable from unrestricted:	
Current maturities of bonds payable	\$ 6,705,000
Accounts payable and other accrued expenses	1,058,486
Unearned revenue	824,031
Total from unrestricted	<u>8,587,517</u>
Payable from restricted:	
Accrued interest payable	2,033,866
Construction contracts and retainage payable	12,319,843
Total from restricted	<u>14,353,709</u>
Total current liabilities	<u>22,941,226</u>
Noncurrent liabilities:	
Unearned revenue, less current portion	6,417,637
Bonds payable, less current maturities	110,075,114
Total noncurrent liabilities	<u>116,492,751</u>
Total liabilities	<u>139,433,977</u>
Commitments and contingencies	
Net Assets	
Invested in capital assets, net of related debt	196,107,446
Restricted	6,977,685
Unrestricted	43,643,680
Total net assets	<u>\$ 246,728,811</u>

See Notes to Financial Statements.

Piedmont Triad Airport Authority

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2007

Operating revenues:	
Airfield and apron	\$ 3,221,490
Parking	7,117,040
Concessions, terminal	4,184,801
Rentals:	
Terminal	5,707,798
Cargo building	1,341,506
Land and hangars	2,503,269
Non-aviation properties	448,735
Valet parking	551,656
Other	514,177
Other operating income	119,370
Total operating revenues	<u>25,709,842</u>
Operating expenses:	
Salaries, wages and benefits	5,940,208
General, administration and bond order fees	1,246,726
Utilities	1,147,401
Maintenance and other supplies	560,210
Insurance	628,570
Contract services	613,009
Depreciation and amortization	10,286,451
TSA program	240,644
K-9 program	192,323
Total operating expenses	<u>20,855,542</u>
Operating income	<u>4,854,300</u>

(Continued)

Piedmont Triad Airport Authority

Statement of Revenues, Expenses and Changes in Net Assets (Continued)
Year Ended June 30, 2007

Nonoperating revenues (expenses):	
Interest income	\$ 3,089,679
Interest expense	(5,323,867)
Net increase in fair value of investments	1,129,572
Bryan Boulevard relocation	(12,199,102)
Recovery of bad debt	80,570
Other	(15,924)
Total nonoperating expenses, net	<u>(13,239,072)</u>
Loss before capital contributions	(8,384,772)
Federal and state grants	<u>17,603,484</u>
Change in net assets	<u>9,218,712</u>
Net assets:	
Beginning	<u>237,510,099</u>
Ending	<u>\$ 246,728,811</u>

See Notes to Financial Statements.

Piedmont Triad Airport Authority

**Statement of Cash Flows
Year Ended June 30, 2007**

<hr/>	
Cash Flows From Operating Activities	
Cash received from tenants	\$ 32,956,107
Cash paid to suppliers	(4,724,571)
Cash paid to or on behalf of employees for services	(5,699,231)
Net cash provided by operating activities	<u>22,532,305</u>
Cash Flows From Capital and Related Financing Activities	
Bond issuance costs and other	155,767
Financing cost associated with 1989 and 1992 special facilities:	
Principal payments	(7,395,000)
Interest paid	(729,044)
Acquisition and construction of capital assets	(41,198,841)
Government grants in aid of construction	5,195,559
Interest paid on bonds	(4,232,435)
Principal payments on 2005 bonds	(185,000)
Principal payments on 2004 bonds	(2,010,000)
Principal payments on 2001 bonds	(2,270,000)
Principal payments on 1999 bonds	(1,815,000)
Net cash used in capital and related financing activities	<u>(54,483,994)</u>
Cash Flows From Investing Activities	
Proceeds from investment maturities, net	24,713,890
Interest received	3,602,040
Net cash provided by investing activities	<u>28,315,930</u>
Net decrease in cash and cash equivalents	(3,635,759)
Cash and cash equivalents:	
Beginning	5,501,135
Ending	<u>\$ 1,865,376</u>

(Continued)

Piedmont Triad Airport Authority

Statement of Cash Flows (Continued)
Year Ended June 30, 2007

Reconciliation of Operating Income to Net Cash	
Provided By Operating Activities	
Operating income	\$ 4,854,300
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	10,286,451
Change in assets and liabilities:	
Receivables, rentals and fees	(113,128)
Sales and fuel tax refunds receivable	417,729
Prepaid insurance and other	4,508
Accounts payable and other accrued expenses	140,781
Unearned revenues	6,941,664
Net cash provided by operating activities	\$ 22,532,305
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and cash equivalents	\$ 1,675,517
Restricted cash	189,859
	\$ 1,865,376
Supplemental Schedule of Noncash Investing, Capital and Financing Activities	
Unrealized gain on investments	\$ 1,129,572
Acquisition of capital assets through the incurrence of contract retainage	\$ 12,319,843

See Notes to Financial Statements.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: The Piedmont Triad Airport Authority (the "Authority") was organized April 22, 1942 under the laws of the State of North Carolina. The Authority owns and operates the Piedmont Triad International Airport (the "Airport").

The following is a summary of the Authority's significant accounting policies:

Basis of accounting: The financial statements are reported using the economic resources measurement focus and use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied which generally corresponds to the period in which grant-related costs are incurred by the Authority.

Within the Enterprise Fund there are certain funds that were set up pursuant to the 1990 Bond Order as amended and restated October 19, 1999 through the adoption by the Authority of a Supplemental Order (the "Bond Order"). These funds are as follows:

Piedmont Triad Airport Authority Revenue Fund - Fund in which all the receipts of the Authority shall be deposited when received. Also, all current expenses are paid out of the Revenue Fund.

Piedmont Triad Airport Authority Revenue Bond Fund - Fund which consists of the following six accounts:

- Revenue Bond Capitalized Interest Account
- Revenue Bond Interest Account
- Revenue Bond Principal Account
- Revenue Bond Redemption Account
- Revenue Bond Sinking Fund Account
- Revenue Bond Parity Reserve Account

Piedmont Triad Airport Authority Construction Fund - Fund in which all of or a portion of the proceeds of Bonds are held pending capital expenditures.

Piedmont Triad Airport Authority Insurance and Condemnation Award Fund - Fund in which net insurance proceeds or net eminent domain proceeds, as defined, shall be deposited and disbursed pursuant to the Bond Order.

Reporting entity: The Authority exists pursuant to Chapter 98 of the 1941 Public-Local Laws of North Carolina, as amended, and Chapter 1078 of the 1979 Session Laws of North Carolina, as amended. The Authority is governed by a seven-member Board appointed by five local governments in which no one government appoints a voting majority.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Budgetary data: The Authority's budget is adopted as required by the North Carolina General Statutes. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Improvements Program.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The Board of Directors must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the Board of Directors must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Deposits and investments: All deposits of the Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. Deposits of the Authority are also governed by the Bond Order (Note 5). The Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

The Authority's formally adopted policies require the maintenance of a listing of financial institutions which are approved for deposit and investment purposes. These policies require an annual evaluation of each listed institution's credit worthiness. Also, these policies require that deposits be collateralized according to the rules codified in the North Carolina Administrative Code – Title 20, Chapter 7.

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT"). The Bond Order specifies the maximum term of an investment depending on the intended use of the funds.

The Authority's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and cash equivalents: The Authority considers highly liquid investments, including restricted assets, with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Investments: The Authority accounts for investments in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and for Financial Reporting for Certain Investments and for External Investment Pools* which requires governmental entities to report investments at fair value in the statement of net assets and all investment income, including realized and unrealized gains and losses to be reported in the statement of revenues, expenses and changes in net assets.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Accounts receivable: The Authority records accounts receivable at total unpaid balance, which approximates fair value, less allowances for doubtful accounts. The Authority determines past due status of individual accounts receivable based on contractual terms of the original agreement, and does not normally charge interest on overdue accounts. The Authority estimates its allowance for doubtful accounts based on a combination of factors, including the Authority's historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of accounts receivable. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

Grants receivable: Grants receivable from governmental agencies for capital construction projects are recorded in the period actual costs are incurred. The actual amount of payment on these grants is subject to final audit by the applicable agency.

Restricted assets: The unexpended bond proceeds of the Authority's Bonds are classified as restricted assets within the Authority's Funds because their use is completely restricted to the purpose for which the bonds were originally issued.

Capital assets: Purchased or constructed capital assets, including assets acquired with proceeds from grants in aid from federal, state and local governmental entities, are reported at cost. The Authority capitalizes assets with unit costs greater than \$500.

Capital assets of the Authority are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Runways and other land improvements	10 - 35
Buildings and building improvements	10 - 40
Furniture, fixtures and equipment	3 - 15

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When depreciable property is retired, sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in income. Any interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed. The objective of interest capitalization is to reflect the total asset cost and to provide the related depreciation charges against revenues of future periods that benefit from the asset use.

Bond refinancing costs and deferred amounts on refunding: Bond refinancing costs and bond discounts incurred in connection with the issuance of the 1999, 2001, 2004, and 2005 bonds (Note 5) are amortized on the straight-line method over the redemption period of the bonds. Accumulated amortization on bond refinancing costs amounted to \$658,213 at June 30, 2007.

For current and advance refunding resulting in defeasance of debt, the difference in the reacquisition price and the net carrying value of the old debt is deferred and amortized on the straight-line basis over the remaining life of the old debt, or the life of the new debt, whichever is shorter. This difference, net of accumulated amortization, is reported as a deduction from bonds payable.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net assets: Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consist of three sections: Invested in capital assets, net of related debt; Restricted; and Unrestricted. Net assets invested in capital assets, net of related debt includes capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt attributable to acquisition. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority's restricted assets are expendable. All other net assets are unrestricted.

Revenues: Operating revenues are recorded when earned and are principally derived from agreements relating to the use of various Airport facilities.

Landing fee revenues are determined by the gross certificated weight of aircraft landing at the Airport. Revenues from terminal, cargo buildings, and other rentals are based on lease agreements with air carriers and other tenants.

Contracts: Long-term contracts for capital improvements are not recorded in the accounts until statements for work completed are rendered.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits and Investments

All of the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agent in the Authority's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Authority under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Authority relies on the State Treasurer to monitor those financial institutions. The Authority analyzes the financial soundness of any other financial institution used by the Authority. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

At June 30, 2007, the Authority's deposits had a carrying amount of \$1,852,676 and a bank balance of \$1,810,945. Of the bank balance, \$101,396 was covered by federal depository insurance, and \$1,709,549 was covered by collateral held under the Pooling Method.

At June 30, 2007, the Authority had \$12,700 cash on hand.

Investments: The Authority's investments are categorized below to give an indication of the level of interest rate risk for each investment type by the entity at year-end. Included in the Authority's investments on the statement of net assets is \$300,000 of certificates of deposits. These investments have original maturities at the time of purchase greater than three months and therefore did not meet the definition of cash and cash equivalents.

As of June 30, 2007, the Authority had the following investments and maturities.

Investment Type	Fair Value	Less Than		
		6 Months	6 - 12 Months	1 - 3 Years
Federal Home Loan Bank	\$ 43,987,670	\$ -	\$ 4,913,600	\$ 39,074,070
Federal National Mortgage Association	10,743,180	-	-	10,743,180
Money market funds	805,848	N/A	N/A	N/A
NC Capital Management Trust - Cash Portfolio	8,544,305	N/A	N/A	N/A
Total	\$ 64,081,003	\$ -	\$ 4,913,600	\$ 49,817,250

Interest rate risk: The Authority does not have a formal investment policy that limits its exposure to fair value losses arising from rising interest rates. The Authority's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

Credit risk: The Authority limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). As of June 30, 2007, the Authority's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The Authority's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2007. The Authority's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial credit risk: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's formal policy indicates that the Authority shall utilize a third party custodial agent for book entry transactions, all of which shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. Certificated securities shall be in the custody of the Director of Finance.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Concentration of credit risk: The Authority places no limit on the amount that the Authority may invest in any one issuer. More than 5 percent of the Authority's investments are in Federal Home Loan Bank and Federal National Mortgage Association securities. These investments are 68.6% and 16.8%, respectively, of the Authority's total investments.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balances (As Restated)	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 92,469,467	\$ 573,884	\$ -	\$ 93,043,351
Construction in progress	81,834,599	43,456,366	(11,271,750)	114,019,215
Total capital assets not being depreciated	174,304,066	44,030,250	(11,271,750)	207,062,566
Capital assets being depreciated:				
Buildings and building improvements	131,682,325	7,065,758	(314,753)	138,433,330
Runways and other land improvements	106,319,109	3,686,414	-	110,005,523
Furniture, fixtures and equipment	8,338,585	839,418	(29,833)	9,148,170
Total capital assets being depreciated	246,340,019	11,591,590	(344,586)	257,587,023
Less accumulated depreciation for:				
Buildings and building improvements	70,236,405	5,946,801	(272,441)	75,910,765
Runways and other land improvements	66,535,860	3,783,648	-	70,319,508
Furniture, fixtures and equipment	7,229,870	467,070	(29,832)	7,667,108
Total accumulated depreciation	144,002,135	\$ 10,197,519	\$ (302,273)	153,897,381
Total capital assets being depreciated, net	102,337,884			103,689,642
Capital assets, net	\$ 276,641,950			\$310,752,208

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 4. Vacation Accrual

The vacation policy of the Authority provides for the calendar year accumulation of vacation leave equal to the benefit earned in one year with such leave being fully vested when earned. Included in accrued expenses at June 30, 2007 is \$207,721, of net accumulated earned vacation.

Note 5. Bonds Payable

General Revenue Bonds

As security for the payment of the Bonds, the Bond Order grants to the Trustee a pledge, charge and lien upon net receipts, as defined in the Bond Order. In addition, as security for the payment for each Series, the Bond Order grants to the Trustee a pledge, charge or lien upon the money and investments in the Revenue Bond Fund established under the Series Resolution for that Series. Scheduled payments of principal and interest for the 1999, 2001, 2004 and 2005 Bonds are collateralized by bond insurance policies delivered concurrently when each Series was issued.

In the event of the destruction of, damage to, or condemnation of all or substantially all of the Airport Facilities, the 1999, 2001, 2004 and 2005 Bonds are subject to redemption, in whole, but not in part, at the principal amount plus accrued interest to the redemption date.

The Bond Order requires the Authority to maintain income available for debt service, as defined, at an amount of not less than the greater of:

- a) 125% of the principal and interest payments on Bonds including any debt ranking equally with the Bonds ("Parity Debt"), or
- b) 100% of the principal and interest payments on Bonds, Parity Debt and Subordinated Debt.

Covenants of the Bond Order include the requirement that the Authority maintain a practical insurance program, to keep the funds and accounts of the Airport Facilities separate from all other funds and accounts, to comply with the Local Government and Fiscal Control Act in adopting an Annual Budget, and limitations on Parity Debt and Subordinated Indebtedness.

The 2005 Bonds: On August 18, 2005, the Authority issued \$29,200,000 of Airport Revenue Refunding Bonds (the "Series 2005A Bonds") to advance refund \$27,785,000 of outstanding 1999 Airport Revenue Refunding Bonds ("refunded bonds"). The proceeds of \$30,059,398 (net premium of \$1,245,229 and \$520,989 in underwriting fees, insurance, and other issuance costs) were used to purchase federal securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Authority's long-term debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,466,374. This difference, net of accumulated amortization of \$491,261 is reported in the accompanying financial statements as a deduction from bonds payable. Such amount is charged to operations using the straight-line method over the life of the bonds through the fiscal year 2016.

The Series 2005A Bonds consisted of \$29,200,000 of serial bonds issued at interest rates ranging from 3% to 5%, maturing in annual amounts ranging from \$130,000 to \$2,540,000. Semiannual interest payments on the Series 2005A Bonds are due January 1 and July 1, and annual principal payments are due by July 1.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 5. Bonds Payable (Continued)

The 2004 Bonds: On September 23, 2004, the Authority issued \$35,000,000 of Airport Revenue Bonds (the "Series 2004B Bonds"). The Series 2004B Bonds were issued primarily to pay the costs of certain capital improvements consisting of the site development for the air cargo facility (Note 8), terminal building expansion, north concourse extension and airline ticket office renovations.

Interest on the Series 2004B Bonds is calculated using either a Weekly Interest Rate, a Short-Term Rate or a Long-Term Rate, at the option of the Authority each as defined in the Bond Agreements. The Weekly Interest Rate is the rate determined by the Remarketing Agent that would enable the Remarketing Agent to sell the Bonds at a price equal to the principal amount thereof. The Short-Term Rate known as the Bond Interest Term, or "BIT" rate, determined for a period of between one and one hundred and eighty days is determined by the Remarketing Agent taking into account a number of market factors. The Long-Term Rate, determined for a period of at least one hundred eighty-one days, is the rate determined by the Remarketing Agent that would enable the Remarketing Agent to sell the bonds at a price equal to the principal amount thereof. Interest on the Series 2004B Bonds is payable monthly if accrued on the Weekly Interest Rate, at the end of each BIT period if accrued on the Short-Term Rate or biannually if accrued on the Long-Term Rate, and annual principal payments are due each July 1. For the year ended June 30, 2007, the variable rate on the Series 2004B Bonds ranged from 3.40% to 4.00%.

The Series 2004B Bonds consist of serial bonds maturing in progressively larger amounts ranging from \$1,020,000 on July 1, 2007 to \$2,050,000 on July 1, 2029. The Bonds may be redeemed at the option of the Authority at par during any Weekly Interest Rate Period or on the day after a BIT period. Alternatively, the Series 2004B Bonds may be redeemed at the option of the Authority during any Long-Term Interest Rate Period at prices set out in the agreement.

As a means to limit the effect of an increase in rates on its borrowing costs, the Authority entered into an interest rate cap in connection with its 2004B Bonds. The cap agreement, which was entered into at the same time the bonds were issued, matures on November 1, 2007, has a notional amount of \$35,000,000 matching the principal amount of the related debt. Starting in fiscal year 2007 the notional value of the cap reduces as principal payments are made. Under the cap agreement the Authority continues to pay interest to bondholders at the rate set by the Remarketing Agent. If the interest rate rises above 5%, based on the BMA Municipal Bond Index, the Authority continues to pay bondholders the interest rate set by the Remarketing Agent and receives payments for the excess interest over 5% from the interest rate cap counterparty. The BMA Municipal Bond Index did not exceed 5% at any point during fiscal year 2007.

The fair value of the interest rate at June 30, 2007 is insignificant due to interest rate conditions below 5%. The cap counterparty was rated Aa1 by Moody's Investor Service ("Moody's"), AA by Standard & Poor's ("S&P") and AA by Fitch ratings. If the counterparty's long-term certificates of deposits cease to be rated BBB or higher by S&P and Baa2 or higher by Moody's the agreement may be terminated.

The Authority or the counterparty may terminate the cap if the other party fails to perform under the terms of the contract. The Authority is required to make monthly payments of \$2,719 in connection with the cap agreement.

On April 1, 2004, the Authority issued \$14,960,000 of Airport Revenue Refunding Bonds (the "Series 2004A Bonds") to advance refund \$15,575,000 of outstanding 1993 Airport Revenue Refunding Bonds. The net proceeds of \$16,235,564 (net premium of \$710,455, payment of interest and principal outstanding of \$1,087,198 on the 1993 Series Bonds, and payment of \$522,089 in underwriting fees, insurance, and other issuance costs) were used to purchase federal securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series Bonds. As a result, the 1993 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the Authority's long-term debt.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 5. Bonds Payable (Continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,332,963. This difference, net of accumulated amortization of \$607,210 at June 30, 2007 is reported in the accompanying financial statements as a deduction from bonds payable. Such amount is charged to operations using the straight-line method over the life of the bonds through the year fiscal 2016.

The Series 2004A Bonds consist of \$14,960,000 of serial bonds issued at interest rates ranging from 2.0% to 5.0%, maturing in progressively larger annual amounts ranging from \$1,060,000 on July 1, 2007 to \$1,555,000 on July 1, 2016. Semiannual interest payments on the Series 2004A Bonds are due January 1 and July 1, and annual principal payments are due July 1.

The 2001 Bonds: On April 1, 2001, the Authority issued \$26,180,000 and \$7,600,000 of Airport Revenue Bonds, Series 2001A and Series 2001B, respectively. The 2001 Bonds were issued primarily to refund the Authority's outstanding 2000B Bonds and to pay the costs of certain capital improvements.

The 2001 Series A Bonds consist of serial bonds issued at interest rates ranging from 4.25% to 5.25%, maturing in progressively larger amounts ranging from \$2,085,000 on July 1, 2007 to \$2,895,000 on July 1, 2016. Semiannual interest payments on the Series 2001A Bonds are due January 1 and July 1, and annual principal payments are due July 1.

The 2001 Series B Bonds consist of serial bonds at interest rates ranging from 4.25% to 4.50%, maturing in progressively larger annual amounts ranging from \$305,000 on July 1, 2007 to \$405,000 on July 1, 2014 and 5% term bonds amounting to \$3,450,000, due July 1, 2021.

The Series 2001A Bonds maturing on or after July 1, 2012 may be redeemed at between 100% and 101% of principal amount plus accrued interest on or after July 1, 2011.

The Series 2001B Term Bonds must be redeemed at principal amount plus accrued interest in progressively larger annual amounts ranging from \$425,000 on July 1, 2015 to \$570,000 on July 1, 2021.

The refunding of the Series 2000B Bonds with a part of the proceeds of the Series 2001 Bonds resulted in a deferred amount on refunding of \$1,670,598, net of accumulated amortization of \$515,617 at June 30, 2007.

The 2000 Bonds: On April 15, 2000, the Authority issued \$10,290,000 and \$26,465,000 of Airport Revenue Bonds, Series 2000A and 2000B, respectively. The Series 2000 Bonds were issued primarily to refund the Authority's outstanding 1990A Bonds.

The final scheduled payment on the Series 2000 Bonds occurred in 2006.

The 1999 Bonds: On November 10, 1999, the Authority issued \$41,400,000 and \$10,410,000 of Airport Revenue Bonds, Series 1999A and 1999B, respectively.

The Series 1999A Bonds were issued primarily to refund a portion of the Authority's Series 1990A Bonds, and to fund the purchase of several parcels of land near the Airport and the cost of certain airport improvements. The Series 1999B Bonds were issued primarily to fund the cost of certain airport improvements.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 5. Bonds Payable (Continued)

The Series A 1999 Bonds consist of \$23,515,000 in serial bonds issued at interest rates ranging from 4.00% to 5.625% maturing in progressively larger annual amounts ranging from \$1,540,000 on July 1, 2007 to \$2,190,000 on July 1, 2014; \$4,785,000 6.375% term bonds due July 1, 2016; \$4,220,000 5.875% term bonds due July 1, 2019; and \$8,880,000 6.00% term bonds due July 1, 2024. The Authority must redeem the term bonds between July 1, 2015 and July 1, 2024 at annual amounts ranging from \$1,325,000 to \$2,465,000 per year.

The Series B 1999 Bonds consist of \$5,640,000 in serial bonds issued at interest rates ranging from 4.10% to 5.90% maturing in progressively larger annual amounts ranging from \$370,000 on July 1, 2007 to \$535,000 on July 1, 2014 and \$4,770,000 6.00% term bonds due July 1, 2021. The Authority must redeem the term bonds between July 1, 2015 and July 1, 2021 at progressively larger amounts ranging from \$570,000 on July 1, 2015 to \$805,000 on July 1, 2021.

The 1999 Bonds maturing on or after July 1, 2010 may be redeemed at between 100.5% and 101% of principal amount on July 1, 2009 through June 30, 2011, in whole or part, at the option of the Authority. Redemptions after July 1, 2011 will be at par. Semiannual interest payments are due January 1 and July 1 and annual principal payments are due July 1.

During fiscal year 2006 these Bonds were partially refunded using the proceeds of the Series 2005A Bonds.

The refunding of the Series 1990A Bonds with part of the proceeds from the Series 1999A and Series 2000 Bonds resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$1,274,611 attributable to the Series 1999A Bonds. Subsequent to the actual refunding of Series 1999A Bonds, \$235,894 of this balance remained, net of accumulated amortization of \$156,147 at June 30, 2007. Such amounts are charged to operations using the straight-line method through the year 2009.

Special Facility Revenue Bonds

The 1992 Bonds - On October 22, 1992, the Authority sold Special Facility Revenue Bonds (The Cessna Aircraft Company Project), Series 1992, (the "1992 Bonds"), dated October 15, 1992, in the principal amount of \$3,530,000 to finance the construction of an aircraft maintenance facility (the "1992 Cessna Project"). Effective October 1, 1992, The Cessna Aircraft Company (the "Lessee") entered into a lease agreement with the Authority for such facility. The initial lease term commenced February 1, 1994, the Date of Beneficial Occupancy, and will terminate on January 31, 2024. Under the terms of the lease, the Lessee will pay rent (the "Basic Hangar Rental") sufficient to pay, when due, the principal and interest on the 1992 Bonds. The 1992 Bonds are payable solely from such Basic Hangar Rental. No other revenue or property of the Authority is pledged against the 1992 Bonds. Payment of principal and interest is guaranteed by a letter of credit, issued by Bank of America, N.A. on behalf of the Lessee.

The 1992 Bonds bear interest at a variable rate, set weekly by a Remarketing Agent, which is payable on the first business day of each month. At the election of the Lessee, the variable interest rate may be converted to a fixed or flexible rate, such fixed or flexible rate to be the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the 1992 Bonds to be remarketed on the date of conversion at a price equal to par value. For the year ended June 30, 2007 the variable rate on the 1992 Bonds ranged from 3.40% to 4.05%.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 5. Bonds Payable (Continued)

During the period in which the 1992 Bonds pay a variable or flexible rate of interest, the Bonds are subject to redemption at the option of the Authority, upon the written request of the Lessee, on any interest payment date without premium. During the period in which the 1992 Bonds have a fixed rate of interest, the Bonds are subject to redemption at the option of the Authority, upon the written request of the Lessee, on any business day at or after five years from the date of conversion to a fixed rate, at various premiums. The 1992 Bonds are subject to mandatory redemption of \$195,000 on the first day of October from 1995 to 2011, with a final redemption of \$215,000 on October 1, 2012.

Payment of the principal and interest on the 1992 Bonds is made over 20 years and the special facility financed by the 1992 Bonds is leased over a 30-year period. The special facility is owned by the Authority and will continue to be owned by the Authority after the lease expires.

Costs associated with financing the special facility financed by the 1992 Bonds for the year ended June 30, 2007 are as follows:

Rental revenue	\$ 163,881
Interest expense	<u>(46,214)</u>
Income before depreciation	117,667
Depreciation expense	<u>(118,803)</u>
Costs associated with financing the 1992 special facility	<u><u>\$ (1,136)</u></u>

The Lessee is paying directly to the bond trustee the total debt service on the 1992 Bonds; therefore, there is no negative or positive cash flow for the Special Facility Revenue Bonds sustained by the Authority.

Cash flows related to the 1992 Cessna Project for the year ended June 30, 2007 are as follows:

Payments under lease applied to debt service	\$ 241,214
Debt service expenditures	<u>(241,214)</u>
Net cash flows	<u><u>\$ -</u></u>

The 1989 Bonds: On November 15, 1989, the Authority sold Special Facility Revenue Bonds (the Triad International Maintenance Corporation Project), Series 1989, (the "1989 Bonds"), dated October 31, 1989, in the principal amount of \$13,800,000 to finance the construction of an aircraft maintenance facility. Effective November 1, 1989, Triad International Maintenance Corporation (the "Lessee") entered into a lease agreement with the Authority for this facility. The initial lease term commenced January 1, 1991, the Date of Beneficial Occupancy, and will terminate on December 31, 2020. The lease term may be extended for an additional period not to exceed ten years. Under the terms of the lease, the Lessee paid rent (the "Basic Project Rent") sufficient to pay, when due, the principal and interest on the 1989 Bonds. The 1989 Bonds bore interest at a variable rate, set weekly by Mellon Bank, N.A. For the year ended June 30, 2007 the variable rate on the 1989 Bonds ranged from 3.16% to 4.15%. During the 2007 fiscal year the Lessee paid off the 1989 Bonds in full.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 5. Bonds Payable (Continued)

A summary of the maturities of the bonds payable at June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Principal				Special Facility Revenue
	General Revenue				
	2005	2004	2001	1999	
2008	\$ 130,000	\$ 2,080,000	\$ 2,390,000	\$ 1,910,000	\$ 195,000
2009	135,000	2,160,000	2,475,000	2,005,000	195,000
2010	140,000	2,250,000	2,585,000	2,105,000	195,000
2011	1,925,000	2,315,000	2,700,000	430,000	195,000
2012	2,020,000	2,395,000	2,615,000	455,000	195,000
2013 - 2017	11,640,000	13,505,000	15,120,000	2,695,000	215,000
2018 - 2022	7,585,000	7,470,000	2,580,000	3,595,000	-
2023 - 2027	5,440,000	8,755,000	-	-	-
2028 - 2030	-	5,955,000	-	-	-
	29,015,000	46,885,000	30,465,000	13,195,000	1,190,000
(Discount) premium on bonds	1,121,531	525,542	432,222	(113,585)	-
Deferred refunding	(2,975,114)	(1,725,754)	(1,154,981)	(79,747)	-
Current maturities	(130,000)	(2,080,000)	(2,390,000)	(1,910,000)	(195,000)
Totals	\$27,031,417	\$43,604,788	\$27,352,241	\$11,091,668	\$ 995,000

Fiscal Year Ending June 30,	Interest				Special Facility Revenue
	General Revenue				
	2005	2004	2001	1999	
2008	\$ 1,350,431	\$ 1,751,731	\$ 1,379,918	\$ 681,110	\$ 31,149
2009	1,346,456	1,663,977	1,276,536	582,659	31,149
2010	1,342,331	1,578,731	1,169,011	477,844	23,993
2011	1,292,106	1,501,968	1,056,705	411,720	16,836
2012	1,193,481	1,410,439	943,761	387,155	9,680
2013 - 2017	4,408,541	5,380,083	2,675,134	1,498,078	1,973
2018 - 2022	2,075,869	3,282,809	335,500	564,150	-
2023 - 2027	353,176	1,765,481	-	-	-
2028 - 2030	-	224,537	-	-	-
Totals	\$13,362,391	\$18,559,756	\$ 8,836,565	\$ 4,602,716	\$ 114,780

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 5. Bonds Payable (Continued)

Future interest payments for the 1992 Bonds were calculated using an approximate average rate of 2.72% for the fiscal years after 2007. For the 2004B Bonds future payments were calculated using a rate of 3.69%. Interest related to the other bonds are based on fixed rates.

On June 30, 2007, the estimated fair value of the Authority's 1999A, 1999B, 2001A, 2001B, 2004A and 2005A Bonds was approximately \$91,428,652 (carrying value of \$86,384,245 is net of discount, premium and deferred refunding) based upon current market rates for bonds with similar terms and maturities. The 2004B and 1992 Bonds have fluctuating rates and, accordingly, the estimated fair values approximate their reported carrying amounts at June 30, 2007.

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Bonds payable:					
Series 2005A	\$ 29,200,000	\$ -	\$ (185,000)	\$ 29,015,000	\$ 130,000
Series 2004B	35,000,000	-	(990,000)	34,010,000	1,020,000
Series 2004A	13,895,000	-	(1,020,000)	12,875,000	1,060,000
Series 2001A	26,180,000	-	(1,980,000)	24,200,000	2,085,000
Series 2001B	6,555,000	-	(290,000)	6,265,000	305,000
Series 1999A	6,310,000	-	(1,460,000)	4,850,000	1,540,000
Series 1999B	8,700,000	-	(355,000)	8,345,000	370,000
Series 1992	1,385,000	-	(195,000)	1,190,000	195,000
Series 1989	7,200,000	-	(7,200,000)	-	-
Less deferred amount on refundings, discounts and premiums	(4,455,755)	-	485,869	(3,969,886)	-
Total bonds payable	\$ 129,969,245	\$ -	\$ (13,189,131)	\$ 116,780,114	\$ 6,705,000

Note 6. Net Assets

Net assets invested in capital assets, net of related debt at June 30, 2007 consist of the following:

Long-term assets:	
Property and equipment	\$ 310,752,208
Bond refinancing costs	2,135,352
Total capital assets	312,887,560
Less related liabilities:	
Bonds payable	116,780,114
Invested in capital assets, net of related debt	\$ 196,107,446

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 6. Net Assets (Continued)

Restricted net assets at June 30, 2007 consist of the following:

Cash, cash equivalents and investments	\$ 15,990,255
Less related liabilities:	
Accrued interest payable	2,033,866
Deferred revenue on special facilities	6,978,704
Restricted net assets	<u>\$ 6,977,685</u>

Note 7. Employee Retirement Plans

Defined contribution plan: On March 15, 1972, the Authority established a defined contribution retirement plan for the benefit of its employees, known as The Retirement Plan of The Piedmont Triad Airport Authority (the "Retirement Plan"). The Retirement Plan, as amended, covers all eligible full-time employees of the Authority (99 eligible at June 30, 2007) and provides that, among other things, the Authority shall contribute to the Retirement Plan a discretionary amount of not less than 7% of each eligible employee's annual compensation. In addition, the Authority shall contribute to the Retirement Plan a matching contribution equal to 50% of the amount of pretax salary contributed by the employee to the Supplemental Retirement Income Plan of North Carolina not to exceed 1-½% of the employee's annual compensation. The Authority's contributions to the Retirement Plan (net of forfeitures) were \$304,686 for the year ended June 30, 2007. Total fair market value of the Retirement Plan assets was \$5,373,478 at June 30, 2007.

Supplemental Retirement Income Plan for Law Enforcement Officers: The Authority contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Authority. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2007 were \$92,035, which consisted of \$39,389 from the Authority and \$52,646 from the law enforcement officers.

Local Governmental Employees' Retirement System for Contributing Law Enforcement Officers Only: Some law enforcement officers employed by the Authority contribute to the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 7. Employee Retirement Plans

Plan members are required to contribute six percent of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. For the Authority, the current rate for employees engaged in law enforcement is 4.78% of annual covered payroll. The contribution requirements of members and of the Authority are established and may be amended by the North Carolina General Assembly. The officers' contributions to LGERS for the year ended June 30, 2007 was \$23,815. The contributions made by the Authority for the year ended June 30, 2007 was \$17,625.

Note 8. Commitments

Capital Improvement Program: The Authority's Capital Improvement Program includes various construction projects, land acquisitions, and other asset acquisitions to be funded by federal, state and Authority funds. The Capital Improvement Budget is prepared annually and approved by the Board of Directors based on the current year capital expenditure needs, and construction projects which are expected to be completed within three to five years. The amount budgeted for the fiscal year 2008 Capital Improvement Program is approximately \$44.2 million, of which approximately \$18.1 million is expected to be reimbursed under federal and state government grants and the balance from Authority Funds. The amount budgeted for this year's Capital Improvement Program is in addition to the amount that remains to be spent to complete the Capital Improvement Programs that were adopted by the Authority in previous years.

Airport Expansion Project: As part of the its Capital Improvement Program the Authority is carrying out a major expansion project (the "Airport Expansion Project") consisting of three main elements: (1) site preparation for an air cargo facility to be leased by the Authority to Federal Express Corporation for its Mid-Atlantic Hub; (2) construction of a new 9000-foot public runway, parallel to existing Runway 5/23, and related airfield improvements; and (3) the relocation of Bryan Boulevard (which previously provided access directly to the Airport Terminal Area). This project carries out the long-range plans of the Authority for the construction of a parallel runway and expansion of the Authority's air cargo facilities.

Hub Facility: On October 10, 2002, the Authority and Federal Express entered into an Agreement and Lease under which the Authority leased to Federal Express approximately 170 acres at the Airport for the initial construction of Federal Express' Mid-Atlantic Hub facility (the "Initial Hub Facility"). The parties have now agreed to a revision of the lease boundaries which will reduce the leased area to approximately 165 acres. The initial lease term began upon the tender of the site to Federal Express in 2006 and will continue for 25 years from the Date of Beneficial Occupancy of the Initial Hub Facility. Land rent will be due at the annual rate of \$0.025 per square foot for an initial construction period and \$0.05 per square foot thereafter, subject to periodic adjustment for inflation. At the end of the initial term, Federal Express will have a right to renew the lease, for an additional term of 10 years, at a rental equal to the fair market rent of the land and real property improvements upon the premises.

Federal Express will also have an option for 10 years, beginning on the Date of Beneficial Occupancy, to add to the premises by leasing an additional tract of approximately 44 acres adjacent to the initial site; and if Federal Express exercises this option, it will then have an option, through December 31, 2024, to add a second adjacent tract of approximately 37 acres. A fair market land rental would be charged for the option areas, subject to periodic adjustment for inflation. This possible expansion of the project is referred to herein as "Phase 2."

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 8. Commitments (Continued)

Under the Agreement and Lease, Federal Express is now constructing the Initial Hub Facility on the leased premises consisting generally of the following improvements:

- cargo sort facility and attached truck building;
- associated aircraft apron;
- administration building;
- buildings for aircraft maintenance, field stores, and vehicle/ground service equipment maintenance;
- other operations and support facilities such as truck parking and service areas, an employee parking lot and a service center;
- FAA-approved security fencing; and
- utility lines and sanitary sewer systems within the premises.

Federal Express also has the option to construct a fuel farm on the premises, with the Authority reimbursing certain costs of the fuel farm up to \$500,000; and Federal Express will construct all storm water management and treatment facilities for the premises, other than three off-premises storm water management ponds. An 11-acre site would be reserved through December 31, 2014 for any additional storm water treatment facilities that may be required for Federal Express. No rent would be charged for this area.

Under the Agreement and Lease, the Authority is making certain improvements with respect to the site of the Initial Hub Facility, including among such improvements:

- rough grading the entire site;
- relocating a portion of Old Oak Ridge Road, which previously ran through the site, to a new route outside the premises;
- relocating certain utilities;
- extending utility lines to the premises; and
- constructing the three off-premises storm water management ponds for the premises.

The Authority has substantially completed the rough grading of the entire site and the basins for the storm water ponds. The Agreement and Lease with Federal Express calls for the remainder of the site-related improvements to be completed by the time the Initial Hub Facility is substantially completed and ready for its intended use. The site improvements for the Initial Hub Facility and certain engineering work associated with the site improvements are among the projects that were financed by the Authority with the proceeds of its Series 2004B Airport Revenue Bonds.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 8. Commitments (Continued)

Airfield Improvements: The Authority is constructing a major expansion of the public facilities at the Airport, including:

- constructing a new 9000-foot runway parallel to existing Runway 5/23 and constructing associated taxiways;
- constructing a new taxiway (taxiway E) connecting the parallel runways, including a taxiway bridge across the entrance road to the Airport Terminal Area, and relocating certain facilities to accommodate the connecting taxiway; and
- extending an existing taxiway to the Federal Express site.

The Authority has agreed in the Agreement and Lease with Federal Express that the airfield improvements will be completed by June 1, 2009, subject to a right on the part of the Authority to an extension of the completion date if the Authority fails to receive grant funding through the Federal Fiscal Year 2009 in the approximate amount that was originally scheduled in the hereinafter defined FAA Letter of Intent (see "Estimated Project Costs" below). The initial phases of the runway and Taxiway E projects, including the taxiway bridge, have been completed. Grading for the runway and taxiway E is now in progress, and contracts have been awarded for the final phases of both the runway and taxiway E construction.

The airfield improvements include an upgrade of the instrument approach to existing Runway 5R and the installation of instrument approaches at each end of the new runway. The Authority has purchased the equipment for the instrument approaches and has advanced the funds to the FAA for the FAA to complete a portion of the installation work, with the remainder of the work to be done by the Authority.

Bryan Boulevard Relocation: In addition to relocating Old Oak Ridge Road, the Authority is also relocating a portion of Bryan Boulevard (which formerly provided access directly to the Airport Terminal Area) by constructing a new 2.7 mile segment around the northeast end of the new runway, and the Authority is also constructing a new highway interchange where the new alignments for Bryan Boulevard and Old Oak Ridge Road intersect with each other. The mainline of the new Bryan Boulevard has already been completed along with a major portion of the highway interchange. After completion of this project, access to the Airport Terminal Area will be provided through modifications to a former segment of Bryan Boulevard and to the airport road network, which are now underway.

The Authority has agreed in the Agreement and Lease with Federal Express that the Bryan Boulevard work will be completed by the time the Initial Hub Facility is substantially completed and ready for its intended use.

Environmental Mitigation: In addition to the site improvements, airfield improvements and highway improvements described above, the Authority is also carrying out a wetlands and stream mitigation plan as a condition for the certification and permit that have been issued for the Airport Expansion Project under Sections 401 and 404 of the Clean Water Act, respectively, and will undertake other environmental mitigation required by the FAA Record of Decision approving the Airport Expansion Project. The required mitigation includes noise mitigation for housing around the Airport, a noise and operations monitoring system and a Noise Compatibility Program under Part 150 of the federal aviation regulations (14 CFR Part 150). The Authority has now completed a draft Part 150 Study, including proposed Noise Exposure Maps and a proposed Noise Compatibility Program, which includes all of the measures that were required by the FAA Record of Decision and additional measures that were developed in the Part 150 Program itself. The Part 150 Study is now before the FAA for review. According to the draft Study, the initial cost of the Noise Compatibility Program is in the range of approximately \$3,500,000 to \$5,000,000.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 8. Commitments (Continued)

Estimated Project Costs: Based on current estimates, the costs to be incurred by the Authority for the Airport Expansion Project in Fiscal Year 2008 and thereafter, exclusive of noise mitigation and the Phase 2 improvements described below, is approximately \$104,000,000.

On March 25, 2002, the FAA issued a Letter of Intent (the "FAA Letter of Intent") to issue grants from future budget authority for the runway and taxiway project. The Letter of Intent was amended in January 2007 to provide additional funding. The grants scheduled under the Letter of Intent, as amended, include discretionary grants to be paid in installments, which began in Federal Fiscal Year ("FFY") 2002 and are due to continue through FFY 2010, in total amount of \$60,000,000, as well as entitlement grants to the Authority, from FFY 2002 through FFY 2013, in a total estimated amount of approximately \$58,500,000. The FAA Letter of Intent represents an intention by the FAA to obligate funds from future budget authority and is not a binding obligation. The portion that is payable from entitlement grants is based on an estimate of Authority's entitlements over the term of the Letter of Intent and will vary depending on the actual entitlement funding that is payable to the Authority in any particular year. The FAA had paid a total of \$55,536,399 in grants to the Authority under the FAA Letter of Intent through federal fiscal year 2007.

The Authority has also entered into a Reimbursement Agreement with the North Carolina Department of Transportation ("NCDOT") under which the Authority will be reimbursed for the costs of the Bryan Boulevard relocation, other than construction management costs, up to a total amount of \$52,000,000, as costs are incurred for this project. Approximately \$35,805,546 of this amount had been disbursed to the Authority through June 30, 2007. NCDOT's obligations under the Reimbursement Agreement are subject to its receipt of the necessary funding that is expected to be received from the Federal Highway Administration. Included in non-current funds restricted for capital expenditures are investments of \$7,600,000 that are being held in escrow pursuant to the Reimbursement Agreement. Some additional grant funding for airfield improvements is also expected from the NCDOT Division of Aviation.

The Authority will be responsible for any costs that it incurs for the Airport Expansion Project in excess of the costs that are covered by grant funding from the FAA and the NCDOT. The costs to be incurred by the Authority include the costs of financing such improvements, either through expenditures from the Authority's general fund or debt financing, pending the receipt of grants by the Authority.

Phase 2 Improvements: As stated above, Federal Express has the option, under its Agreement and Lease with the Authority, to add additional option areas to the initial premises. If Federal Express exercises its option with respect to an option area, the Authority would be obligated, at its expense, to relocate the tenant facilities currently located within the option area (including air cargo buildings now located within the 37-acre area), to rough grade the site, to provide any additional storm water runoff capacity that may be needed, and to construct a taxiway stub to the option area. Federal Express would be obligated to construct an additional aircraft apron on the option area, or a project of comparable cost approved by the Authority.

Opposition to the Airport Expansion Project: There is organized as well as unorganized opposition to the Airport Expansion Project and Federal Express hub operation. However, legal challenges to the FAA Record of Decision, and to the Section 404 wetlands permit issued to the Authority, were decided in the Authority's favor. A settlement agreement was reached in 2006 disposing all of the remaining cases that had been brought by the project opponents.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 8. Commitments (Continued)

Honda Jet Project: In June 2007 the Authority entered into an agreement to lease to Honda Motor Co., Inc. a 70-acre site at the airport on which Honda will construct and operate a jet aircraft manufacturing facility. The lease term runs for 40 years with Honda having the option (i) to terminate the lease after 20 years or (ii) to extend the term for up to two successive 10-year periods. Honda also has a 20-year option to lease an additional 30-acre site under the lease. The lease agreement obligates the Authority to grade the initial site, to construct an aircraft ramp and access taxiway, to extend Ballinger Road, which runs adjacent to the site, and to make certain other site improvements. As of June 30, 2007, this work was well underway and is now scheduled to be completed by December 1, 2007. The total estimated cost of the work is approximately \$8,200,000. The Highway Division of the NCDOT has agreed to reimburse the Authority for the costs of the road work in estimated amount of approximately \$1,150,000. The Aviation Division of the NCDOT indicated at the outset of the project that it would reimburse the Authority for the other costs of the work over a period of years; but the NCDOT has not made a binding commitment to do so.

Note 9. Rental Income Operating Leases

The Authority leases space to various tenants in the Airport terminal together with other land and buildings on a fixed as well as contingent rental basis. Contingent rentals generally have a specified minimum rental provision. All leases of the Authority are accounted for as operating leases. Substantially all of the leases provide for a periodic recomputation of the rental amounts.

Substantially all of the assets classified as property and equipment are held by the Authority for the purpose of rental or common use.

The following is a schedule by years of approximate minimum future rentals and guaranteed minimum fees on noncancelable operating leases as of June 30, 2007:

Fiscal Year Ending June 30,	Amount
2008	\$ 8,325,424
2009	6,577,726
2010	4,271,149
2011	4,126,427
2012	3,782,412
Thereafter	18,751,520
Total minimum future rentals	\$ 45,834,658

The above amounts do not include contingent rental fees or landing fees, which for the year ended June 30, 2007 amounted to approximately \$8,300,000.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 10. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has property, general liability, workers' compensation and employee health coverage. Claims have not exceeded coverage in any of the past three years.

In accordance with G.S. 159-29, The Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Director of Finance is individually bonded for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

Note 11. Reclassifications and Restatements

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation.

During the course of the fiscal 2007 audit, it was discovered that certain errors were made in accounting for construction in progress and retainages payable in the Capital Projects Fund for the fiscal year ended June 30, 2006. These errors have been corrected and resulted in increases in capital assets – construction in progress of \$3,010,260, other government grants receivable at \$1,430,578 and retainage payables of \$4,440,838.

Note 12. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements prior to June 30, 2007 that has effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements will have on the Authority.

- GASB Statement 45, *Accounting and Financial Reporting by Employers for Post- Employment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of expenses/expenditures and related liabilities (assets), note disclosures and if applicable, required supplementary information in the financial reports of state and local government employers on the post employment benefits ("OPEB").
- GASB Statement 47, *Accounting for Termination Benefits*. This statement requires financial statements prepared on the accrual basis of accounting to recognize a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the entity to the plan, the plan has been communicated to employees, and the amount can be estimated.

Piedmont Triad Airport Authority

Notes to Financial Statements

Note 12. Accounting Pronouncements Issued But Not Yet Implemented (Continued)

The Authority is required to adopt portions of this statement for the termination benefits approved through an existing defined benefit OPEB plan at the same time it adopts GASB statement 45 mentioned above.

- GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra- Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received in an exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity.

This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated with the same financial reporting entity should continue to be reported at their current carry value when those assets or future revenues or transferred.

This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivable or future revenues, including residual interest and recourse provisions. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The requirements of this Statement are effective for financial statement for periods beginning after December 15, 2006.

- GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. This Statement specifies five obligating events which upon the occurrence of one such event, the government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are required. In government-wide and proprietary fund financial statements, the liability should be recorded at the current value of the costs the government expects to incur to perform the work. This Statement also requires remeasurement of the liability (and its components) when new information indicates increases or decreases in estimated outlays. This Statement is effective for financial statements for periods beginning after December 15, 2007 (the Authority's fiscal year ended June 30, 2009).

Notes to Financial Statements

Note 12. Accounting Pronouncements Issued But Not Yet Implemented (Continued)

- GASB Statement 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for OPEB Plans*, and No. 45, *Accounting and Financial Reporting by Employers for OPEB*.
- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated and establishes criteria for when such expenditures should be capitalized. This Statement is effective for periods beginning after June 15, 2009 (the Authority’s fiscal year ended June 30, 2010) and generally requires its provisions to be applied retroactively.

Piedmont Triad Airport Authority

**Condensed Statement of Revenues and Expenses Compared With Budget -
Excluding Changes in Fair Value of Investments, Gain on Sale of Fixed Assets, Recovery of Bad Debt,
Other Nonoperating Expenses, and Federal and State Grants
Year Ended June 30, 2007**

	Budget	Actual	Variance With Budget
Operating revenues:			
Airfield and apron	\$ 3,223,117	\$ 3,221,490	\$ (1,627)
Parking	6,960,952	7,117,040	156,088
Concessions, Terminal	4,010,948	4,184,801	173,853
Rentals:			
Terminal	5,736,374	5,707,798	(28,576)
Cargo building	1,341,506	1,341,506	-
Land and hangars	2,462,345	2,503,269	40,924
Non-aviation properties	447,741	448,735	994
Valet parking	546,873	551,656	4,783
Other	509,162	514,177	5,015
Other operating income	111,689	119,370	7,681
Total operating revenues	25,350,707	25,709,842	359,135
Operating expenses:			
Salaries, wages and benefits	5,994,140	5,940,208	53,932
General, administration and bond order fees	1,337,110	1,246,726	90,384
Utilities	1,169,120	1,147,401	21,719
Maintenance and other supplies	567,650	560,210	7,440
Insurance	631,800	628,570	3,230
Contract services	617,946	613,009	4,937
Depreciation and amortization	9,500,000	10,286,451	(786,451)
TSA program	240,800	240,644	156
K-9 program	190,532	192,323	(1,791)
Total operating expenses	20,249,098	20,855,542	(606,444)
Operating income	5,101,609	4,854,300	(247,309)
Nonoperating revenues (expenses):			
Interest income	3,151,214	3,089,679	(61,535)
Interest expense	(5,316,068)	(5,323,867)	(7,799)
Total nonoperating expenses, net	(2,164,854)	(2,234,188)	(69,334)
Income before change in fair value of investments, gain on sale of fixed assets, recovery of bad debt, other nonoperating expenses and federal and state grants	\$ 2,936,755	\$ 2,620,112	\$ (316,643)

Piedmont Triad Airport Authority

Capital Improvements Expenditures - Budget and Actual (Non-GAAP)
 Year Ended June 30, 2007

Description	Budget Amount	Actual Expenditures		Budget Remaining	
		Total Through June 30, 2006	For the Year Ended June 30, 2007		Total Through June 30, 2007
Land	\$ 1,000,000	\$ -	\$ 573,884	\$ 573,884	\$ 426,116
AIP Projects	8,779,676	4,017,637	4,654,832	8,672,469	107,207
Major Capital Projects, original	29,350,000	27,099,014	2,665,600	29,764,614	(414,614)
Federal Express Project	216,664,609	78,479,440	40,822,544	119,301,984	97,362,625
Furniture, fixtures, and equipment	298,487	-	139,668	139,668	158,819
Total	\$ 256,092,772	\$ 109,596,091	\$ 48,856,528	\$ 158,452,619	\$ 97,640,153

Piedmont Triad Airport Authority

**Detailed Statement of Operations by Area
Year Ended June 30, 2007**

	Terminal Area	Roadway and Parking Area
Revenues:		
Operating revenues:		
Airline terminal space rent	\$ 5,102,007	\$ -
Other terminal space rent	605,791	-
Advertising displays	215,426	-
Airport ground transportation	18,451	-
Food, beverage, gifts	737,944	-
Amusements	13,956	-
Rental car commissions	3,159,091	-
Telephone commissions	23,511	-
Miscellaneous consumer services	16,422	-
Parking charges	-	7,117,040
Apron charges	-	-
Airline landing fees	-	-
Other landing fees	-	-
Aviation fuel flowage fees – FBO	-	-
Cargo building	-	-
Fixed base operations	-	-
Hangar rent	-	-
Ground rent	-	-
Valet parking	-	-
Other income	-	-
Total operating revenues	\$ 9,892,599	\$ 7,117,040

(Continued)

Apron Area	Airfield Area	Air Cargo Area	Other Areas	Total
\$ -	\$ -	\$ -	\$ -	\$ 5,102,007
-	-	-	-	605,791
-	-	-	-	215,426
-	-	-	-	18,451
-	-	-	-	737,944
-	-	-	-	13,956
-	-	-	-	3,159,091
-	-	-	-	23,511
-	-	-	-	16,422
-	-	-	-	7,117,040
313,192	-	-	-	313,192
-	1,929,213	-	-	1,929,213
-	777,332	-	-	777,332
-	201,753	-	-	201,753
-	-	1,341,506	-	1,341,506
-	-	-	331,586	331,586
-	-	-	1,288,785	1,288,785
-	-	-	882,898	882,898
-	-	-	551,656	551,656
-	-	-	1,082,282	1,082,282
<u>\$ 313,192</u>	<u>\$ 2,908,298</u>	<u>\$ 1,341,506</u>	<u>\$ 4,137,207</u>	<u>\$ 25,709,842</u>

Piedmont Triad Airport Authority

Detailed Statement of Operations by Area (Continued)
Year Ended June 30, 2007

	Terminal Area	Roadway and Parking Area
Operating expenses:		
Administration	\$ 824,384	\$ 194,854
Police	770,447	205,453
Crash, fire and rescue	64,302	9,893
Airport communications	300,544	27,743
Parking services	-	1,216,702
Custodial services	635,583	-
Maintenance	720,117	231,246
Property	-	-
Insurance	242,471	57,886
Bond Order fees	56,882	13,706
Professional services	328,292	68,237
Utilities	811,279	197,329
Vacation accrual	3,186	1,327
TSA Program	240,644	-
Depreciation and amortization	4,314,386	1,096,980
K-9 Unit	115,394	30,773
Total operating expenses	\$ 9,427,911	\$ 3,352,129

Operating income

Nonoperating revenues (expenses):

- Interest income
- Interest expense
- Net increase (decrease) in fair value of investments
- Bryan Boulevard relocation
- Recovery of bad debt
- Other

Total nonoperating expenses, net

Loss before capital contributions

Federal and state grants

Increase in net assets

Apron Area	Airfield Area	Air Cargo Area	Other Areas	Total
\$ 14,989	\$ 374,720	\$ 29,978	\$ 59,955	\$ 1,498,880
128,407	128,408	25,682	25,682	1,284,079
49,463	840,868	9,891	14,839	989,256
32,366	69,356	23,119	9,248	462,376
-	-	-	-	1,216,702
-	-	-	-	635,583
57,713	298,232	15,024	26,244	1,348,576
-	-	-	49,145	49,145
21,241	273,260	19,679	14,033	628,570
3,427	56,882	3,427	2,741	137,065
16,821	287,384	16,821	13,454	731,009
15,436	51,980	59,468	11,909	1,147,401
238	2,471	94	166	7,482
-	-	-	-	240,644
518,471	2,178,702	1,607,643	570,269	10,286,451
19,232	19,232	3,846	3,846	192,323
\$ 877,804	\$ 4,581,495	\$ 1,814,672	\$ 801,531	20,855,542

4,854,300

3,089,679

(5,323,867)

1,129,572

(12,199,102)

80,570

(15,924)

(13,239,072)

(8,384,772)

17,603,484

\$ 9,218,712

Piedmont Triad Airport Authority

**Rental Rates and Fees
June 30, 2007**

Pursuant to the provisions of the agreement and lease with airline tenants, the following annual rental rates and fees were determined for the year ended June 30, 2007:

Terminal building space rent per square foot per year:

June 30, 2006 - December 31, 2006	\$	36.56
January 1, 2007 - June 30, 2007		39.77

Preferred-use aircraft parking loading positions per position:

June 30, 2006 - December 31, 2006	\$	18,113
January 1, 2007 - June 30, 2007		18,737

Landing fee rates per 1,000 pounds landed weight:

June 30, 2006 - December 31, 2006	\$	1.2719
January 1, 2007 - June 30, 2007		1.5310

SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER
AND THE SERIES RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SUMMARY OF CERTAIN PROVISIONS OF
THE BOND ORDER AND THE SERIES RESOLUTION**

Set forth in this Appendix B is a summary of certain provisions of the Bond Order and the Series Resolution. This summary does not purport to be a complete summary of the Bond Order and the Series Resolution and is qualified in its entirety by express reference to the complete Bond Order and Series Resolution copies of which are on file at the principal corporate trust office of the Trustee.

DEFINITIONS

Capitalized terms defined in the Official Statement shall have the same meanings in this Appendix B. In addition, the following are additional definitions set forth in the Bond Order and the Series Resolution and used in this Appendix B. Capitalized terms used in this Appendix B and not otherwise defined will have the same meaning as in the Bond Order and the Series Resolution unless the context indicates otherwise.

“Alternate Credit Facility” means an irrevocable, direct-pay letter of credit delivered in substitution for the Series 2008A Letter of Credit or the Series 2008B Letter of Credit or any other Alternate Credit Facility pursuant to the Series Resolution.

“Available Moneys” means (i) moneys which have been paid to the Trustee by the Authority and have been on deposit with the Trustee and held separately from any other funds held by the Trustee for at least 124 days during and prior to which no Event of Bankruptcy shall have occurred, (ii) proceeds on deposit with the Trustee from the remarketing by the Remarketing Agent of the Series 2008 Bonds purchased as described in the Series Resolution, which were at all times since their receipt by the Trustee held in a separate and segregated account or accounts or subaccount or subaccounts in which no moneys which were not Available Moneys were at any time held, (iii) moneys drawn under the Credit Facility which at all times since their receipt by the Trustee were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than those drawn under such Credit Facility) were at any time held, (iv) the proceeds of the sale of refunding obligations, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters (which opinion shall be acceptable to each Rating Agency then rating the Series 2008 Bonds), the application of such moneys will not constitute a voidable preference under Sections 362a, 547b or 541 of the Bankruptcy Code in the event of the occurrence of an Event of Bankruptcy, and (v) investment earnings on any of the moneys described in clauses (i), (ii), (iii) or (iv) of this definition.

“Additional Project” means (a) any additions, acquisitions, improvements, land, betterments or extensions of or related to the Airport Facilities owned or operated and maintained by the Authority, (b) any airport or airport related facility hereafter acquired or constructed and owned or operated and maintained by the Authority at any site or sites other than the site of the Airport and any additions, acquisitions, improvements, land, betterments or extensions of any such airport or airport related facilities, and (c) any airport facilities and improvements which are owned or operated and maintained by the Authority, including those financed or refinanced for private as well as public parties, that relate to, develop or further airborne commerce and cargo and passenger traffic, including commercial, industrial, manufacturing, processing, transportation, distribution, storage, aviation and environmental facilities and improvements. The term “Additional Project” will not include any Special Purpose Facilities unless the indebtedness incurred to finance the Special Purpose Facilities has been retired or provision has been made for the payment thereof and the Authority has determined by resolution of its Board of Directors to include the Special Purpose Facilities as an Additional Project.

“Airport Attorney” means the attorney or firm of attorneys who from time to time is designated by the Authority to perform the duties of the Airport Attorney.

“Airport Consultant” means any engineer, engineering firm, firm of certified public accountants, airport consulting firm or corporation, or other qualified person, firm or corporation having a nationwide and favorable repute for skill and experience in performing the duties for which it is employed by the Authority under the Bond Order.

“Airport Facilities” means the Existing Facilities and any Additional Project.

“Authorized Officer” means the Chairman, the Executive Director or any other person authorized by resolution of the Authority to perform the duties of an Authorized Officer.

“Bank” means Branch Banking and Trust Company, in its capacity as issuer of the Letters of Credit.

“Bond” or “Bonds” means any bonds issued under the provisions of the Bond Order and secured on a parity with each other and any Parity Debt by the Bond Order.

“Bond Interest Term” means, with respect to any Series 2008 Bond, each period established in accordance with the Series Resolution during which such Series 2008 Bond shall bear interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” means, with respect to each Series 2008 Bond, a non-variable interest rate on such Series 2008 Bond established periodically in accordance with the Series Resolution.

“Bond Purchase Fund” means the fund so designated which is established with the Trustee pursuant to the Series Resolution and the Tender Agreement.

“Bond Registrar” means, with respect to any Series of Bonds, the Bond Registrar at the time serving as such under the Series Resolution relating to such Series, whether the original or a successor Bond Registrar.

“Business Day” means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the principal offices of the Trustee or the Authority are located, or in which the office of the Credit Provider from which payments are made pursuant to the Credit Facility is located, are authorized or required to remain closed or (ii) a day on which the New York Stock Exchange is closed.

“Completion Indebtedness” means any Long-Term Indebtedness incurred for the purpose of financing the completion of any Additional Project for which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Bond Order to the extent necessary to complete the Additional Project in the manner and scope contemplated at the time that such Long-Term Indebtedness was originally incurred, and, to the extent the same will be applicable, in accordance with the general plans and specifications for such Additional Project as originally prepared, with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness was originally incurred.

“Credit Facility” means a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit facility permitted by the Act (but excluding a municipal bond insurance policy) and established or obtained in connection with the incurrence of any Parity Indebtedness or Subordinated

Indebtedness. The Series 2008A Letter of Credit and the Series 2008B Letter of Credit each constitutes a Credit Facility within the meaning of the Order.

“Credit Provider” means the entity providing a Credit Facility, as designated in a Series Resolution providing for the issuance of Bonds, a Parity Debt Resolution providing for the incurrence of Parity Debt or a Subordinated Indebtedness Resolution providing for the incurrence of Subordinated Indebtedness; provided, however, that the Credit Provider may not be the Trustee unless an arrangement satisfactory to the Local Government Commission has been established designating a co-trustee or separate trustee for the purpose of drawing on the Credit Facility. If and to the extent permitted by law, the Authority may be a Credit Provider for the sole purpose of providing liquidity support with the approval of the Local Government Commission and the Bond Insurer insuring any Series of Bonds then Outstanding.

“Current Expenses” means the Authority’s current expenses for the operation, maintenance and repair of the Airport Facilities as determined in accordance with generally accepted accounting principles except as modified by this definition, including, without limiting the generality of the foregoing,

- (a) all ordinary and usual expenses of operation, maintenance and repair, which may include expenses not annually recurring,
- (b) administrative expenses,
- (c) salaries and other compensation,
- (d) operating lease payments,
- (e) payments to any pension or retirement plan or plans properly chargeable to the Airport Facilities,
- (f) insurance premiums and expenses,
- (g) engineering and architectural expenses relating to the operation, maintenance or repair of the Airport Facilities,
- (h) fees and expenses of the Trustee, any Bond Registrar, Depository, tender agent or paying agent, legal expenses, Credit Facility fees, remarketing fees and fees of consultants,
- (i) penalty fees and fees or interest on late payments, and
- (j) any other expenses required to be paid by the Authority under the Bond Order or by law,

but Current Expenses will not include

- (1) any reserves for extraordinary replacements or repairs,
- (2) any allowance for depreciation or any amortization of financing expense,
- (3) any deposits to any fund, account or subaccount created under the Bond Order or any Series Resolution and payments of principal, premium, if any, and interest from such funds, accounts and subaccounts, and

(4) any debt service payments or reserves or deposits for debt service payments in respect of Parity Debt or Subordinated Indebtedness or installment financing or similar type contracts for any component of the Airport Facilities.

“Defeasance Obligations” means (a) non-callable Government Obligations, (b) evidences of ownership of a proportionate interest in specified non-callable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (c) Defeased Municipal Obligations.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers which are rated in the highest rating category by S&P or Moody’s, respectively, provision for the payment of the principal of and interest on which will have been made by deposit with a trustee or escrow agent of Government Obligations, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers. References in this definition to state or local government bond issuers will mean the State of North Carolina and, subject to such restrictions as the Secretary of the Local Government Commission may impose, North Carolina local government bond issuers, and, to the extent permitted by law, states other than the State of North Carolina and local government bond issuers other than North Carolina local government bond issuers.

“Depository” means any bank or trust company, including the Trustee, duly authorized by law to engage in the banking business and selected by the Authority as a Depository of money under the Bond Order. The State Treasurer may also serve as a Depository.

“Derivative Agreement” means an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement, arrangement or security however denominated, entered into in order to hedge interest rate fluctuations on all or a portion of any Indebtedness or to provide debt management by changing payments to be made by the Authority with respect to all or a portion of any Indebtedness with a goal of achieving lower interest costs or reducing interest rate risk.

“Derivative Indebtedness” means the portion of any Indebtedness meeting the requirements set forth in clauses (i) and (ii) below:

(i) in connection with such Indebtedness, the Authority will have entered into a Derivative Agreement with respect to all or a portion of such Indebtedness, and

(ii) (A) if such Indebtedness bears interest at a variable rate, such Derivative Agreement provides that during the Derivative Period, the Authority will pay to the provider of the Derivative Agreement a fixed rate (the “Synthetic Fixed Rate”) and the provider of the Derivative Agreement will pay to the Authority a variable rate on a notional amount equal to all or a portion of the outstanding principal amount of such Indebtedness, or (B) if such Indebtedness bears interest at a fixed rate, such Derivative Agreement provides that during the Derivative Period, the Authority will pay to the provider of the Derivative Agreement a variable rate (the “Synthetic Variable Rate”) and the provider of the Derivative Agreement will pay to the Authority a fixed rate on a notional amount equal to all or a portion of the outstanding principal amount of such Indebtedness.

“Derivative Period” means the period during which a Derivative Agreement is in effect.

“Director of Finance” means the Director of Finance of the Authority, the officer succeeding to the principal functions of the office, or such other individual who from time to time is designated in writing by the Authority to perform the duties of the Director of Finance.

“Eligible Account” means an account that is maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

“Eminent Domain” means the eminent domain or condemnation power by which all or any part of the Airport Facilities may be taken for another public use or any agreement that is reached in lieu of proceedings to exercise such power.

“Event of Default” means each of those events of default set forth in the Bond Order.

“Existing Facilities” means the facilities and land of the Airport in existence on the date on the date Bonds were first issued under the Order, and all improvements to the Airport since that time, including the facilities to be financed and refinanced by the Series 2008 Bonds, but not including any Special Purpose Facilities.

“Fiscal Year” means the period commencing on the first day of July in any year and ending on the last day of June of the following year, unless the Trustee is notified in writing by the Authority of a change in such period, in which case the Fiscal Year will be the 12-month period set forth in such notice.

“General Fund” means the Piedmont Triad Airport Authority General Fund heretofore created by the Authority.

“Government Obligations” means direct obligations of, or obligations the payment of the principal of and the interest on which is fully and unconditionally guaranteed by, the United States of America in either certificated or book-entry form, including (a) stripped Government Obligations stripped by the United States Treasury itself and (b) interest only portions of obligations issued by the Resolution Funding Corporation.

“Grant Anticipation Notes” means any grant anticipation notes issued by the Authority in compliance with the provisions of the Bond Order.

“Holder” means the holder or owner of Parity Debt or Subordinated Indebtedness.

“Income Available for Debt Service” means, for any period, the excess of Revenues over Current Expenses; provided, however, that no determination of Income Available for Debt Service will take into account (i) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business, (ii) any unrealized gain or loss on investments or (iii) any nonrecurring items of an extraordinary nature which do not involve the receipt, expenditure or transfer of assets.

“Indebtedness” means all obligations incurred or assumed by the Authority in connection with the ownership or operation of the Airport Facilities:

(a) for payments of principal and interest with respect to borrowed money, including any obligation to repay a Credit Provider for moneys drawn to pay and retire or purchase Indebtedness, and

(b) for payments under leases which are required to be capitalized in accordance with generally accepted accounting principles and under installment or lease purchase or conditional sale contracts;

provided, however, that (i) Indebtedness will include only such obligations as are secured by Net Receipts and (ii) any obligation to pay a Credit Provider for moneys drawn to purchase, but not pay and retire, Indebtedness will constitute Indebtedness only to the extent such payments are in excess of any scheduled payments of principal and interest required to be made to such Credit Provider as an Owner or Holder of such Indebtedness.

“Insurance Consultant” means a person or a firm having a favorable reputation in the State for skill and experience in dealing with the insurance requirements of enterprises similar to the Airport Facilities and in performing the duties to be imposed upon it by the Bond Order.

“Interest Payment Date” means (i) with respect to any Weekly Interest Rate Period, the first Business Day of each calendar month, commencing April 1, 2008, (ii) with respect to any Long-Term Interest Rate Period, each January 1 and July 1, or, if any such January 1 or July 1 shall not be a Business Day, the next succeeding Business Day, (iii) with respect to any Bond Interest Term, the day next succeeding the last day thereof, and (iv) with respect to each Interest Rate Period, the day next succeeding the last day thereof.

“Interest Rate Period” means any Weekly Interest Rate Period, Short-Term Interest Rate Period or Long-Term Interest Rate Period.

“Investment Obligations” means any investment permitted by Section 159-30 of the General Statutes or any other investment now or hereafter permitted by the laws of the State, subject to any limitation placed upon such investments by any Parity Resolution.

“Letters of Credit” means, collectively, the Series 2008A Letter of Credit and the Series 2008B Letter of Credit.

“Long-Term Debt Service Requirement” means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the required deposits to be made in respect of Principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness during such period, also taking into account:

(a) with respect to Balloon Long-Term Indebtedness, the amount of Principal which would be payable in such period if such Principal were amortized from the date of incurrence thereof over a period of thirty (30) years on a level debt service basis at an average interest rate equal to the current market rate set forth in an opinion of a banking institution or an investment banking institution knowledgeable in airport finance delivered to the Trustee as the average interest rate at which the Authority could reasonably expect to borrow the same by incurring Indebtedness with the same terms assumed above; provided, however, that if the date of calculation is within twelve (12) calendar months of the stated maturity of such Indebtedness, the full amount of Principal payable at maturity will be included in such calculation, unless a binding commitment by an institutional lender or municipal underwriting firm exists, which binding commitment may contain typical and customary conditions, to provide financing to refinance such Indebtedness and such commitment provides for the refinancing of such Indebtedness on terms which would, if such commitment was implemented, constitute Long-Term Indebtedness, then in such case the payment terms contained in such commitment will be utilized for purposes of calculating the Long-Term Debt Service Requirement with respect to such Balloon Long-Term Indebtedness;

(b) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness will be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to Variable Rate Indebtedness proposed to be incurred, the interest rate for such Indebtedness will be the lower of (i) the rate (as certified by a financial institution or investment banking firm acceptable to the Authority) which is equal to the average of the actual interest rates which would have been in effect (weighted according to the length of the period during which each such interest rate would have been in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period) and (ii) the initial rate to be borne by such Variable Rate Indebtedness, and thereafter will be calculated as set forth above;

(c) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility will not be included in the Long-Term Debt Service Requirement; and

(d) with respect to Derivative Indebtedness, during any Derivative Period and for so long as the provider of the Derivative Agreement has not defaulted on its payment obligations under the Derivative Agreement, the amount of interest payable on such Derivative Indebtedness will be calculated as follows:

(1) if such Derivative Indebtedness bears interest at a variable rate, by adding (x) the amount of interest payable by the Authority on such Derivative Indebtedness at such variable rate (calculated as provided in subparagraph (b) above) and (y) the amount of interest payable by the Authority under the Derivative Agreement at the Synthetic Fixed Rate and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the variable rate specified in the Derivative Agreement (calculated as provided in subparagraph (b) above); and

(2) if such Derivative Indebtedness bears interest at a fixed rate, by adding (x) the amount of interest payable by the Authority on such Derivative Indebtedness at such fixed rate and (y) the amount of interest payable by the Authority under the Derivative Agreement at the Synthetic Variable Rate (calculated as provided in subparagraph (b) above) and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the fixed rate specified in the Derivative Agreement;

provided, however, that accrued and capitalized interest will be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness or otherwise provided so as to be available for deposit into an account for capitalized interest or similar account not later than the date of delivery of and payment for such Long-Term Indebtedness; and provided further that notwithstanding the foregoing, the aggregate of the payments to be made with respect to principal and interest on Outstanding Long-Term Indebtedness will not include principal or interest payable from Qualified Escrow Funds, and provided further that (1) for purposes of evidencing compliance with the covenant described below under "Rate Covenant," the portion of Outstanding Long-Term Indebtedness paid from the proceeds of a grant shall be excluded from the calculation of the Long-Term Debt Service Requirement and (2) for purposes of evidencing compliance with the provisions of the Bond Order limiting the Authority's incurrence of additional Parity Indebtedness or Subordinated Indebtedness, the portion of Long-Term Indebtedness proposed to be incurred that is intended to be paid from the proceeds of a grant to be made by any federal, state or local government entity (as evidenced by a certificate of an Authorized Officer to such effect, together with a

binding or non-binding grant commitment from such entity providing the grant, both filed with the Trustee) shall be excluded from the calculation of the Long-Term Debt Service Requirement.

“Long-Term Indebtedness” means all Indebtedness for borrowed money including Short-Term Indebtedness if a Credit Facility by a Credit Provider exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and the current portion of Long-Term Indebtedness, for any of the following:

(a) money borrowed for an original term, or renewable at the option of the Authority for a period from the date originally incurred, longer than one year;

(b) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the Authority for a period from the date originally incurred, longer than one year; and

(c) installment purchase or conditional sale contracts having an original term in excess of one year;

“Long-Term Interest Rate” means, with respect to each Series 2008 Bond, a term, non-variable interest rate on such Series 2008 Bond established in accordance with the Series Resolution.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect.

“Maximum Long-Term Debt Service Requirement” means at the time of application of such term the highest Long-Term Debt Service Requirement for the current and any succeeding Fiscal Year.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by written notice to the Trustee.

“Net Eminent Domain Proceeds” means the gross proceeds paid to the Authority as a final award for the taking by Eminent Domain of any of the Airport Facilities, less payment of attorneys’ and other fees and expenses properly incurred in the collection of such gross proceeds.

“Net Insurance Proceeds” means the gross proceeds paid to the Authority as a result of any casualty insurance policy with respect to the Airport Facilities or as a result of any liability insurance policy, less payment of attorneys’ or other fees and expenses properly incurred in the collection of such gross proceeds.

“Net Receipts” means, for any particular period, the excess, if any, of Receipts after payment of Current Expenses for such period.

“Outstanding” when used with reference to Bonds means, as of a particular date, all Bonds theretofore authenticated and delivered under the Bond Order except:

(a) Bonds theretofore canceled by the Trustee or the Bond Registrar or delivered to the Trustee or the Bond Registrar for cancellation;

(b) Bonds deemed no longer Outstanding pursuant to the Bond Order;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Bond Order;

(d) Bonds deemed to have been paid in accordance with the Bond Order; and

(e) Bonds constituting Put Indebtedness deemed to have been purchased in accordance with the provisions of the applicable Series Resolution in lieu of which other Bonds have been delivered under such Series Resolution.

When used with reference to Parity Debt, “Outstanding” means, as of a particular date, all Parity Debt except:

(a) Parity Debt theretofore canceled by the Authority;

(b) Parity Debt for the payment or redemption of which money, Defeasance Obligations or a combination of both, in an amount sufficient to pay on the date when such Parity Debt is to be paid or redeemed the principal amount of or Redemption Price of, and the interest accruing to such date on, the Parity Debt to be paid or redeemed, has been deposited with an escrow agent in trust for the Holders of such Parity Debt; Defeasance Obligations will be deemed to be sufficient to pay or redeem Parity Debt on a specified date if the principal of and the interest on such Defeasance Obligations, when due, together with any money left uninvested, will be sufficient to pay on such date the principal amount of or Redemption Price of, and the interest accruing on, such Parity Debt to such date;

(c) Parity Debt in exchange for or in lieu of which other Parity Debt has been delivered under the documentation securing such Parity Debt;

(d) Parity Debt deemed to have been paid in accordance with the defeasance or like provisions of the Parity Debt Resolution providing for the incurrence of the Parity Debt; and

(e) Parity Debt constituting Put Indebtedness deemed to have been purchased in accordance with the provisions of the applicable Parity Debt Resolution in lieu of which other Parity Debt has been incurred under the Parity Debt Resolution.

“Parity Debt” means all Indebtedness incurred by the Authority in respect of the Airport Facilities and not evidenced by Bonds which is secured on a parity (as so designated in the Parity Debt Resolution) with the Bonds by a pledge, charge and lien upon the Net Receipts as provided in the Bond Order.

“Parity Debt Resolution” means the resolution and any other documentation adopted or executed and delivered by the Authority providing for the incurrence of Parity Debt. If Parity Indebtedness is to be the subject of a Credit Facility providing for repayments for draws under the Credit Facility on a parity basis, then the term Parity Debt Resolution will include any reimbursement agreement or similar repayment agreement executed and delivered by the Authority in connection with the provision of a Credit Facility for any Series of Bonds or any Parity Debt.

“Parity Indebtedness” means Bonds and Parity Debt.

“Parity Reserve Account” means the account in the Revenue Bond Fund created and so designated in the Bond Order.

“Parity Reserve Account Requirement” means the least of (i) the Maximum Long-Term Debt Service Requirement for all Bonds and Parity Debt secured by the Parity Reserve Account, (ii) 125% of the average annual Long-Term Debt Service Requirement for all Bonds and Parity Debt secured by the Parity Reserve Account and (iii) 10% of the stated principal amount of all Bonds and Parity Debt secured by the Parity Reserve Account; provided, however, that if any Series of Bonds or Parity Debt secured by the Parity Reserve Account has original issue discount or premium that exceeds 2% of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriter’s compensation, the initial offering prices to the public will be used in lieu of the stated principal amount for purposes of the 10% limitation.

“Parity Resolution” means a Series Resolution or a Parity Debt Resolution, or both, as the case may be, authorizing the issuance of a Series of Bonds or the incurrence of Parity Debt.

“Permitted Encumbrances” means, in addition to any lien or charge created or permitted by the Bond Order upon the Airport Facilities or any part thereof or on the Net Receipts:

(a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the Authority;

(b) covenants, easements, encumbrances, defects of title, reservations, restrictions, and conditions existing at the time of delivery of the Series 1990A Bonds and defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations, and clouds on title, none of which materially impairs the use of the property affected thereby for its intended purposes;

(c) mechanics’, workers’, repairmen’s, architects’, engineers’, surveyors’, or carriers’ liens or other similar liens provided that the same will be discharged in the ordinary course of business and without undue delay or the validity of the same will be contested in good faith with any pending execution thereof appropriately stayed;

(d) other liens, charges and encumbrances that, in the written opinion of the Airport Attorney, a copy of which will be filed with the Trustee, do not prevent or materially impair the use of the Airport Facilities (the Airport Attorney may rely upon a certificate of any engineer or any architect as to whether such liens, charges and encumbrances prevents or materially impair the use of the Airport Facilities); and

(e) encumbrances on property, plant and equipment comprising a part of the Airport Facilities to the extent permitted by the Bond Order.

“Pledged Bonds” means any Series 2008 Bonds purchased with moneys furnished by a Credit Provider to the Trustee pursuant to a Credit Facility until such Series 2008 Bonds are remarketed, as provided in the Tender Agreement.

“Principal” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default, in which case “principal” means the initial public offering price of a Capital Appreciation Bond and the difference between the Accreted Amount and the initial public offering price will be deemed to be interest) and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity or in satisfaction of a Sinking Fund Requirement, if applicable.

“Put Indebtedness” means Long-Term Indebtedness twenty-five percent (25%) or more of the principal of which may, at the option of the Owner or Holder thereof, be tendered to the Authority, the Trustee or a Depository, tender agent or other fiduciary, or an agent of any of the foregoing, for payment or purchase at one time.

“Qualified Escrow Funds” means amounts deposited in a segregated escrow fund or other similar fund or account in connection with the issuance of Long-Term Indebtedness which fund or account is required by the documents establishing such fund or account to be applied toward the Authority’s payment obligations with respect to principal or interest on (a) the Long-Term Indebtedness which is incurred under the documents establishing such fund or account or (b) Long-Term Indebtedness which is incurred prior to the establishment of such fund or account.

“Receipts” means all receipts, revenues, income, proceeds and money received in any period by or for the Authority in respect of the Airport Facilities, including, but without limiting the generality of the foregoing,

(a) all payments, proceeds, fees, charges, rents, land rents and all other income derived by or for the Authority for the use of and for the services and facilities furnished by or from the operation or ownership of the Airport Facilities and all other income derived by the Authority from the operation or ownership of the Airport Facilities, and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, and

(b) any proceeds of use and occupancy or business interruption insurance,

but there will not be included in “Receipts”

(1) the proceeds of any gifts, grants, bequests, contributions or donations,

(2) the proceeds from the sale and disposition of all or any part of the Airport Facilities,

(3) reimbursements received by the Authority of advances made by it in respect of (i) any Additional Project, (ii) any refinancing of Indebtedness and (iii) any capital improvements,

(4) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the Authority in any funds, accounts and subaccounts established by, or pursuant to the Bond Order, but only to the extent such income and gains as so realized are required to be deposited to some fund, account or subaccount other than the Revenue Fund as may be provided in the Bond Order or in any Parity Resolution or Subordinated Indebtedness Resolution,

(5) to the extent and for so long as such payments are pledged to secure the financing of the same, debt service or other payments made in respect of Special Purpose Facilities, including payments made from the proceeds of any appropriations made by any county, municipal corporation or political subdivision in the State or by the State or any State Agency, except to the extent otherwise provided by the Authority in respect of any such payments,

(6) Net Insurance Proceeds or Net Eminent Domain Proceeds or the proceeds of any other insurance other than use and occupancy or business interruption insurance,

(7) the proceeds of any passenger facility charge or similar charge levied by or on behalf of the Authority against passengers, unless the proceeds of such charges are designated, in whole or in part, as Receipts by the Authority,

(8) the proceeds of land rent, if any, charged by the Authority in connection with any Special Purpose Facilities, unless designated by the Authority, in whole or in part, as Receipts (the land rent being paid to the Authority in connection with certain projects financed with special purposed facilities bonds of the Authority being so designated),

(9) the proceeds of any appropriation made by any county, municipal corporation or political subdivision in the State or by the State or any State Agency unless the proceeds of any such appropriation are designated, in whole or in part, as Receipts by the Authority,

(10) the income from the investment of Qualified Escrow Funds to the extent such income is applied to the payment of the principal of or the interest on Long-Term Indebtedness which is excluded from the determination of the Long-Term Debt Service Requirement,

(11) the proceeds of any Indebtedness, and

(12) the proceeds derived from any Derivative Agreement.

“Rating Agency” means Moody’s and S&P.

“Reimbursement Agreement” means the Letter of Credit and Reimbursement Agreement, dated as of March 1, 2008, between the Authority and the Bank, including all amendments or supplements thereto as therein permitted, or any similar type reimbursement agreement entered into in connection with an Alternate Credit Facility for the Series 2008 Bonds.

“Remarketing Agent” means, initially, Banc of America Securities LLC.

“Reserve Alternative Instrument” means an unconditional insurance policy or surety bond or irrevocable letter of credit or guaranty deposited in the Parity Reserve Account or a Special Reserve Account in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Parity Reserve Account Requirement or a Special Reserve Account Requirement. The Reserve Alternative Instrument will be payable (upon the giving of notice as required thereunder) to remedy any deficiency in the appropriate subaccounts in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account in order to provide for the timely payment of interest and principal (whether at maturity or pursuant to Sinking Fund Requirements therefor).

“Revenue Bond Anticipation Notes” means any revenue bond anticipation notes issued by the Authority in compliance with the Bond Order.

“Revenues” means revenues of the Airport Facilities, as determined in accordance with generally accepted accounting principles; provided, however, that “Revenues” as used in this definition will not include:

(a) the proceeds of any gifts, grants, bequests, contributions or donations,

(b) the proceeds from the sale and disposition of all or any part of the Airport Facilities,

(c) reimbursements received by the Authority of advances made by it in respect of (i) any Additional Project, (ii) any refinancing of Indebtedness and (iii) any capital improvements,

(d) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the Authority in any funds, accounts and subaccounts established by, or pursuant to the Bond Order, but only to the extent such income and gains as so realized are required to be deposited to some fund, account or subaccount other than the Revenue Fund as may be provided in the Bond Order or in any Parity Resolution or Subordinated Indebtedness Resolution,

(e) to the extent and for so long as such payments are pledged to secure the financing of the same, debt service or other payments made in respect of Special Purpose Facilities, including payments made from the proceeds of any appropriations made by any county, municipal corporation or political subdivision in the State or by the State or any State Agency, except to the extent otherwise provided by the Authority in respect of any such payments,

(f) Net Insurance Proceeds or Net Eminent Domain Proceeds or the proceeds of any other insurance other than use and occupancy or business interruption insurance,

(g) the proceeds of any passenger facility charge or similar charge levied by or on behalf of the Authority against passengers, unless the proceeds of such charges are designated, in whole or in part, as Receipts by the Authority,

(h) the proceeds of land rent, if any, charged by the Authority in connection with any Special Purpose Facilities, unless designated by the Authority, in whole or in part, as Receipts (the land rent being paid to the Authority in connection with certain projects financed with special purposed facilities bonds of the Authority being so designated),

(i) the proceeds of any appropriation made by any county, municipal corporation or political subdivision in the State or by the State or any State Agency unless the proceeds of any such appropriation are designated, in whole or in part, as Receipts by the Authority,

(j) the income from the investment of Qualified Escrow Funds to the extent such income is applied to the payment of the principal of or the interest on Long-Term Indebtedness which is excluded from the determination of the Long-Term Debt Service Requirement,

(k) the proceeds of any Indebtedness, and

(l) the proceeds derived from any Derivative Agreement.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by written notice to the Trustee.

“Serial Bonds” means the Bonds of any Series that are stated to mature in consecutive annual installments.

“Series”, whenever used with respect to Bonds, means all of the Bonds designated as being of the same series.

“Series 2004B Bonds” means the Authority’s Airport Revenue Bonds, Series 2004B, previously issued by the Authority under the Order and now outstanding in the principal amount of \$32,990,000, which are being refunded by the Series 2008B Bonds.

“Series 2008 Bonds” means, collectively, the Series 2008A Bonds and the Series 2008B Bonds.

“Series 2008A Bonds” means the Piedmont Triad Airport Authority Airport Revenue Bonds, Series 2008A (Non-AMT) issued pursuant to the Order and the Series Resolution.

“Series 2008A Letter of Credit” means the irrevocable Letter of Credit, originally issued to the Trustee by the Bank on the date of issuance of the Series 2008A Bonds, as the same may be amended, supplemented or extended, securing payment of the Series 2008A Bonds.

“Series 2008A Project” means the construction, acquisition and installation of roadway improvements and a new runway and related taxiways and other airfield improvements at the Piedmont Triad International Airport and the acquisition and installation of navigational aids to be used in connection with the operation of the Airport, including, in each case, the reimbursement of the Authority of costs previously incurred for such facilities and paid by the Authority.

“Series 2008A Tender Agreement” means the Tender Agency Agreement, to be dated as of March 1, 2008, among the Trustee, the Authority and the Remarketing Agent, as supplemented or amended, relating to the Series 2008A Bonds.

“Series 2008A Project Account” means the account created and so designated by the Series Resolution.

“Series 2008B Bonds” means the Piedmont Triad Airport Authority Airport Revenue Refunding Bonds, Series 2008B (AMT) issued pursuant to the Order and the Series Resolution.

“Series 2008B Letter of Credit” means the irrevocable Letter of Credit originally issued to the Trustee by the Bank on the date of issuance of the Series 2008B Bonds, as the same may be amended, supplemented or extended, securing payment of the Series 2008B Bonds.

“Series 2008B Tender Agreement” means the Tender Agency Agreement, to be dated as of March 1, 2008, among the Trustee, the Authority and the Remarketing Agent, as supplemented or amended, relating to the Series 2008B Bonds.

“Short-Term Indebtedness” means all Indebtedness incurred for borrowed money other than the current portion of Long-Term Indebtedness for any of the following:

(a) money borrowed for an original term, or renewable at the option of the Authority for a period from the date originally incurred, of one year or less;

(b) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the Authority, for a period from the date originally incurred, of one year or less; and

(c) installment purchase or conditional sale contracts having an original term of one year or less.

“Short-Term Interest Rate Period” means each period, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

“Special Purpose Facilities” means any additions, acquisitions, improvements, betterments, land, buildings, structures or other facilities, including equipment, acquired or constructed, and the preparation and grading of land, which are financed by the issuance of obligations which are issued in compliance with the provisions of the Bond Order but are not, directly or indirectly, secured by or payable from Receipts or Net Receipts or issued under or secured by the provisions of the Bond Order, and the operation and maintenance expenses of which are not Current Expenses.

“Special Reserve Account” means a special debt service reserve account, if any, created by a Parity Resolution as a debt service reserve account only for the particular Parity Indebtedness authorized thereby.

“Special Reserve Account Requirement” means the amount required to be placed or maintained in a Special Reserve Account as may be required by the Parity Resolution creating such Account.

“Subordinated Indebtedness” means all Indebtedness incurred by the Authority in respect of the Airport Facilities, including, without limiting the generality of the foregoing, Revenue Bond Anticipation Notes (if so designated pursuant to the Bond Order) and Grant Anticipation Notes, which are payable from Receipts but only after the payments required by the Bond Order have been made.

The terms of any Subordinated Indebtedness will provide that it will be subordinate and junior in right of payment to the prior payment in full of Parity Indebtedness to the extent and in the manner set forth below:

In the event (a) of any insolvency or bankruptcy proceedings, any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the Authority or to the Airport Facilities, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Authority or the Airport Facilities whether or not involving insolvency or bankruptcy, (b) any Subordinated Indebtedness is declared or otherwise becomes due and payable before its stated maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Subordinated Indebtedness was incurred, or (c) any Event of Default under the Bond Order will occur and be continuing and (1) written notice of such default will have been given to the Authority and (2) judicial proceedings will be commenced in respect of such Event of Default within 180 days in the case of a default in payment of principal or interest on Parity Indebtedness and within 90 days in the case of any other default after the giving of such notice, then, for so long as any action described in clause (a), (b) or (c) above will not have been remedied or cured in the opinion of the Trustee, the Holders or Owners of Parity Indebtedness will be entitled to receive payment in full of all principal, premium and interest on all Parity Indebtedness before the Holders of the Subordinated Indebtedness are entitled to receive any payment on account of principal of or interest on the Subordinated Indebtedness, and to that end the Holder or Owners of Parity Indebtedness will be entitled to receive for application in payment thereof any payment or distribution of any kind of character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of the Subordinated Indebtedness after giving effect to any concurrent payment or distribution in respect to such Parity Indebtedness.

“Subordinated Indebtedness Resolution” means the resolution and any other documentation adopted or executed by the Authority providing for the incurrence of Subordinated Indebtedness. If the Subordinated Indebtedness is to be the subject of a Credit Facility, the Credit Facility must provide for

repayments on a subordinated basis and the term Subordinated Indebtedness Resolution will include any reimbursement agreement or similar repayment agreement executed and delivered by the Authority in connection with the provision of a Credit Facility for any Subordinated Indebtedness.

“Substitute Liquidity Facility” means a facility meeting the requirements set forth in the Series Resolution.

“Tender Agreements” means, collectively, the Series 2008A Tender Agreement and the Series 2008B Tender Agreement.

“Term Bonds” means the Bonds of any Series, other than Serial Bonds, that are designated as such in the Series Resolution for such Series.

“Total Operating Revenues” means, as to any period of time, total operating revenues of the Airport Facilities as determined in accordance with generally accepted accounting principles.

“Weekly Interest Rate” means a variable interest rate on the Series 2008 Bonds established in accordance with the Series Resolution.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect.

THE BOND ORDER

Construction Fund

A special fund is established and designated the “Piedmont Triad Airport Authority Construction Fund.” In connection with the issuance of any Series of Bonds for an Additional Project, the Authority may establish within the Construction Fund a separate account for the purpose of holding all or a portion of the proceeds of the Bonds of such Series pending disbursement thereof to pay the Costs of the Additional Project. The proceeds of a Series of Bonds will be deposited in the applicable account of the Construction Fund in accordance with the Series Resolution relating to such Series of Bonds.

The Series Resolution creates a special account of the Construction Fund designated the “Series 2008 Project Account” and provides that proceeds of the Series 2008A Bonds to be used to pay costs of the Series 2008A Project be deposited to such Account.

The money in the applicable account of the Construction Fund will be held either by the Trustee or a Depository selected by the Authority in trust and, pending application to the payment of the Costs of the Additional Project or transfer as provided in the Bond Order or in the Series Resolution, will, to the extent permitted by law, be subject to a lien and charge in favor of the Owners of the particular Series of Bonds to which such account relates and will be held for the security of such Owners.

Establishment of Other Funds

In addition to the Construction Fund, there are established under the Bond Order the following funds:

(a) Piedmont Triad Airport Authority Revenue Fund;

(b) Piedmont Triad Airport Authority Revenue Bond Fund, in which there are established six special accounts to be known as the Revenue Bond Capitalized Interest Account, the Revenue Bond

Interest Account, the Revenue Bond Principal Account, the Revenue Bond Sinking Fund Account, the Revenue Bond Redemption Account and the Parity Reserve Account; and

(c) Piedmont Triad Airport Authority Insurance and Condemnation Award Fund.

The Revenue Bond Fund and the accounts and subaccounts therein and the Insurance and Condemnation Award Fund will be established with and held by the Trustee. The Revenue Fund will be established with and held by a Depository selected by the Authority.

A Parity Resolution may provide for the creation of a Special Reserve Account for the Parity Indebtedness authorized by such Parity Resolution and for the deposit of moneys to and withdrawal from such account. A Special Reserve Account may be established with and maintained by the Trustee or by a Depository as the Authority may determine. A Parity Resolution may also provide for the creation of such other funds, accounts and subaccounts as the Authority may determine for the Parity Indebtedness authorized by such Parity Resolution. The Series 2008 Bonds will not be secured by the Parity Reserve Account or any Special Reserve Account.

The money in all of the funds, accounts and subaccounts established pursuant to the Bond Order will be held in trust and applied as therein provided and, pending such application, the money in the Revenue Bond Fund and the accounts and subaccounts therein will be subject to a pledge, charge and lien in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Bond Order and for the further security of such Owners, except as otherwise provided therein or in any Series Resolution.

Each Series Resolution will provide, to the extent applicable, for the creation of a separate subaccount within the Revenue Bond Capitalized Interest Account, the Revenue Bond Interest Account, the Revenue Bond Principal Account, the Revenue Bond Sinking Fund Account, and the Revenue Bond Redemption Account with respect to each Series of Bonds, which subaccounts will bear the designation of such Series of Bonds. A Series Resolution may provide that the Bonds authorized thereby may be additionally secured by the Parity Reserve Account or a Special Reserve Account or it may provide that there will not be any debt service reserve fund or account with respect to such Series of Bonds. If a Series of Bonds will be additionally secured by a Special Reserve Account or will not be additionally secured by any debt service reserve fund or account, such Series of Bonds will have no claim on the Parity Reserve Account.

Deposit and Application of Money in the Revenue Fund

Except as provided in the Bond Order, all Receipts will be deposited when received in the Revenue Fund. In addition, all proceeds of any Derivative Agreement will be deposited when received in the Revenue Fund.

Current Expenses will be paid by the Authority from and will be a first charge and lien against the Revenue Fund. The Current Expenses will be paid as the same become due and payable in conformity with the applicable budgetary and payment procedures of the Authority.

At such time or times as are specifically provided for in the Bond Order or in any Series Resolution, Parity Debt Resolution or Derivative Agreement, the Authority will withdraw from the Revenue Fund the amount necessary to make the deposits required by the Bond Order.

The Authority, in its discretion and except during the continuation of an Event of Default, may transfer in any month any balance remaining in the Revenue Fund at the end of the preceding month after

making all deposits or payments required by the Bond Order, in whole or in part, to the General Fund or any other fund or account designated by the Authority, provided that (i) an Authorized Officer will first certify to the Trustee in a certificate that, in his or her opinion, the transfer of such amount will not have a material adverse effect on the Authority's ability over the next twelve calendar months to pay the Current Expenses, to make all deposits required by the Bond Order and to meet all other financial obligations imposed by the Bond Order or any Parity Resolution and (ii) the cumulative amount so transferred in any Fiscal Year will not exceed the total amount budgeted to be transferred from the Revenue Fund in such Fiscal Year as shown in the Authority's annual budget for such Fiscal Year. Any funds transferred from the Revenue Fund in accordance with this paragraph, other than transfers made to any account or subaccount of the Revenue Bond Fund, will no longer be subject to the pledge, charge and lien upon the Net Receipts created by the Bond Order.

Use of Money in Revenue Fund for Debt Service, Reserve Funds and Other Obligations

The amounts withdrawn from the Revenue Fund in accordance with the Bond Order will be applied by the Authority in the following manner and order:

(a) (i) At such time or times as provided in the Parity Resolutions, the Authority will deliver (1) to the Trustee, the amounts required by any Series Resolution for deposit in the appropriate subaccounts of the Revenue Bond Interest Account and (2) for deposit with or payment to the appropriate persons designated in any Parity Debt Resolutions, the amounts required by such Parity Debt Resolutions for the payment of interest on Parity Debt and (ii) if a Derivative Agreement provides for any payments thereunder by the Authority relating to interest on Parity Indebtedness constituting Derivative Indebtedness to be paid on a parity basis, then at such time or times as provided in the Derivative Agreement, the Authority will deliver to the Trustee for deposit with or payment to the person designated in the Derivative Agreement the amount of such payment relating to interest required by such Derivative Agreement to be paid thereunder by the Authority; provided, however, that if there will not be sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made to each such subaccount of the Revenue Bond Interest Account and to each appropriate person designated in such Parity Debt Resolutions or Derivative Agreements ratably according to the amount so required to be deposited or paid.

(b) At such time or times as provided in the Parity Resolutions, the Authority will deliver (1) to the Trustee, the amounts required by any Series Resolution for deposit in the appropriate subaccounts of the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account and (2) for deposit with or payment to the appropriate persons designated in any Parity Debt Resolutions, the amounts required by such Parity Debt Resolutions for the payment of principal of Parity Debt, whether at maturity or pursuant to an amortization requirement; provided, however, that if there will not be sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made to each such subaccount of the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account and to each appropriate person designated in such Parity Debt Resolutions ratably according to the amount so required to be deposited or paid.

(c) At such time or times as provided in the Parity Resolutions, if the amount in the Parity Reserve Account is less than the Parity Reserve Account Requirement or the amount in any Special Reserve Account is less than the applicable Special Reserve Account Requirement, the Authority will deliver (1) to the Trustee the amounts required by the Bond Order to make up any deficiency in the Parity Reserve Account for deposit in the Parity Reserve Account and (2) to the Trustee or any Depository holding a Special Reserve Account, the amounts required by any Series Resolution or Parity Debt Resolution to make up any deficiencies in any Special Reserve Account for deposit in such Special Reserve Accounts, including, in each case, any amounts payable to the provider of a Reserve Alternative

Instrument; provided, however, that if there will not be sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made to the Parity Reserve Account and each Special Reserve Account ratably according to the amount so required to be deposited or paid. If a deficiency exists in the Parity Reserve Account, it will be remedied in accordance with the Bond Order. If a deficiency exists in any Special Reserve Account, it will be remedied in accordance with the provisions of the Parity Resolution creating such Special Reserve Account.

(d) So long as any installment purchase, lease purchase, conditional sale or other similar types of indebtedness incurred to finance all or any part of the Airport Facilities are outstanding, the Authority, in its sole discretion, may pay interest on and principal of such indebtedness, or corresponding installment, lease or other similar type payments, as the same become due and payable. Notwithstanding the foregoing, failure by the Authority to make any payment authorized by this paragraph will not in and of itself be an Event of Default under the Bond Order.

The Authority may provide in a Subordinated Indebtedness Resolution for a disposition of Net Receipts for the purpose of paying the interest on or principal of Subordinated Indebtedness or in a Derivative Agreement for the making of payments thereunder on a subordinated basis prior to the deposits or payments required by paragraph (d) above, but only after the making of the deposits or payments required by paragraphs (a), (b) and (c) above.

Application of Money in the Revenue Bond Interest Account and the Revenue Bond Capitalized Interest Account

On each Interest Payment Date, date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed, or on such other date as may be specified in the applicable Series Resolution, the Trustee will withdraw from the applicable subaccount in the Revenue Bond Interest Account and wire transfer to the Bond Registrar, in federal reserve or other immediately available funds, the amounts required for paying interest on the respective Bonds on such Interest Payment Date. The Bond Registrar will remit or otherwise set aside the amount due and payable to the Owners as provided in the Series Resolutions.

Unless otherwise provided by a Series Resolution, on the date of issuance of any Series of Bonds, an Authorized Officer may deliver to the Trustee a schedule of transfers to be made from the applicable subaccount of the Revenue Bond Capitalized Interest Account to the applicable subaccount of the Revenue Bond Interest Account. The Trustee will make such transfers as required by the schedule of an Authorized Officer.

Unless otherwise provided by a Series Resolution, if the Authority fails to deposit with the Trustee the amounts required to be deposited in the Revenue Bond Interest Account as provided in the Bond Order, or if the balance in the Revenue Bond Interest Account on the Business Day next preceding an Interest Payment Date is insufficient to pay interest becoming due on the Bonds on such Interest Payment Date, the Trustee will notify the Authority of the amount of the deficiency and request the Authority to immediately cure such deficiency. Upon failure of the Authority to cure such deficiency and in any event not later than such Interest Payment Date, the Trustee will transfer an amount sufficient to cure the same, drawing upon funds in the Parity Reserve Account, if any, securing such Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

Application of Money in the Revenue Bond Principal Account

On each principal payment date, the Trustee will withdraw from the applicable subaccount in the Revenue Bond Principal Account and wire transfer to the Bond Registrar, in federal reserve or other

immediately available funds, the amount necessary to pay the principal of such Bonds at their respective maturities. The Bond Registrar will remit or otherwise set aside the amount due and payable to the Owners as provided in the Series Resolutions.

If on any date there is money in the Revenue Bond Principal Account and no Serial Bonds are then Outstanding or if on any principal payment date money remains therein after the payment of the principal of Serial Bonds then due, the Trustee will withdraw such money therefrom and will apply the same in the following order: (a) deposit in the Revenue Bond Sinking Fund Account the amount then required to be paid thereto by the Authority, (b) deposit, if and to the extent determined by the Authority, in the Parity Reserve Account or in one or more Special Reserve Accounts such amount or amounts as may be determined by the Authority in order to make the amounts on deposit therein equal to the Parity Reserve Account Requirement or the Special Reserve Account Requirement, as the case may be, and (c) deliver all remaining amounts to the Authority.

Unless otherwise provided in a Series Resolution, if the Authority fails to deposit with the Trustee the amounts required to be deposited in the Revenue Bond Principal Account as provided in the Bond Order, or if the balance in the Revenue Bond Principal Account on the Business Day next preceding a principal payment date is insufficient to pay principal coming due on the Serial Bonds on such principal payment date, the Trustee will notify the Authority of the amount of the deficiency and request the Authority to immediately cure such deficiency. Upon failure of the Authority to cure such deficiency and in any event not later than such principal payment date, the Trustee will transfer an amount sufficient to cure the same, drawing upon funds in the Parity Reserve Account, if any, securing such Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

Application of Money in the Revenue Bond Sinking Fund Account

Money held for the credit of the subaccounts in the Revenue Bond Sinking Fund Account will be applied during each Fiscal Year to the retirement, purchase or payment of Term Bonds in the manner provided in the applicable Series Resolution. Unless otherwise provided in a Series Resolution, if the Authority fails to deposit with the Trustee the amount required to be deposited in the Revenue Bond Sinking Fund Account as provided in the Bond Order, or if the balance in the Revenue Bond Sinking Fund Account on the Business Day next preceding a sinking fund payment date is insufficient to retire Term Bonds on such date as required by a Series Resolution, the Trustee will notify the Authority of the amount of the deficiency and request the Authority to immediately cure such deficiency. Upon failure of the Authority to cure such deficiency and in any event not later than such sinking fund payment date, the Trustee will transfer an amount sufficient to cure the same, drawing upon funds in the Parity Reserve Account, if any, securing such Series of Bonds, or in the Special Reserve Account, if any, securing such Series of Bonds.

Deposit and Application of Money in the Parity Reserve Account and any Special Reserve Account; Determination of Deficiencies

If a Parity Resolution provides that the Parity Indebtedness incurred thereunder is to be secured by the Parity Reserve Account, the Authority must fund, from the proceeds of such Parity Indebtedness or from any other available sources, concurrently with the delivery of and payment for such Parity Indebtedness, the Parity Reserve Account in an amount equal to the Parity Reserve Account Requirement. If a Parity Resolution provides that the Parity Indebtedness incurred thereunder is to be secured by a Special Reserve Account, the Authority must fund, from the proceeds of such Parity Indebtedness or from any other available sources, at the time or times and in the manner specified in the applicable Parity Resolution, such Special Reserve Account in an amount equal to the Special Reserve Account Requirement for such Parity Indebtedness.

The Trustee will use amounts in the Parity Reserve Account to make transfers, or use moneys provided under a Reserve Alternative Instrument to make deposits, in the order specified in the Bond Order, in respect of all Parity Indebtedness secured by the Parity Reserve Account, to the appropriate subaccounts of the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account to remedy any deficiency therein as of any Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date as set forth in a Parity Resolution), or to pay the interest on or the principal of or amortization requirements in respect of any Parity Debt when due, whenever and to the extent the money on deposit for such purposes is insufficient.

The Trustee will use amounts in any Special Reserve Account held by it to make transfers or use moneys provided under a Reserve Alternative Instrument to make deposits, in the order specified in the Bond Order, in respect of the particular Parity Indebtedness secured by such Special Reserve Account, to the appropriate subaccounts of the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account to remedy any deficiency therein as of any Interest Payment Date, principal payment date or sinking fund payment date (or any earlier date as set forth in a Parity Resolution) or to pay the interest on or the principal of or amortization requirement in respect thereof on Parity Debt when due, whenever and to the extent the money on deposit for such purposes is insufficient.

Any deficiency in the Parity Reserve Account resulting from the withdrawal of moneys therein will be made up over the twelve-month period immediately following the month in which such withdrawal is made by monthly deposits of one-twelfth (1/12) of the amount of such deficiency. Any deficiency in the Parity Reserve Account resulting from a draw on a Reserve Alternative Instrument will be made up as provided in such Reserve Alternative Instrument or documentation relating thereto, but any such deficiency must be made up by not later than the final date when such deficiency would have been required to be made up if there had been a withdrawal of moneys from the Parity Reserve Account rather than a draw on a Reserve Alternative Instrument. Deficiencies, whether resulting from withdrawals or draws, may be satisfied through the deposit of additional moneys or the providing of an additional, or increase in a, Reserve Alternative Instrument. Moneys or Investment Obligations on deposit in the Parity Reserve Account will be used to satisfy deficiencies, as provided above, prior to any draw on a Reserve Alternative Instrument.

Unless a Reserve Alternative Instrument will be in effect, if on any date of valuation, the amount on deposit in the Parity Reserve Account is less than 90% of the Parity Reserve Account Requirement, the Authority will deposit monthly into the Parity Reserve Account one-twelfth (1/12) of the amount required as of such date to bring the amount then on deposit in the Parity Reserve Account up to the Parity Reserve Account Requirement. Any such deficiency may be satisfied through the deposit of additional moneys or the providing of an additional, or increase in a, Reserve Alternative Instrument.

Any deficiency in a Special Reserve Account resulting from the withdrawal of moneys therein or a draw on a Reserve Alternative Instrument or resulting from a valuation of the Investment Obligations therein will be made up as provided in the relevant Parity Resolution.

Application of Money in the Revenue Bond Redemption Account

The Trustee will apply money in the Revenue Bond Redemption Account to the purchase or redemption of Bonds, other than a sinking fund redemption, to the extent such Bonds are subject to redemption by the Authority in the manner provided by the Bond Order.

Insurance and Condemnation Award Fund

The Trustee will deposit Net Insurance Proceeds or Net Eminent Domain Proceeds into the Insurance and Condemnation Award Fund when and as received by the Trustee from the Authority, and they will be disbursed pursuant to the provisions of the Bond Order.

If, as a result of any casualty occurring to any of the Airport Facilities or as a result of any taking by Eminent Domain of any of the Airport Facilities, the revenue-producing capabilities of the Authority will, in the opinion of the Authority, be materially impaired for a period in excess of 120 consecutive days, all Net Insurance Proceeds received by the Authority and all Net Eminent Domain Proceeds received by the Authority, as the case may be, will be delivered to the Trustee for deposit in the Insurance and Condemnation Award Fund and will be applied at the election of the Authority:

(i) to replace, repair, rebuild or restore the Airport Facilities to substantially the same condition as that which existed prior to such damage, destruction or taking, with such alterations and additions as the Authority may determine and as will not impair or otherwise adversely affect the revenue-producing capability of the Airport Facilities, provided that prior to the commencement of such replacement, repair, rebuilding or restoration, the Authority will deliver to the Trustee a report of a licensed architect or engineer employed by the Authority setting forth (A) an estimate of the total cost of the same, (B) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially completed, and (C) a statement to the effect that Net Insurance Proceeds or Net Eminent Domain Proceeds, as the case may be, together with other funds made available or to be made available by the Authority, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airport Facilities; or

(ii) to the redemption of Bonds and Parity Debt as provided in the Parity Resolutions, provided that Bonds and Parity Debt may be redeemed only if (A) the Airport Facilities have not been restored to substantially the same condition as prior to such damage, destruction or taking or (B) the architect or engineer employed by the Authority has been unable to make the statement required by clause (i)(C) above; or

(iii) to transfer to the General Fund or any other fund or account designated by the Authority if the Airport Facilities have been restored to substantially the same condition as prior to such damage, destruction or taking with other funds of the Authority or made available to the Authority which were not subject to the lien in favor of the Owners, as evidenced by a report of a licensed architect or engineer employed by the Authority.

Investment of Money

Money held for the credit of all funds, accounts and subaccounts will be continuously invested and reinvested by the Authority, the Trustee or the Depositories, whichever is applicable, in Investment Obligations to the extent practicable or otherwise held as cash. Except as provided below with respect to the disposition of investment income, the particular investments to be made and other related matters in respect of investments will, as to each Series of Bonds, be provided in the applicable Series Resolution. Except for the Parity Reserve Account, Investment Obligations will mature or be redeemable at the option of the holder thereof not later than the respective dates when the money held for the credit of such Funds, Accounts and subaccounts will be required for the purposes intended.

Investment Obligations in the Parity Reserve Account will mature or be redeemable at the option of the holder of such Investment Obligation so that all such Investment Obligations in the Parity Reserve Account will have an average life of not more than ten (10) years after the date of such investment.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Bond Order will be deemed at all times to be part of such fund, account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations will be charged against such funds, accounts or subaccounts. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations will be credited to such funds, accounts or subaccounts as follows:

<u>Funds, Accounts or subaccounts</u>	<u>Credited to</u>
Revenue Fund	Revenue Fund
Parity Reserve Account	Revenue Fund
All other funds, accounts and subaccounts	Revenue Fund unless otherwise directed by the related Series Resolution

The Series Resolution for the Series 2008 Bonds provides that investment earnings on amounts in the Series 2008 Project Account of the Construction Fund are to be deposited to the credit of the Series 2008 Project Account of the Construction Fund.

Whenever a transfer of money between two or more of the funds, accounts or subaccounts established pursuant to the Bond Order is permitted or required, such transfer may be made as a whole or in part by transfer of one or more Investment Obligations at a value determined at the time of such transfer in accordance with the Bond Order, provided that the Investment Obligations transferred are those in which money of the receiving fund, account or subaccount could be invested at the date of such transfer.

For purposes of making any investment, the Trustee may consolidate money held by it in any fund, account or subaccount with money in any other fund, account or subaccount. Transfers from any fund, account or subaccount to the credit of any other fund, account or subaccount provided for in the Bond Order may be effectuated on the books and records of the Trustee, the Authority or any Depository without any actual transfer of funds or liquidation of investments. Investment Obligations purchased with consolidated funds will be allocated to each fund, account or subaccount on a pro-rata basis in accordance with the initial amount so invested from each such fund, account or subaccount.

Unless otherwise directed by the Authority, Investment Obligations may be purchased by the Trustee or any Depository through its own investment division or other bank facilities established for such purpose.

The Trustee will sell at the best price obtainable or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so to provide money to make any payment from any such fund, account or subaccount. The Trustee will not be liable or responsible for any loss resulting from any such action.

Security for Deposits

Any and all money received by the Authority under the provisions of the Bond Order will be deposited as received with the Trustee or one or more other Depositories as provided in the Bond Order,

and will be trust funds under the terms thereof and will not be subject to any lien or attachment by any creditor of the Authority.

All money deposited with the Trustee or any Depository will be credited to the particular fund, account or subaccount to which such money belongs.

Valuation

For the purpose of determining the amount on deposit in any fund, account or subaccount, Investment Obligations in which money in such fund, account or subaccount is invested will be valued at the market value of such Investment Obligation if so determinable, and if not so determinable, (a) at face value if such Investment Obligations mature within twelve (12) months from the date of valuation thereof and (b) if such Investment Obligations mature more than twelve (12) months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at its option, if so redeemable, or, if not so redeemable, at the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon.

All Investment Obligations in all of the funds, accounts and subaccounts created under the Bond Order, except the Revenue Fund, will be valued as of the last day of the Fiscal Year. When a valuation is made by the Trustee, the Trustee will report the result of such valuation to the Authority within thirty (30) days after such valuation. In addition, Investment Obligations will be valued at any time requested by the Authority on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee will not be required to value Investment Obligations more than once in any calendar month.

Security for the Bonds and Other Parity Debt

As security for the payment of the Bonds and Parity Debt and the interest thereon, the Authority grants to the Trustee a pledge, charge and lien upon Net Receipts, subject to the release of the lien upon the Net Receipts as provided in the Bond Order. The proceeds of any passenger facility charge or similar charge levied by or on behalf of the Authority against passengers may be pledged to secure any other obligations of the Authority unless the proceeds of such charges are designated, in whole or in part, as Receipts by the Authority.

In addition, as further security for the payment of each Series of Bonds and the interest thereon, the Authority grants to the Trustee a pledge, charge and lien upon the money and Investment Obligations in any and all of the related subaccounts of applicable accounts of the Revenue Bond Fund established under the Series Resolution relating to their issuance.

Payment of Principal, Interest and Premium

The Authority will cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and interest on the Bonds and Parity Debt at the places, on the dates and in the manner provided herein and in the Bonds and in the Parity Debt and the documentation securing such Bonds and Parity Debt, according to the true intent and meaning thereof. The Bonds are special obligations payable solely from the Net Receipts, the Authority's rights to receive the same, and money, Investment Obligations and Reserve Alternative Instruments held in the applicable funds, accounts and subaccounts created under the Bond Order or under a Series Resolution for a particular Series of Bonds.

Operation of Airport Facilities

The Authority will establish and enforce reasonable rules and regulations governing the operation and use of the Airport Facilities, operate the Airport Facilities in an efficient and economical manner, maintain the properties constituting the Airport Facilities in good repair and in sound operating condition for so long as the same are necessary to the operation of the Airport Facilities, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body that are applicable to the Airport Facilities. The Authority's obligation to maintain and operate the Airport Facilities is an obligation only upon the Receipts, and no Owner or Holder of Indebtedness has the right to compel the exercise of the taxing power by the Authority or the forfeiture of any of its property in connection with any such obligation except as provided in the Bond Order.

Rate Covenant

The Authority will fix, charge and collect rates, fees, rentals and charges for the use of and services furnished or to be furnished by the Airport Facilities, and from time to time and as often as it will appear necessary, will revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that for each Fiscal Year, the Income Available for Debt Service for such Fiscal Year will be not less than the greater of (i) 125% of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year and (ii) 100% of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year.

In addition to the covenant set forth above, the Authority will fix, charge and collect rates, fees, rentals and charges for the use of and services furnished or to be furnished by the Airport Facilities, and from time to time and as often as it will appear necessary, will revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that the Receipts will be sufficient in each Fiscal Year (i) to pay Current Expenses, (ii) to make the cash deposits in each Fiscal Year required by the Bond Order and (iii) to make the cash deposits in each Fiscal Year required by any Subordinated Indebtedness Resolution with respect to the payment of principal of and interest on Subordinated Indebtedness.

If the Authority fails to comply with the rate covenant set forth above, it will, within thirty (30) days of the receipt by the Authority of the audited financial statements required by the Bond Order, request the Airport Consultant to make its recommendations, if any, as to a revision of the Authority's rates, fees, rentals and charges, its Current Expenses or the method of operation of the Airport Facilities in order to satisfy the foregoing requirements. Copies of such requests and of the recommendations of the Airport Consultant, if any, will be filed by the Authority with the Trustee and the Local Government Commission. Promptly upon its receipt of the recommendations of the Airport Consultant, the Authority will, after giving due consideration to the recommendations, revise its rates, fees, rentals and charges or its Current Expenses or alter its methods of operation, which revisions or alterations need not comply with the Airport Consultant's recommendations but which are projected by the Authority to result in compliance with the covenants set forth in the rate covenants. If the Authority complies with all of the recommendations of the Airport Consultant, failure to comply with the provisions of the rate covenant will not constitute an Event of Default for breach of the rate covenant for this reason alone, but such compliance will have no effect on any other Event of Default.

In the event of any failure to comply with the provisions of the rate covenant and the failure of the Authority to comply with all of the recommendations of the Airport Consultant, and in addition to the remedies provided in the Bond Order, the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Parity Indebtedness then Outstanding may, and the Trustee will, upon the request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Parity Indebtedness then Outstanding and upon being indemnified to its satisfaction, institute and

prosecute in a court of competent jurisdiction an appropriate action to compel the Authority to comply with all of the recommendations of the Airport Consultant in order to satisfy the rate covenant. The Authority will adopt and charge rates, fees, rentals and charges and revise its Current Expenses or the method of operation of the Airport Facilities in compliance with any final order, decree or judgment entered in any such proceeding or modification thereof.

Insurance

The Authority will maintain a practical insurance program, with reasonable terms, conditions, provisions and costs, which the Authority determines (a) will afford adequate protection against loss caused by damage to or destruction of the Airport Facilities or any part thereof and (b) will include reasonable liability insurance on all of the Airport Facilities for bodily injury and property damage resulting from the construction or operation of the Airport Facilities. All such insurance policies will be carried in a responsible insurance company or companies authorized and qualified to assume the risks thereof.

If the Authority obtains an opinion of an Insurance Consultant, who does not sell, directly or indirectly, any insurance to the Authority, stating that

(a) the insurance, or any part or parts thereof, the Authority proposes to obtain in order to comply with the preceding paragraph is not available at a reasonable cost, and

(b) the amounts and types of insurance which the Authority has obtained or the provision for Qualified Self Insurance (defined below) which the Authority has made provide protection against the risk or risks described above equivalent to the protection then being relied upon by airports of similar size and type or the protection determined by the Authority in its reasonable judgment to be adequate for the Airport Facilities,

then the maintenance of such amounts and types of insurance or the provision for Qualified Self Insurance will constitute compliance with the above paragraphs. The term "Qualified Self Insurance" as used in the Bond Order will mean any program of self insurance or use of an insurance company or association controlled by the Authority, either singly or with others, or in which the Authority has a material interest (a "captive insurance company"), regarding which the Authority has received a written evaluation of an Insurance Consultant or an independent actuarial consultant having a favorable repute for skill and experience for such work, which evaluation will include an opinion of such consultant that the use of such self insurance or captive insurance company program will not diminish substantially the Receipts and that adequate reserves for such program are either maintained with an independent corporate trustee or otherwise held with appropriate safe-guards to ensure their availability. Any self insurance program of the Authority carried to comply with the above-mentioned insurance requirements will be in written form and filed with the Trustee. Such program will (a) provide actuarially sound reserves, (b) be reviewed annually by an insurance advisor, who may sell insurance to the Authority, or a registered actuary in light of claims made in order to determine the adequacy of any such reserves and (c) provide upon the termination of such program for adequate reserves for, or insurance coverage of, any potential retained liability in respect of the period of self insurance.

All such policies will be for the benefit of the Authority, will be made payable to the Authority and will remain with the Authority, and the Authority will have the sole right to receive the proceeds of such insurance and to collect and receipt for claims thereunder. Net Insurance Proceeds will be applied as provided in the Bond Order.

The Authority will also maintain or cause to be maintained comprehensive public liability insurance on all Special Purpose Facilities for bodily injury and property damage resulting from the construction or operation of such Special Purpose Facilities in such amounts as the Authority may determine to be reasonable.

At least once during each Fiscal Year, an Authorized Officer will file with the Trustee a report listing the policies of insurance then outstanding and in force, the names of the companies issuing such insurance, the amounts and expiration date or dates of such insurance and the risks covered thereby. Any such report may be relied upon by the Trustee as conclusive.

The Authority may provide for policies which are payable to the parties of such contract, lease or other agreement as their interests may appear and may provide that the proceeds be applied in such manner as the Authority will, in its discretion, believe to be in the best interest of the Authority and, further, the Authority may require evidence of the existence of such policies and notice of cancellation in lieu of the possession of such policies.

Payment of Charges and Covenant Against Encumbrances

Except as provided in the Bond Order, the Authority will not create or suffer to be created any lien or charge upon the Airport Facilities or any part thereof, or on the Net Receipts, except for Permitted Encumbrances. The Authority will discharge or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same become due and payable, all lawful costs, expenses, liabilities and charges relating to the maintenance, repair, replacement or improvement of the properties constituting the Airport Facilities and the operation of the Airport Facilities and lawful claims and demands for labor, materials, supplies or other objects that might by law become a lien upon the Airport Facilities or Net Receipts if unpaid. Nothing contained in this paragraph will require the Authority to pay or cause to be discharged, or make provision for the payment, satisfaction and discharge of, any lien, charge, cost, liability, claim or demand so long as the validity thereof is contested in good faith and by appropriate legal proceedings.

The Authority may incur obligations secured by a lien on (a) rolling stock comprising a part of the Airport Facilities, without limitation and (b) other property, plant and equipment comprising a part of the Airport Facilities; provided, however, that the outstanding principal amount of any obligations secured by such Airport Facilities at any one time will not exceed fifteen percent (15%) of the net property, plant and equipment of the Airport Facilities (not taking into account any outstanding obligations with respect to rolling stock that is a part of the Airport Facilities) as shown on the audited financial statements of the Authority for the most recent Fiscal Year for which audited financial statements are available.

Covenants Against Sale or Disposition

The Authority will covenant that, except as permitted by the Bond Order, it will not sell, exchange or otherwise dispose of or encumber the Airport Facilities or any part thereof.

The Authority may from time to time sell, exchange or otherwise dispose of any equipment, motor vehicles, machinery, fixtures, apparatus, tools, instruments or other movable property if it determines that such articles are no longer needed or are no longer useful in connection with the Airport Facilities, and the proceeds thereof will be used for any lawful purpose determined by the Authority.

The Authority may from time to time sell, exchange or otherwise dispose of (but not lease, contract or agree for the use thereof except as permitted under the Bond Order) any other property of the Airport Facilities if it determines by resolution:

(a) that such property is no longer needed or is no longer useful in connection with the Airport Facilities; or

(b) that the sale, exchange or other disposition thereof would not materially adversely affect the operating efficiency of the Airport Facilities and would not materially reduce Net Receipts; or

(c) that the sale, exchange or other disposition thereof would not materially adversely affect the ability of the Authority to comply with the rate covenant for the current and next succeeding Fiscal Year and there is delivered to the Trustee evidence (including, but not limited to, a certificate of an Authorized Officer) reasonably satisfactory to the Trustee that such sale, exchange or disposition would not result in the ratings of any Parity Indebtedness being suspended or downgraded below “investment grade” by any nationally recognized rating agency then rating any of the Outstanding Bonds or Parity Debt;

and the proceeds, if any, of any such sale, exchange or disposition will be applied to the replacement of the properties so sold, exchanged or disposed of or will be deposited to the credit of the subaccount or subaccounts of the Revenue Bond Fund or to pay interest on or principal of Parity Debt as the Authority may determine.

If the fair market value of any item of real or personal property to be sold, exchanged or otherwise disposed of in any Fiscal Year in accordance with the provisions set forth above will have a fair market value in excess of 5% of net property, plant and equipment of the Airport Facilities calculated in accordance with generally accepted accounting principles, or if the fair market value of any such item together with the fair market value of all other such items so disposed of in such Fiscal Year will aggregate in excess of 5% of net property, plant and equipment of the Airport Facilities calculated in accordance with generally accepted accounting principles, then no such disposal will be effected without first obtaining the written approval of an Airport Consultant of the determinations to be made by the Authority with respect to such disposition under the provisions set forth above.

Additional Projects; Additions to Airport Facilities

All buildings, structures and items of personal property that are constructed, placed or installed in or upon the properties constituting the Airport Facilities as an addition or improvement to, as a substitute for, or in renewal, replacement or alteration of, any buildings, structures, and personal property constituting part of the Airport Facilities, and all real property acquired as an addition to, in replacement of, or as a substitute for real property constituting a part of the Airport Facilities will thereupon become part of the Airport Facilities.

Contracts, Leases and Other Agreements

The Authority may lease, as lessor, all or any part of the Airport Facilities, or contract or agree for the performance by others, of operations or services on or in connection with the Airport Facilities or any part thereof, for any lawful purpose, provided that:

(a) the Authority will remain fully obligated and responsible under the Bond Order to the same extent as if such lease, contract or agreement, or any amendment or rescission thereof, had not been executed, and

(b) the obligation of the Authority under such lease, contract or agreement will not impair the performance of the Authority's obligations under the Bond Order.

Special Purpose Facilities

Nothing in the Bond Order expressed or implied will be construed as prohibiting the Authority, if then authorized or permitted by law, from financing the acquisition or construction of any Special Purpose Facilities.

No Special Purpose Facilities will be financed by the Authority unless there will be filed with the Authority and the Trustee an opinion of counsel to the Authority to the effect that the Special Purpose Facilities or the indebtedness incurred to finance such Special Purpose Facilities is not, directly or indirectly, secured by or payable from Receipts or issued under or secured by the provisions of the Bond Order and that the financing of the Special Purpose Facilities will not conflict with or constitute on the part of the Authority a breach of or default under any of the covenants or provisions of the Bond Order.

The Authority may finance, without limiting the generality of the foregoing, Special Purpose Facilities comprising the acquisition or grading of land where (a) the indebtedness incurred to finance such Special Purpose Facilities is secured by appropriations, including appropriations subject to a non-appropriation clause, made by any county, municipal corporation or political subdivision in the State or by the State, (b) such appropriations have not been designated as Receipts by the Authority and (c) the land so acquired or graded is to be leased by the Authority, as lessor, in connection with the financing of another Special Purpose Facility.

If Special Purpose Facilities are financed by the Authority, the Authority will put in place necessary measures in order to account for, and keep separate and apart from Receipts and Current Expenses, the gross revenues received from the operation of such Special Purpose Facilities as well as the operating and maintenance expenses of such Special Purpose Facilities, any debt service or reserve requirements with respect thereto and any other necessary related costs and expenses.

Limitations on Parity Indebtedness

Subject to the conditions hereinafter provided, the Authority will have the right to incur Parity Indebtedness for any purpose for which Bonds may be issued under the Bond Order, as follows:

(a) Long-Term Indebtedness constituting Parity Indebtedness may be incurred if prior to incurrence one of the following conditions is met:

(i) there is delivered to the Trustee a certificate of the Director of Finance certifying that, taking into account all Outstanding Long-Term Indebtedness constituting Parity Indebtedness (excluding any Long-Term Indebtedness to be refunded by the Long-Term Indebtedness to be incurred) and the Long-Term Indebtedness constituting Parity Indebtedness to be incurred as if it had been incurred at the beginning of the most recent Fiscal Year for which audited financial statements are available preceding the date of incurrence of such Long-Term Indebtedness, the Income Available for Debt Service for such Fiscal Year was not less than 1.25 times the Maximum Long-Term Debt Service Requirement with respect to all Outstanding Long-Term Indebtedness constituting Parity Indebtedness and the Long-Term Indebtedness to be incurred;

provided, however, that if the rates, fees and charges for the use of and services furnished or to be furnished by the Airport Facilities have been revised and such revised rates, fees and charges are or will be in effect prior to or concurrently with the incurrence of such Long-Term Indebtedness, the Authority may provide for a report of an Airport Consultant that will add to such Income Available for Debt Service an estimate of the additional Income Available for Debt Service, as determined in accordance with the provisions of the Bond Order, that would have been included in the calculation of such Income Available for Debt Service, in the judgment of such Airport Consultant, if such rates, fees and charges had been in effect at the beginning of such Fiscal Year; or

(ii) there are delivered to the Trustee both of the following:

(A) a certificate of the Director of Finance demonstrating that the Income Available for Debt Service for the most recent Fiscal Year preceding the date of incurrence of the Long-Term Indebtedness constituting Parity Indebtedness to be incurred for which audited financial statements are available was at least 1.25 times the Long-Term Debt Service Requirement with respect to all Outstanding Long-Term Indebtedness constituting Parity Indebtedness, excluding the Long-Term Indebtedness to be incurred; provided, however, that if the rates, fees and charges for the use of and services furnished or to be furnished by the Airport Facilities have been revised and such revised rates, fees and charges are or will be in effect prior to or concurrently with the incurrence of such Long-Term Indebtedness, the Authorized Officer may add to such Income Available for Debt Service an estimate of the additional Income Available for Debt Service, as determined in accordance with the provisions of the Bond Order, that would have been included in the calculation of such Income Available for Debt Service, in the judgment of such Authorized Officer, if such rates, fees and charges had been in effect at the beginning of such Fiscal Year; and

(B) a report of an Airport Consultant to the effect that the forecasted Income Available for Debt Service, which forecast may take into consideration rates to become effective prior to or during such period, estimates of usage, inflation factors and any other factors deemed by such Airport Consultant to be relevant, for the first two Fiscal Years next succeeding (1) the date on which capitalized interest, if any, provided from the proceeds of the Long-Term Indebtedness to be incurred or any other source to pay interest on such Long-Term Indebtedness is expended, in the case of acquisition or construction of any Additional Project or (2) the date on which such Long-Term Indebtedness is incurred, in any other case, is at least 1.25 times the Long-Term Debt Service Requirement with respect to all Outstanding Long-Term Indebtedness constituting Parity Indebtedness (excluding any Long-Term Indebtedness constituting Parity Indebtedness to be refunded by the Long-Term Indebtedness constituting Parity Indebtedness to be incurred) and the Long-Term Indebtedness constituting Parity Indebtedness to be incurred for each of such Fiscal Years; or

(iii) there is delivered to the Trustee a certificate of the Director of Finance demonstrating that for the most recent Fiscal Year preceding the incurrence of the Long-Term Indebtedness constituting Parity Indebtedness to be incurred for which audited statements are available, such Long-Term Indebtedness, together with any other Long-Term Indebtedness constituting Parity Indebtedness incurred under this paragraph (iii) and then Outstanding, does not exceed 10% of Total Operating Revenues for such Fiscal Year.

(b) Completion Indebtedness constituting Parity Indebtedness may be incurred without limitation; provided, however, that prior to the incurrence of such Completion Indebtedness, the Authority will furnish to the Trustee (i) a certificate of an architect or engineer estimating the costs of completing the

facilities for which such Completion Indebtedness is to be incurred and (ii) a certificate of the Director of Finance certifying that the amount of such Completion Indebtedness to be incurred will be sufficient, together with any other available funds, to complete construction of the facilities as estimated by the architect or engineer in respect of which such Completion Indebtedness is to be incurred.

(c) Long-Term Indebtedness constituting Parity Indebtedness may be incurred for the purpose of refunding all or any part of any Outstanding Long-Term Indebtedness constituting Parity Indebtedness so as to render it no longer Outstanding if prior to incurrence thereof, a certificate of the Director of Finance is filed with the Trustee (i) determining that the proceeds of such Long-Term Indebtedness, together with interest earnings on any Defeasance Obligations to be acquired and other available funds, will be sufficient to pay the principal of and interest and any premium on the Long-Term Indebtedness to be refunded to the redemption or maturity date or dates and the expenses incident to the refunding, and (ii) stating that either (A) the Long-Term Debt Service Requirement for any Fiscal Year thereafter on account of all Long-Term Indebtedness constituting Parity Indebtedness to be Outstanding after the incurrence of such Long-Term Indebtedness to accomplish the refunding and after the refunding of such Long-Term Indebtedness will not be greater by more than ten percent (10%) than the Long-Term Debt Service Requirement on account of all Long-Term Indebtedness constituting Parity Indebtedness Outstanding immediately prior to the incurrence of such Long-Term Indebtedness to accomplish such refunding, including the Long-Term Indebtedness to be refunded, or (B) the incurrence of such Long-Term Indebtedness to accomplish the refunding will satisfy the requirements of paragraph (a) above.

(d) Short-Term Indebtedness constituting Parity Indebtedness may be incurred if, immediately after the incurrence of such Short-Term Indebtedness, the outstanding principal amount of all Short-Term Indebtedness constituting Parity Indebtedness does not exceed twenty-five percent (25%) of the combined balances of the General Fund and the Revenue Fund for the most recent Fiscal Year preceding the date of incurrence of such Short-Term Indebtedness for which audited financial statements are available; provided, however, that for a period of twenty (20) consecutive calendar days in each Fiscal Year, no such Short-Term Indebtedness will be Outstanding.

(e) Put Indebtedness constituting Parity Indebtedness may be incurred, if prior to the incurrence of such Put Indebtedness (i) the conditions described in paragraphs (a), (b) or (c) above are met and (ii) a Credit Facility exists to provide financing sufficient to pay the purchase price or principal of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness.

Whenever paragraphs (a) or (d) above require a certification for the most recent Fiscal Year preceding the date of incurrence of the Parity Indebtedness in question for which audited financial statements are available, the Authority may, in its discretion, provide a certificate, opinion or report of an Accountant in lieu of the audit for such Fiscal Year on financial statements covering twelve (12) consecutive calendar months of the eighteen (18) full consecutive calendar months preceding the date of incurrence of the Parity Indebtedness in question.

Limitations on Subordinated Indebtedness

Subject to the conditions provided in the Bond Order, the Authority will have the right to incur Subordinated Indebtedness for any purpose for which Bonds may be issued under the Bond Order.

Events of Default

Each of the following events is an “Event of Default” under the Bond Order:

(a) payment of the principal of and the redemption premium, if any, on any of the Bonds is not made when the same are due and payable, either at maturity or by redemption or otherwise.

(b) payment of the interest on any of the Bonds is not made when the same is due and payable;

(c) final judgment for the payment of money in excess of \$500,000 is rendered against the Airport Facilities as a result of the ownership, control or operation of the Airport Facilities and is not discharged with one hundred twenty (120) days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof;

(d) the Authority (i) becomes insolvent or the subject of insolvency proceedings; (ii) is unable, or admits in writing its inability, to pay its debts as they mature; (iii) makes a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; (iv) files a petition or other pleading seeking reorganization, composition, readjustment, or liquidation of assets, or requesting similar relief; (v) applies to a court for the appointment of a receiver for it or for the whole or any part of the Airport Facilities; (vi) has a receiver or liquidator appointed for it or for the whole or any part of the Airport Facilities (with or without the consent of the Authority) and such receiver is not discharged within ninety (90) consecutive days after his appointment; (vii) becomes the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (viii) files an answer to a creditor's petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within sixty (60) consecutive days after the same is filed against the Authority;

(e) a court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property under the provisions of any other law for the relief or aid of debtors, and such custody or control is not terminated within ninety (90) days from the date of assumption of such custody or control;

(f) receipt by the Trustee of written notice from the Holder of any Parity Debt that an event of default has occurred and is continuing under such Parity Debt or the Parity Debt Resolution relating to such Parity Debt, including the failure to pay when due and payable the principal of, premium, if any, and interest on such Parity Debt; and

(g) the Authority defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, the Bond Order or any Series Resolution, and such default continues for thirty (30) days after receipt by the Authority of a written notice from the Trustee specifying such default and requesting that it be corrected, provided that if prior to the expiration of such 30-day period the Authority institutes action reasonably designed to cure such default, no "Event of Default" will be deemed to have occurred upon the expiration of such 30-day period for so long as the Authority pursues such curative action with reasonable diligence.

Acceleration

Upon the happening and continuance of any Event of Default, then and in every case the Trustee may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding will, by a notice in writing to the Authority, declare the principal of all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same will become and be immediately due and payable, anything contained in the Bonds or the Bond Order to the contrary notwithstanding; provided, however,

that if at any time after the principal of the Bonds will have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Bond Order, moneys will have accumulated in the Revenue Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all the Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date) and sufficient to satisfy the sinking fund requirement, if any, for any Term Bonds then Outstanding, for the then current Fiscal Year, and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Authority under the Bond Order will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee or the appropriate Bond Registrar, and every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or the Bond Order (other than a default in the payment of the principal of such Bonds then due and payable only because of a declaration of acceleration) will have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds not then due and payable by their terms and then Outstanding will, by written notice to the Authority, rescind and annul such declaration and its consequences, but no such rescission or annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies Upon Default

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written request of the Owners or Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Debt then Outstanding will, proceed (subject to the requirements of prior indemnification) to protect and enforce its rights and the rights of the Owners or Holders of the Bonds and Parity Debt under applicable laws and under the Bond Order by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, chosen by the Trustee, will deem most effectual to protect and enforce such rights.

In addition to any remedies available to the Trustee under the Bond Order and under State and federal law, upon the occurrence of an Event of Default the Trustee may, and upon the written request of the Owners and Holders of not less than a majority in aggregate principal amount of Parity Indebtedness then Outstanding will:

(a) require the Authority to endorse all checks and other negotiable instruments representing Receipts to the order of the Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Trustee;

(b) notify any or all account debtors of the Authority to pay any amounts representing Receipts, when due and owing, directly to the Trustee, as Trustee, at the address set forth in the Bond Order; and

(c) require the Authority to deliver to the Trustee all money and Investment Obligations held by the Authority in the Revenue Fund.

The disposition of Receipts held by the Trustee pursuant to (a), (b) and (c) above is subject to the provisions of the Bond Order governing the disposition of Receipts to the same extent as if the Authority had deposited such Receipts in the Revenue Fund. Notwithstanding anything contained in the Bond

Order to the contrary, the disposition of Receipts held by the Trustee pursuant to this paragraph for the payment of Current Expenses will be in the Trustee's sole discretion.

Pro Rata Application of Funds

Anything in the Bond Order to the contrary notwithstanding, if at any time the money in the Revenue Bond Interest Account, the Revenue Bond Principal Account and the Revenue Bond Sinking Fund Account is not sufficient to pay the interest on or the principal of the Bonds as the same become due and payable (either by their terms or by acceleration), such money, together with any money then available or thereafter becoming available for such purposes (except for such money that has already been deposited in subaccounts of the Revenue Bond Interest Account, the Revenue Bond Principal Account or the Revenue Bond Sinking Fund Account for a particular Series of Bonds pursuant to the Bond Order), whether through the exercise of the remedies provided for in the Bond Order or otherwise, will be applied, after payment of the reasonable fees and expenses of the Trustee in exercising its rights and remedies under the Bond Order, as follows:

(a) if the principal of all Series of Bonds shall not have become or shall not have been declared due and payable, all such money will be applied as follows:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that will have become due and payable (other than Bonds deemed to have been paid pursuant to the provisions of the Bond Order), in the order of their due dates, with interest on the overdue principal at a rate equal to the rate on such Bonds, and, if the amount available will not be sufficient to pay in full all of the amounts due on the Bonds on any date, together with such interest, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the provisions of the Bond Order.

(b) If the principal of all of the Series of Bonds shall have become or shall have been declared due and payable, all such money will be applied to the payment of principal and interest then due upon such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all of the Series of Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of (b) above in the event that the principal of all of the Series of Bonds shall later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund will be applied in accordance with the provisions of (a) above.

Control of Proceedings; Restrictions Upon Actions; Notice of Default

Anything in the Bond Order to the contrary notwithstanding, the Owners or Holders of a majority in aggregate principal amount of Bonds and Parity Debt at any time Outstanding will have the right, subject to prior indemnification of the Trustee, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Bond Order, provided that such direction will be in accordance with law and the provisions of the Bond Order.

No Owner or Holder of Bonds or Parity Debt will have any right to institute any suit, action or proceeding in equity or at law on any Bond or Parity Debt or for the execution of any trust under the Bond Order or for any other remedy under the Bond Order unless such Owner or Holder previously (a) has given to the Trustee written notice of the Event of Default on account of which suit, action or proceeding is to be instituted, (b) has requested the Trustee to take action after the right to exercise such powers or right of action, as the case may be, will have accrued, (c) has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted above or to institute such action, suit or proceedings in its or their name, and (d) has offered to the Trustee reasonable security and satisfactory indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee having refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing provisions and without complying therewith, the Owners or Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds and Parity Indebtedness then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Owners or Holders. It is understood and intended that, except as otherwise provided above, no one or more Owners or Holders will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Bond Order or to enforce any right thereunder except in the manner provided, that all proceedings at law or in equity will be instituted, had and maintained in the manner therein provided and for the benefit of all Owners and Holders of Bonds and Parity Debt and that any individual rights of action or other right given to one or more of such Owners or Holders by law are restricted by the Bond Order to the rights and remedies provided therein.

The Trustee will mail to (a) the Local Government Commission, (b) all Owners of Bonds at their addresses as they appear on the registration books and (c) all Holders of Parity Debt who will have filed their name with the Trustee for such purpose, written notice of the occurrence of any Event of Default within thirty (30) days after the Trustee has notice of the same that any such Event of Default will have occurred; provided, however, that except upon the happening of an Event of Default specified in clauses (a) and (b) under "Events of Default" above, the Trustee may withhold such notice to such Owners and Holders if in the Trustee's opinion such withholding is in the best interests of such Owners and Holders; and provided further that the Trustee will not be subject to any liability to any such Owner or Holder by reason of its failure to mail any such notice.

Allocations if Parity Debt Outstanding

Notwithstanding any provision of the Bond Order or any Series Resolution to the contrary, if at any time there are both Bonds Outstanding under the terms hereof and Parity Debt Outstanding under the terms of one or more Parity Debt Resolutions and (a) the Authority or the Trustee receives Net Insurance Proceeds or Net Eminent Domain Proceeds and the Authority elects to redeem Bonds with the same pursuant to the Bond Order, (b) the Trustee is receiving Receipts on a daily basis pursuant to "Additional Remedies Upon Default" above or (c) an Event of Default has occurred and the Trustee is required to apply funds in its possession in accordance with the provisions set forth under "Pro Rata Application of Funds" above, then all such Net Insurance Proceeds or Net Eminent Domain Proceeds, Receipts or other funds to be distributed under the Bond Order to Owners will be allocated among, and distributed by the

Trustee to, the Owners of Bonds in the proportion that the principal amount of all Bonds then Outstanding bears to the principal amount of all Parity Indebtedness then Outstanding and to each Holder of Parity Debt (or to the trustee or any other party on behalf of the Holder of such Parity Debt as will be specified to the Trustee) in the proportion that the principal amount of such Parity Debt then Outstanding bears to the principal amount of all Parity Indebtedness then Outstanding, unless such an allocation and distribution has been made prior to the receipt by the Trustee of such Net Insurance Proceeds, Net Eminent Domain Proceeds, Receipts or other funds; provided, however, that moneys maintained in funds, accounts, and subaccounts established by a particular Series Resolution which are pledged solely for the payment of a particular Series of Bonds will not be subject to such allocation and will instead be applied as provided in such applicable Series Resolution

Concerning the Trustee

Prior to the occurrence of any Event of Default and after the curing of all such Events of Default that may have occurred, the Trustee will perform such duties and only such duties of the Trustee as are specifically set forth in the Bond Order. Upon the occurrence and continuation of any Event of Default, the Trustee will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision of the Bond Order or any Parity Indebtedness will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to any such Event of Default, and after the curing of any other Events of Default that may have occurred:

(i) the duties and obligations of the Trustee will be determined solely by the express provisions of the Bond Order and the Trustee will not be liable except for the performance of such duties and obligations of the Trustee as are specifically set forth in the Bond Order, and no implied covenants or obligations will be read into the Bond Order against the Trustee and no permissive right of the Trustee under the Bond Order will impose any duty on the Trustee to take such action, and

(ii) in the absence of willful misconduct on its part, the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it conforming to the requirements of the Bond Order, but in the case of any such certificate or opinion by which any provision of the Bond Order is specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not it conforms to the requirements of the Bond Order; and

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(i) the Trustee will not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(ii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners and Holders of not less than twenty-five percent (25%) or a majority, as the Bond Order will require, in aggregate principal amount of Parity Indebtedness then Outstanding relating to the time, method and place of

conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under the Bond Order.

None of the provisions contained in the Bond Order will require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the appointment of a receiver or the acceleration of the maturity date of any or all Bonds under the Bond Order) 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 execution of any of the trusts created by the Bond Order or in the enforcement of any rights and powers, until it will be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Authority, at the request of the Trustee, will reimburse the trustee from Receipts for all costs, expenses, outlays and reasonable counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Authority fails to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the Bond Order and will be entitled to a preference therefor over any Parity Indebtedness Outstanding.

The Trustee will be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts under the Bond Order, the Trustee will have no responsibility in respect of the validity or sufficiency of the Bond Order, or in respect of the validity of Bonds or Parity Debt or the due execution or issuance thereof. The Trustee will be under no obligation to see that any duties imposed upon the Authority, any Bond Registrar, any consultant, any Depository (other than any Depository in which the Trustee will have deposited funds), or any party other than itself, or any covenants contained in the Bond Order on the part of any party other than itself to be performed, will be done or performed, and the Trustee will be under no obligation for failure to see that any such duties or covenants are so done or performed.

The Trustee will not be liable or responsible because of the failure of the Authority or of any of its employees or agents to make any collections or deposits or to perform any act required of the Authority or because of the loss of any money arising through the insolvency or the act or default or omission of any Depository (other than any Depository in which the Trustee will have deposited funds) in which such money will have been deposited under the provisions of the Bond Order. The Trustee will not be responsible for the application of any of the proceeds of Bonds or any other money deposited with it and paid out, withdrawn or transferred if such application, payment, withdrawal or transfer will be made in accordance with the provisions of the Bond Order. The immunities and exemptions from liability of the Trustee under the Bond Order will extend to its directors, officer, employees and agents.

Except upon the happening of any Event of Default specified in clauses (a), (b) or (f) under "Events of Default", the Trustee will not be obliged to take notice or be deemed to have notice of any Event of Default under the Bond Order unless specifically notified in writing of such Event of Default by the Authority or the Owners and Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds and Parity Debt then Outstanding.

Subject to the acceptance of appointment by a successor Trustee, the Trustee may resign and thereby become discharged from the trusts created by the Bond Order, by notice in writing given to the Authority, and mailed, postage prepaid, at the Trustee's expense, to each Owner and Holder of Bonds and Parity Debt not less than sixty (60) days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a successor Trustee if such successor Trustee will be appointed before the time limited by such notice and will then accept the trusts under the Bond Order.

Supplemental Bond Orders

The Authority, from time to time and at any time and with the prior written consent of the Trustee, may adopt such orders supplemental to the Bond Order (which supplemental orders will thereafter form a part of the Bond Order) as shall be substantially consistent with the terms and provisions of the Bond Order and, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, will not materially and adversely affect the interest of the Owners and Holders of Bonds and Parity Debt:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Bond Order that may be inconsistent with any other provision, to make any other provisions with respect to matters or questions arising under the Bond Order, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Bond Order, or

(b) to grant or to confer upon the Trustee, for the benefit of the Owners, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners of Bonds, the Holders of Parity Debt or the Trustee, or

(c) to add to the provisions of the Bond Order other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the Authority in the Bond Order other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power therein reserved to or conferred upon the Authority, or

(e) to permit the qualification of the Bond Order under any federal statute now or hereafter in effect or under any state blue sky law, and, in connection therewith, if the Authority so determines, to add to the Bond Order or any supplemental order such other terms, conditions and provisions as may be permitted or required by such federal statute or blue sky law, or

(f) to provide for the issuance of Bonds in bearer form.

At least thirty (30) days prior to the adoption of any supplemental order for any of the purposes set forth above, the Trustee will cause a notice of the proposed adoption of such supplemental order to be mailed, postage prepaid, to the Local Government Commission and to all Owners of Bonds and Holders of Parity Debt. Such notice will briefly set forth in the nature of the proposed supplemental order and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners and Holders. A failure on the part of the Trustee to mail such notice will not affect the validity of such supplemental order.

The Owners and Holders of not less than a majority in aggregate principal amount of the Bonds and Parity Debt then Outstanding that will be affected by a proposed supplemental order will have the right, from time to time, anything contained in the Bond Order to the contrary notwithstanding, to consent to and approve the adoption of such order or orders as are deemed necessary or desirable by the Authority

for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Order or in any supplemental order, provided that nothing in the Bond Order will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond without the consent of the Owner of such Bonds and Holders of such Parity Debt, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon without the consent of the Owner of such Bonds and Holders of such Parity Debt, or (c) the creation of a pledge, charge or lien upon the Receipts or Net Receipts other than the pledge, charge and lien created by the Bond Order without the consent of the Owners and Holders of all Bonds and Parity Debt then Outstanding, or (d) a preference or priority of any Bond or Parity Debt over any other Bond or Parity Debt without the consent of the Owners and Holders of all Bonds and Parity Debt then Outstanding or (e) a reduction in the aggregate principal amount of the Bonds and Parity Debt required for consent to such supplemental order without the consent of the Owners and Holders of all Bonds and Parity Debt then Outstanding.

If at any time the Authority determines that it is necessary or desirable to adopt any supplemental order for any of the purposes stated above, the Trustee will cause notice of the proposed adoption of such supplemental order to be mailed, postage prepaid, to all Owners at their addresses as they appear on the registration books and to all Holders in accordance with the related Parity Debt Resolution as of the date of mailing such notice. Such notice will briefly set forth the nature of the proposed supplemental order and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners and Holders. The Trustee will not, however, be subject to any liability to any Owner or Holder by reason of its failure to cause the notice required by this paragraph to be mailed, and any such failure to cause the notice required by this paragraph to be mailed and any such failure will not affect the validity of such supplemental order when consented to and approved as provided in this paragraph.

Whenever, at any time within three years after the date of the mailing of such notice, the Authority delivers to the Trustee an instrument or instruments in writing purporting to be executed by the Owners or Holders of not less than a majority in aggregate principal amount of the Bonds and Parity Debt then Outstanding that are affected by a proposed supplemental order, which instrument or instruments will refer to the proposed supplemental order described in such notice and will specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Authority may adopt such supplemental order in substantially such form, without liability or responsibility to any Owner or Holder whether or not such Owner or Holder will have consented thereto.

Defeasance

When:

(a) the Bonds and any Parity Debt shall have become due and payable in accordance with their terms or otherwise as provided in the Bond Order, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds and any Parity Debt shall be paid, and

(b) if the Bonds and any Parity Debt shall not have become due and payable in accordance with their terms, the Trustee or the Bond Registrar will hold, sufficient (i) money or (ii) Defeasance Obligations or a combination of (i) and (ii) of this clause (b), the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all Bonds or any Parity Debt then Outstanding to the maturity date or dates of such Bonds or any Parity Debt or to the date or dates specified for the redemption thereof, as

verified by a verification agent or independent certified public accountant approved by the Local Government Commission, and

(c) if Bonds or any Parity Debt are to be called for redemption, irrevocable instructions to call the Bonds or Parity Debt for redemption will have been given by the Authority to the Trustee, and

(d) sufficient funds will also have been provided or provision made for paying all other obligations payable under the Bond Order by the Authority;

then and in that case the right, title and interest of the Trustee in the funds, accounts and subaccounts mentioned in the Bond Order will thereupon cease, determine and become void and, upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Bond Order have been satisfied, the Authority will repeal and cancel the Bond Order and will execute such documents to evidence such repeal and cancellation as may be required by such counsel, and the Trustee will turn over to the Authority any surplus in, and all balances remaining in, all funds, accounts and subaccounts other than money held for the redemption or payment of any Bonds and Parity Debt. Otherwise, the Bond Order will be, continue and remain in full force and effect; provided, however, that in the event Defeasance Obligations will be deposited with and held by the Trustee or the Bond Registrar, (i) within thirty (30) days after such Defeasance Obligations will have been deposited with it, will cause a notice signed by the Trustee to be mailed, postage prepaid, to all Owners and to all Holders of Parity Debt, setting forth (a) the date or dates, if any, designated for the redemption of the Bonds and any Parity Debt, (b) a description of the Defeasance Obligations so held by it, and (c) that the Bond Order has been repealed and cancelled in accordance with the provisions of this paragraph, and (ii) (a) the Trustee will nevertheless retain such rights, powers and privileges under the Bond Order as may be necessary and convenient in respect of the Bonds and any Parity Debt for the payment of the principal, interest and any premium for which such Defeasance Obligations have been deposited and (b) each Bond Registrar will retain such rights, powers and privileges under the Bond Order as may be necessary and convenient for the registration, transfer and exchange of Bonds; provided, however, that failure to mail such notice to any Owner or to the Owners, or to any such Holder or to such Holders, or any defect in such notice so mailed, will not affect the validity of the release of the Bond Order.

All money and Defeasance Obligations held by the Trustee or any Bond Registrar for this purpose will be held in trust and applied to the payment, when due, of the obligations payable therewith.

THE SERIES RESOLUTION

Establishment of Accounts and Subaccounts

The following accounts and subaccounts are established under the Series Resolution:

- (a) Series 2008A Project Account of the Construction Fund;
- (b) Series 2008A Subaccount of the Revenue Bond Interest Account;
- (c) Series 2008B Subaccount of the Revenue Bond Interest Account;
- (d) Series 2008A Subaccount of the Revenue Bond Redemption Account;
- (e) Series 2008B Subaccount of the Revenue Bond Redemption Account;

(f) Series 2008A Subaccount of the Revenue Bond Sinking Fund Account; and

(g) Series 2008B Subaccount of the Revenue Bond Sinking Fund Account.

All such accounts and subaccounts shall be established with and held by the Trustee pursuant to the Bond Order and the Series Resolution.

Deposit of Net Receipts by the Authority

(a) Except as provided in paragraph (b) below, the Authority will, subject to the provisions of the Bond Order, deposit or cause to be deposited with the Trustee from Net Receipts held in the Revenue Fund the following amounts at the following times, and the Trustee shall apply such amounts to the various accounts and subaccounts specified in the following order:

(i) into the Series 2008A Subaccount of the Revenue Bond Interest Account, on or before the third Business Day immediately preceding each Interest Payment Date, the interest payable on the Series 2008A Bonds on such Interest Payment Date;

(ii) into the Series 2008B Subaccount of the Revenue Bond Interest Account, on or before the third Business Day immediately preceding each Interest Payment Date, the interest payable on the Series 2008B Bonds on such Interest Payment Date;

(iii) into the Series 2008A Subaccount of the Revenue Bond Sinking Fund Account, on or before the 25th day of the month immediately preceding each July 1, the amount required to retire the Series 2008A Bonds to be called by mandatory redemption in accordance with the Sinking Fund Requirements therefor or to be paid at maturity on such July 1;

(iv) into the Series 2008B Subaccount of the Revenue Bond Sinking Fund Account, on or before the 25th day of the month immediately preceding each July 1, the amount required to retire the Series 2008B Bonds to be called by mandatory redemption in accordance with the Sinking Fund Requirements therefor or to be paid at maturity on such July 1;

(v) into the Series 2008A Subaccount of the Revenue Bond Redemption Account all amounts as shall be delivered to the Trustee by the Authority from time to time with instructions that such amounts be so deposited; and

(vi) into the Series 2008B Subaccount of the Revenue Bond Redemption Account all amounts as shall be delivered to the Trustee by the Authority from time to time with instructions that such amounts be so deposited.

(b) Notwithstanding the provisions of paragraph (a) above, if at any time principal of or interest on a Series of the Series 2008 Bonds shall be due and payable or the Authority determines to redeem a Series of the Series 2008 Bonds and a Credit Facility is in effect and available to make such payment with respect to such Series, if amounts described in item (i) of the definition of "Available Funds" described in "DEFINITIONS" above are not available to make the required payment, the Trustee shall draw on the Credit Facility to make the required payment, and the Authority shall not be required to deposit amounts from Net Receipts to the Accounts described in (a). Upon such a drawing, the Authority shall reimburse the Credit Provider for the amount of the drawing in the manner provided in the Reimbursement Agreement.

Pursuant to the Bond Order, if there are not sufficient Net Receipts to make the required deposits to all subaccounts of the Accounts described above, the deposits will be made to each subaccount ratably according to the amount so required to be deposited. See “Use of Money in Revenue Fund for Debt Service, Reserve Funds and Other Obligations” above.

Amounts will be deposited to the Series 2008A Subaccount of the Revenue Bond Redemption Account and the Series 2008B Subaccount of the Revenue Bond Redemption Account only from transfers from the Insurance and Condemnation Award Fund as described above under “Insurance and Condemnation Award Fund” if the Series 2008 Bonds are subject to extraordinary redemption in connection with the damage, destruction or taking of the Airport Facilities.

Application of Money in the Series 2008 Project Account

Money deposited in the Series 2008 Project Account will be applied to pay the costs and expenses incurred in connection with the issuance of the Series 2008 Bonds and the costs of the Series 2008A Project.

Application of Money in the Series 2008A Subaccount and the Series 2008B Subaccount of the Revenue Bond Sinking Fund Account

(a) For so long as a Credit Facility shall be in effect with respect to a Series of the Series 2008 Bonds, the payment of the Redemption Price of each Series of Series 2008 Bonds subject to mandatory sinking fund redemption will be paid from drawings under such Credit Facility as provided in the Series Resolution and described in “THE SERIES RESOLUTION – Deposit of Net Receipts by the Authority” above.

(b) If a Credit Facility shall not be in effect with respect to a Series of the Series 2008 Bonds, money deposited in the Series 2008 Subaccount or Series 2008B Subaccount of the Revenue Bond Sinking Fund Account will be applied to the purchase or retirement of the corresponding Series of Series 2008 Bonds. The Trustee shall call for redemption on July 1 immediately following the then current Bond Year the Series 2008A Bonds or Series 2008B Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for such Series of the Series 2008 Bonds for such July 1. If the amount available in the Series 2008A Subaccount or Series 2008B Subaccount of the Revenue Bond Sinking Fund Account on such July 1 is not equal to the Sinking Fund Requirement for the corresponding Series of Bonds for such Bond Year, the Trustee shall apply the amount available in such Subaccount of the Revenue Bond Sinking Fund Account to the redemption of the corresponding Series of the Series 2008 Bonds then subject to redemption so as to exhaust, to the extent practicable, the amount available. On each redemption date the Trustee shall withdraw from the applicable Subaccount of the Revenue Bond Sinking Fund Account the amount required to pay the Redemption Price of the Series 2008 Bonds so called for redemption. The amount of interest on the Series 2008 Bonds so called for redemption shall be paid from the applicable Subaccount of the Revenue Bond Interest Account or other moneys made available by the Authority.

Application of Money in the Series 2008A Subaccount and the Series 2008B Subaccount of the Revenue Bond Redemption Account

(a) For so long as a Credit Facility shall be in effect with respect to a Series of the Series 2008 Bonds, the payment of the Redemption Price of the Series 2008 Bonds of such Series that are subject to optional redemption will be paid from drawings under such Credit Facility as provided in the Series Resolution.

(b) If a Credit Facility shall not be in effect with respect to a Series of the Series 2008 Bonds, money held in the corresponding Subaccount of the Revenue Bond Redemption Account will be applied during each Bond Year to the retirement of Series 2008 Bonds called for redemption. The Trustee shall call for redemption on a date permitted by the Series Resolution such amount of Series 2008 Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money deposited in such Subaccount of the Revenue Bond Redemption Account as nearly as may be practicable. The Trustee shall pay the accrued interest on the Series 2008 Bonds or portions thereof to be redeemed to the date of redemption from the applicable Subaccount of the Revenue Bond Interest Account or other moneys made available by the Authority and the Redemption Price of such Bonds or portions thereof from the applicable Subaccount of the Revenue Bond Redemption Account. The Trustee shall withdraw from the applicable Subaccount of the Revenue Bond Redemption Account the respective amounts required to pay the Redemption Price of the Series 2008 Bonds or portions thereof so called for redemption.

Credit Facility for Series 2008 Bonds; Additional Event of Default with Respect to Series 2008 Bonds; Rights of Credit Provider

(a) Except during a Long-Term Rate Period in which the interest rate of a Series of the Series 2008 Bonds has been fixed to maturity and the Series 2008 Bonds of such Series are not subject to optional or mandatory tender for purchase by the owners thereof, a Credit Facility shall be in effect for such Series at all times under the Series Resolution. The Trustee is instructed, without further direction, to draw amounts under such Credit Facility in accordance with the terms and conditions set forth therein at the times, in the manner and for the purposes set forth in the Series Resolution. The Trustee, in its name or in the name of the Authority, may enforce all rights of the Trustee and of the Authority to require a Credit Provider to perform its obligations under and pursuant to a Credit Facility, for the benefit of the Owners of the applicable Series of the Series 2008 Bonds. By acceptance of its obligations under the Series Resolution, the Trustee agrees to assume and perform the duties and obligations contemplated under each Credit Facility to be assumed and performed by the Trustee. Notwithstanding any other provision of the Bond Order or the Series Resolution, the Trustee will not require that it be indemnified as a condition to its making any drawing on a Credit Facility at the times and under the circumstances otherwise required by the Series Resolution.

(b) The Trustee is directed, on or prior to each Interest Payment Date, to make a drawing under the applicable Credit Facility for each Series of the Series 2008 Bonds no later than the time provided in the applicable Credit Facility for presentations of drafts in order to receive payment in immediately available funds by 2:00 p.m. New York City time on such date, equal to the interest on Series 2008 Bonds then payable from such Credit Facility due on such Interest Payment Date (other than such interest representing a portion of the purchase price of any Series 2008 Bonds of such Series required to be purchased on such date) and to use such drawing to pay such interest due on such Series 2008 Bonds on such Interest Payment Date. The proceeds of such drawing will be held separate and apart from any moneys not received pursuant to a draw on such Credit Facility and held uninvested pending application to the payment of interest on such Series 2008 Bonds. In determining the amount of any such interest then due, the Trustee will not take into consideration any interest due on any Pledged Bonds or Series 2008 Bonds owned by the Authority, and no drawings under any Credit Facility will be made, or be used, to pay interest on any Pledged Bonds or Series 2008 Bonds owned by the Authority.

(c) On or prior to each date on which a payment of principal or Redemption Price on any Series 2008 Bonds then payable from a Credit Facility is due either by maturity or as a result of any mandatory or optional redemption of such Series 2008 Bonds or any acceleration of the maturity of such Series 2008 Bonds or otherwise (in each case, other than an amount representing the principal portion of the purchase price of any such Series 2008 Bonds required to be purchased on such date), the Trustee is directed to make a drawing under such Credit Facility no later than the time provided in the Credit Facility for

presentations of drafts in order to receive payment in immediately available funds by 2:00 p.m., New York City time on the date such principal or Redemption Price is payable, equal to the amount of such payment and to use such drawing to make such payment. The proceeds of such drawing will be held separate and apart from any moneys not received pursuant to a draw on such Credit Facility and held uninvested pending application to the payment of the principal or Redemption Price of such Series 2008 Bonds. In determining the amount of principal or Redemption Price then due, the Trustee will not take into consideration any principal for any Pledged Bonds or Series 2008 Bonds owned by the Authority, and no drawings under a Credit Facility will be made or be used to pay any principal or redemption premium for any Pledged Bonds or Series 2008 Bonds owned by the Authority.

(d) For purposes of giving any consents or directions contemplated under the Series Resolution or under the Order to be given by any Owner of Series 2008 Bonds, or exercising any voting rights given to Owners thereunder, including for purposes of requesting an acceleration of the Bonds pursuant to the Bond Order, for so long as a Credit Facility is in effect for a particular Series of such Bonds, the corresponding Credit Provider will be deemed to be the Owner of the Series 2008 Bonds of such Series. Notwithstanding the foregoing, all rights of a Credit Provider to exercise voting rights and give consents shall cease, determine and become null and void for so long as such Credit Provider wrongfully dishonors any draft (or other appropriate form of demand) presented in strict conformity with the requirements of the Credit Facility issued by such Credit Provider (other than a dishonor pursuant to any administrative or judicial order, ruling, finding or decision).

(e) If the Trustee makes a drawing under the applicable Credit Facility after the principal of the Series 2008 Bonds of either Series shall have been declared immediately due and payable following the occurrence of an Event of Default with respect to such Series of the Series 2008 Bonds, the proceeds of such drawing will be applied by the Trustee to the payment of the Series 2008 Bonds entitled to be paid therefrom as provided in the Order. So long as a Credit Facility remains in effect with respect to either Series of the Series 2008 Bonds, the Trustee may not waive any Event of Default with respect to the Series 2008 Bonds if a drawing has been made under such Credit Facility, all or any portion of which is subject to reinstatement as provided in such Credit Facility, and such reinstatement has not yet occurred. Furthermore, if moneys have been drawn under a Credit Facility, an Event of Default may not be waived by the Trustee hereunder unless and until the Trustee receives notice from the applicable Credit Provider that (a) the Credit Facility has been reinstated and is in full force and effect and (b) there is no ongoing event of default under the Reimbursement Agreement or it has been otherwise waived by such Credit Provider. Notwithstanding the foregoing, so long as the Credit Provider for a particular Series of Series 2008 Bonds has not defaulted in any of its obligations under the corresponding Credit Facility, the Trustee will not accelerate the payment of the principal of the Bonds of such Series without the consent of such Credit Provider.

(f) The rate at which the obligations of the Authority under the Reimbursement Agreement bear interest shall not exceed twenty per cent (20%) per annum unless a higher rate is approved by the Local Government Commission.

Alternate Credit Facility for Series 2008 Bonds

If at any time the Authority shall consent to be delivered to the Trustee (i) an Alternate Credit Facility covering a Series of the Series 2008 Bonds, (ii) either (A) written evidence from each Rating Agency then rating such Series 2008 Bonds, to the effect that such Rating Agency has reviewed the proposed Alternate Credit Facility and the ratings of the Series of Series 2008 Bonds after substitution of such Alternate Credit Facility or (B) a statement of the Authority that no ratings have been obtained, (iii) if such Alternate Credit Facility is other than a letter of credit issued by a domestic commercial bank, an opinion of counsel that no registration of the Series 2008 Bonds of such Series or such Alternate Credit

Facility is required under the Securities Act of 1933, as amended, (iv) an opinion of counsel, in form and substance satisfactory to the Trustee to the effect that such Alternate Credit Facility is a valid and enforceable obligation of the issuer or provider thereof, subject to such exceptions as the Trustee shall find acceptable and (v) all information required to give the notice of mandatory tender for purchase of such Series 2008 Bonds if required by the Series Indenture, then the Trustee shall accept such Alternate Credit Facility and, after the Trustee shall have drawn under the Credit Facility to be replaced and received sufficient funds to pay the purchase price of the applicable Series of the Series 2008 Bonds on the date of the mandatory tender for purchase established pursuant to the Series Resolution, promptly surrender the Credit Facility to be replaced to the Credit Provider that issued such Credit Facility in accordance with its terms for cancellation or deliver any document necessary to reduce the coverage of such Credit Facility.

Supplemental Series Resolutions

The Authority may, from time to time and at any time, adopt such resolutions supplemental to Series Resolution without the consent of the Owners of the Series 2008 Bonds provided such supplemental series resolution does not materially and adversely affect the interest of the Owners of the Series 2008 Bonds in the manner and under the conditions, limitations and restrictions set forth in the Series Resolution. The Authority may also, from time to time and at any time, adopt such resolutions supplemental to Series Resolution with the consent of the Owners of not less than a majority in aggregate principal amount of the Series 2008 Bonds then Outstanding that will be affected, as defined in the Series Resolution, by the proposed supplemental series resolution, in the manner and under the conditions, limitations and restrictions set forth in the Series Resolution.

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]



150 Fayetteville Street
Suite 2100
Raleigh, NC 27601

Telephone: (919) 755-2100
Fax: (919) 755-2150
www.wcsr.com

APPENDIX C

[FORM OF BOND COUNSEL OPINION]

March __, 2008

Piedmont Triad Airport Authority
Greensboro, North Carolina

We have examined, as bond counsel to the Piedmont Triad Airport Authority (the “Authority”), (a) the Constitution and laws of the State of North Carolina, including The State and Local Government Revenue Bond Act, as amended (the “Act”), (b) certified copies of proceedings of the Board of Directors of the Authority evidencing adoption of the Order and the Series Resolution (both as hereinafter defined) authorizing the issuance by the Authority of \$65,000,000 Airport Revenue Bonds, Series 2008A (Non-AMT) (the “Series 2008A Bonds”) and \$33,115,000 Airport Revenue Refunding Bonds, Series 2008B (AMT) (the “Series 2008B Bonds” and, together with the Series 2008A Bonds, the “Series 2008 Bonds”) and (c) other proofs submitted relative to the issuance and sale of the Series 2008 Bonds. The Series 2008 Bonds are being issued under and pursuant to a Bond Order adopted by the Board of Directors of the Authority on December 21, 1990, as amended and restated on October 19, 1999 (the “Order”), and a Series Resolution adopted by said Board on March 13, 2008 (the “Series Resolution”). Branch Banking and Trust Company is serving as trustee under the Order.

The Series 2008 Bonds are dated the date hereof, bear interest from their date and mature, subject to redemption prior to their stated maturities, as provided in the Series Resolution. Initially, the Series 2008 Bonds bear interest at variable rates of interest, and the interest rate determination method may be changed to a different method upon compliance with the terms of the Series Resolution. The Series 2008 Bonds are subject to optional, extraordinary and mandatory redemption and optional and mandatory tender for purchase at such times, under such circumstances and upon the terms and conditions set forth in the Series Resolution.

The Series 2008A Bonds are being issued to provide funds, together with other available funds, to (a) finance the cost of certain improvements to the Piedmont Triad International Airport, (b) pay a portion of the cost of the letter of credit being issued by Branch Banking and Trust Company (the “Credit Provider”) securing the payment of principal and purchase price of, and interest on, the Series 2008A Bonds (the “Series 2008A Letter of Credit”), and (c) pay the other costs incurred in connection with the issuance and sale of the Series 2008A Bonds. The Series 2008B Bonds are being issued to provide funds, together with other available funds, to (a) refund the Authority’s outstanding Airport Revenue Bonds, Series 2004B, (b) pay a portion of the cost of the letter of credit being issued by the Credit Provider securing the payment of principal and purchase price of, and interest on, the Series 2008B Bonds (the “Series 2008B Letter of Credit” and, together with the Series 2008A Letter of Credit, the “Letters of Credit”), and (c) pay the other costs incurred in connection with the issuance and sale of the Series 2008B Bonds.

The Authority has heretofore issued Bonds (as defined in the Order) pursuant to the Order. The Order provides for the issuance, under the conditions, limitations and restrictions therein set forth, of

additional Bonds and permits the incurrence of Parity Debt (as defined in the Order), both on a parity as to the pledge of Net Receipts (as defined in the Order) with the outstanding Bonds and Parity Debt. The Order also permits the incurrence of Subordinated Indebtedness (as defined in the Order) under the conditions, restrictions and limitations therein set forth.

Under the Order, the Authority, in its discretion, may secure any Bonds and Parity Debt by the Parity Reserve Account (as defined in the Order) or by a Special Reserve Account (as defined in the Order) under the conditions set forth in the Order. The Series 2008 Bonds are not secured by the Parity Reserve Account nor any Special Reserve Account.

As additional security for the Series 2008A Bonds, the Authority has arranged for the Credit Provider to deliver the Series 2008A Letter of Credit to the Trustee, and as additional security for the Series 2008B Bonds the Authority has arranged for the Credit Provider to deliver the Series 2008B Letter of Credit to the Trustee. Each Letter of Credit permits the Trustee to draw moneys pursuant to the terms thereof in an amount equal to (i) the outstanding principal amount of the Series 2008 Bonds secured thereby to pay the principal, or the principal component of the purchase price, of such Series 2008 Bonds, plus (ii) 35 days' interest on such principal amount, computed at an assumed rate of 12% per annum. The Letters of Credit are each stated to expire on March 18, 2015, unless extended or terminated earlier in accordance with their respective terms. In rendering the opinions set forth below, we have assumed that the Letters of Credit are the binding and enforceable obligations of the issuer thereof and express no opinion with respect thereto.

As to matters of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination, we are of the opinion, as of the date hereof and under existing law, that:

1. The Series 2008 Bonds have been duly authorized, executed and delivered.
2. The Board of Directors of the Authority has duly adopted the Order and the Series Resolution, and the Order and the Series Resolution are valid and binding obligations of the Authority enforceable in accordance with their respective terms.
3. The Series 2008 Bonds, together with the outstanding Bonds and any additional Bonds hereafter issued by the Authority under the Order and any Parity Debt hereafter incurred by the Authority are, to the extent provided in the Order, secured by a pledge, charge and lien upon the Net Receipts.
4. The Series 2008 Bonds are valid and binding special obligations of the Authority secured by a pledge, charge and lien upon, and the principal of, and the premium, if any, and interest on which are payable from, the funds and the income from the investment thereof in the respective subaccounts of the Revenue Bond Fund.
5. The Authority is not obligated to pay the principal of, premium, if any, or the interest on the Series 2008 Bonds except as provided in the Order and the Series Resolution. The principal of and interest on the Series 2008 Bonds are not payable from the general funds of the Authority, nor do the Series 2008 Bonds constitute a legal or equitable pledge, charge, lien or encumbrance upon the income, receipts or revenues of the Authority except for the Net Receipts and the amounts referenced in paragraph 4 above, in each case to the extent provided in the Order and the Series Resolution. Neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof, including

the Authority, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2008 Bonds, and no holder of the Series 2008 Bonds has the right to compel the exercise of the taxing power by the State of North Carolina or any political subdivision thereof, including the Authority, or the forfeiture of their respective property, other than the Net Receipts, in connection with any default with respect to the Series 2008 Bonds. The Authority has no taxing power.

6. Assuming continuing compliance by the Authority with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, use, expenditure and investment of proceeds of the Series 2008 Bonds, interest on the Series 2008 Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation, except for interest on any Series 2008B Bonds for any period during which such Series 2008B Bonds are held by a person who is a "substantial user" of the facilities refinanced with the proceeds of the Series 2008B Bonds or a "related person" of a "substantial user" (as such terms are defined in the Code). Interest on the Series 2008A Bonds is not treated as a preference item for purposes of computing the alternative minimum tax imposed by the Code on individuals and other taxpayers, including corporations, however, interest on the Series 2008A Bonds is includable in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations. Interest on the Series 2008B Bonds will be a specific preference item for purposes of computing the alternative minimum tax imposed by the Code on individuals and other taxpayers, including corporations

7. Interest on the Series 2008 Bonds is exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Series 2008 Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Series 2008 Bonds and the enforceability thereof and of the Order and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2008 Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORMS OF LETTERS OF CREDIT

[THIS PAGE INTENTIONALLY LEFT BLANK]

Form of 2008A Letter of Credit

IRREVOCABLE LETTER OF CREDIT
LETTER OF CREDIT NO. [_____]

March 18, 2008

Branch Banking and Trust Company
Corporate Trust Services
223 West Nash Street
Wilson, North Carolina 27894

Ladies and Gentlemen:

At the request of Piedmont Triad Airport Authority (the “Authority”), we hereby establish this Irrevocable Letter of Credit in your favor as Trustee under the Bond Order adopted by the Authority on December 21, 1990, as amended and restated by the Supplemental Order adopted by the Authority on October 19, 1999 (the “Bond Order”), and a Series Resolution adopted by the Board of Directors of the Authority on March 13, 2008 (the “Series Resolution”), pursuant to which \$65,000,000 principal amount of the Authority’s Airport Revenue Bonds, Series 2008A (Non-AMT) (the “Series 2008A Bonds”) have been issued. We hereby authorize you to draw on us at our Presentation Office (as hereinafter defined) an amount not exceeding \$65,747,946 (the “Initial Stated Amount” and, as the same may from time to time be reduced and thereafter reinstated as hereinafter provided, the “Stated Amount”) of which (i) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$65,000,000 may be drawn on in respect of principal or the portion of the purchase price corresponding to principal of the Series 2008A Bonds (the “Principal Component”); and (ii) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$747,946 may be drawn on in respect of the payment of up to 35 days’ interest or the portion of the purchase price corresponding to interest on the Series 2008A Bonds at an assumed per annum interest rate of 12% based on a 365-day year (the “Interest Component”) effective immediately and expiring at 3:00 P.M. (prevailing Eastern Time) on March 18, 2015 (the “Expiration Date”) or as hereinafter provided.

Multiple and partial drawings may be made under this Letter of Credit, but no single drawing under this Letter of Credit shall be honored in an amount exceeding the Stated Amount. Any and all payments made under this Letter of Credit will be made with our own funds.

Funds under this Letter of Credit are available to you against a sight draft drawn on us, stating on its face “Drawn under Branch Banking and Trust Company Irrevocable Letter of Credit No. _____”, presented for payment on a Business Day (as defined in the Series Resolution), and accompanied by a written certificate:

(a) in the form of Annex A attached hereto (an “A Drawing”) if the drawing is made with respect to payment of principal of the Series 2008A Bonds upon the acceleration, redemption or stated maturity thereof;

(b) in the form of Annex B attached hereto (a “B Drawing”) if the drawing is made with respect to payment of interest on the Series 2008A Bonds on or prior to their stated maturity date or upon the acceleration or redemption thereof; and

(c) in the form of Annex C attached hereto (a “C Drawing”) if the drawing is made with respect to payment of the purchase price of Series 2008A Bonds tendered, or deemed tendered, for purchase pursuant to Section 2.06 of the Series Resolution.

The demand for payment hereunder shall not exceed the Stated Amount. The Stated Amount shall be reduced by delivery to us of your certificate in the form of Annex D in the amount specified in such certificate.

The Principal Component of the Stated Amount shall be further automatically and permanently reduced by the amount of each A Drawing. The Stated Amount shall also be reduced by the amount of any drawing hereunder, except that (i) the amount of each B Drawing honored in respect of interest shall immediately and automatically be reinstated following the honoring of such drawing (except as provided in the next following sentence); and (ii) the amount of each C Drawing shall be restored upon receipt by you of notice from us confirming that the Authority has reimbursed us for such drawing. In the case of a B Drawing delivered in connection with a redemption, acceleration or stated maturity (but not purchase) of Series 2008A Bonds as indicated on Annex B, there shall be a pro rata permanent reduction of the Interest Component as provided in such Annex B.

The Letter of Credit shall terminate, effective immediately, on the earliest to occur of any of the following: (i) 3:00 p.m. (prevailing Eastern Time) on the Expiration Date, (ii) the close of business on the second Business Day following a conversion of the interest rate on the Series 2008A Bonds to a rate other than the Weekly Interest Rate (as defined in the Series Resolution), (iii) the date on which we honor a draft drawn hereunder pursuant to Section 8.03 of the Bond Order following the occurrence of an Event of Default thereunder and an acceleration, (iv) the date this Letter of Credit is surrendered to us by you for cancellation following acceptance by you of an Alternate Credit Facility (as defined in the Series Resolution), (v) the date on which we honor a draft drawn hereunder to purchase the Series 2008A Bonds following your receipt of written notice from us that an Event of Default under the Letter of Credit and Reimbursement Agreement dated as of March 1, 2008 (the “Reimbursement Agreement”) between the Authority and us has occurred and is continuing and a written notice from us directing a mandatory purchase of the Series 2008A Bonds pursuant to Section 2.06 of the Series Resolution, and (vi) the date on which we receive from you a certificate in the form of Annex E hereto. This Letter of Credit shall be promptly surrendered to us by you upon such termination. The Expiration Date may be extended by us at our discretion at any time or from time to time, by our giving written notice of such extension to you specifying a new Expiration Date.

The aforesaid certificates, which form an integral part of this Letter of Credit, shall have all blanks appropriately filled in and shall be signed by your authorized officer, and any sight

draft and the aforesaid certificates shall be in the form of a letter on your letterhead either delivered to us at our office located at 3318 West Friendly Avenue, 2nd Floor, Greensboro, NC 27410, Attention: Corporate Banker (the "Presentation Office") on a Business Day or delivered to us by facsimile (at telecopier number (336) 547-2175) on a Business Day (or at such other address or telecopier number as we may designate in a written notice delivered to you). The originals of all documents telecopied to us pursuant to which a drawing is made hereunder shall be delivered to us immediately following such facsimile. If demand for payment is made hereunder not later than 11:00 A.M. (prevailing Eastern Time) on any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds not later than 2:00 P.M. (prevailing Eastern Time) on the same Business Day. If demand for payment is made hereunder after 11:00 A.M. (prevailing Eastern Time) on any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds, not later than 10:00 A.M. (prevailing Eastern Time) on the next succeeding Business Day.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee whom you certify to us has succeeded you as Trustee under the Series Resolution. Transfer of the available balance of this Letter of Credit to a successor transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a written certificate in the form of Annex F attached hereto.

Only you (or a transferee as permitted by the terms of this Letter of Credit) may make a drawing under this Letter of Credit. Upon payment to you or your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to the respective demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment. By paying to you an amount demanded in accordance herewith we make no representation as to the correctness of the amount demanded. Series 2008A Bonds that are registered in the name of, or held by or for the account of the Authority or are held or required to be held for our benefit pursuant to the Series Resolution ("Pledged Bonds") shall not be entitled to any benefit of this Letter of Credit.

This Letter of Credit sets forth in full the terms of our undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit is related, except for the certificates referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates.

This Letter of Credit, except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500, and to the extent not inconsistent therewith, the laws of the State of North Carolina.

BRANCH BANKING AND TRUST COMPANY

By: _____
Jennifer L. Cudd
Senior Vice President

DRAWING CERTIFICATE
(Principal)

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the "Trustee"), hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. _____ (the "Letter of Credit"; the terms "Series 2008A Bonds", "Stated Amount", "Principal Component", "Bond Order" and "Series Resolution" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of principal of the Series 2008A Bonds.
3. The amount of principal of the Series 2008A Bonds which is due and payable is \$_____ and is the amount of the sight draft accompanying this Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Certificate was computed in compliance with the terms and conditions of the Bonds and the Series Resolution, is made in accordance with the Series Resolution and does not exceed the Principal Component of the Stated Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of the Series 2008A Bonds pursuant to the Series Resolution, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Bond Order and an acceleration of the Series 2008A Bonds in accordance with Section 8.03 thereof.]

The undersigned acknowledges that upon the Bank's honoring the sight draft accompanying this Certificate, the Principal Component of the Stated Amount of the Letter of Credit shall be permanently reduced by the aggregate amount of such sight draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

DRAWING CERTIFICATE
(Interest)

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the "Trustee") hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"; the terms "Series 2008A Bonds", "Stated Amount", "Interest Component", "Bond Order" and "Series Resolution" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of interest on the Series 2008A Bonds on or prior to their stated maturity date.
3. The amount of interest on the Series 2008A Bonds which is due and payable is \$_____ and is the amount of the sight draft accompanying this Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Certificate was computed in compliance with the terms and conditions of the Series 2008A Bonds and the Series Resolution, is made in accordance with the Series Resolution, and does not exceed the Interest Component of the Stated Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby (a) the undersigned will apply the same directly to the payment when due of the interest on the Series 2008A Bonds pursuant to the Series Resolution, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [The amount drawn hereby is to be used to pay interest on Series 2008A Bonds redeemed and not purchased. The undersigned acknowledges that upon the Bank's honoring the sight draft accompanying this Certificate, the Interest Component of the Stated Amount of the Letter of Credit shall be permanently reduced by an amount equal to 35 days interest on the principal amount of the Series 2008A Bonds being redeemed computed at the rate of 12% per annum.]

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Bond Order and an acceleration of the Series 2008A Bonds in accordance with Section 8.03 thereof.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

DRAWING CERTIFICATE
(Purchase Price)

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the “Trustee”) hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the “Bank”), with reference to Irrevocable Letter of Credit No. ____ (the “Letter of Credit”; the terms “Series 2008A Bonds”, “Series Resolution”, “Stated Amount” and “Pledged Bonds” as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Series 2008A Bonds tendered, or deemed tendered, for purchase pursuant to Section 2.06 of the Series Resolution, equal to the principal amount thereof. The amount of such portion of the purchase price equal to the principal amount of such Series 2008A Bonds is \$_____.
3. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Series 2008A Bonds tendered, or deemed tendered, for purchase pursuant to Section 2.06 of the Series Resolution, equal to the amount of accrued and unpaid interest on such Series 2008A Bonds to the date of purchase thereof. The amount of such portion of the purchase price equal to accrued and unpaid interest on such Series 2008A Bonds to the date of purchase thereof is \$_____.
4. The amount of this demand for payment is \$_____ (the sum of the amounts in Paragraphs 2 and 3 above) and the sight draft accompanying this Certificate was computed in compliance with the terms and conditions of the Series 2008A Bonds and the Series Resolution, is made in accordance with the Series Resolution, and does not exceed the Stated Amount of the Letter of Credit.
5. Upon receipt of the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the appropriate amount owing on account of the purchase price of Series 2008A Bonds tendered, or deemed tendered, pursuant to the Series Resolution, (b) no portion of said amount shall be applied for any other purpose and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

6. The Trustee agrees to hold, as the designee and agent for the Bank, the Series 2008A Bonds tendered for purchase and, upon request, will deliver the Series 2008A Bonds with respect to which this drawing relates and the purchase price of which demand is made hereunder to the Bank as Pledged Bonds entitled to a security interest in favor of the Bank.

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Reimbursement Agreement and a written notice from us directing a mandatory purchase of the Series 2008A Bonds in accordance with Section 2.06 of the Series Resolution.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the "Trustee") hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"; the terms "Series 2008A Bonds", the "Series Resolution" and "Stated Amount" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee hereby notifies you that on or prior to the date hereof \$_____ amount of the Series 2008A Bonds have been paid or defeased pursuant to the Series Resolution other than with funds drawn under the Letter of Credit.
3. Following the payment or defeasance referred to in paragraph (2) above, the aggregate principal amount of all the Bonds outstanding is \$_____.
4. The amount of interest (computed at a rate of twelve percent (12%) per annum based on a 365-day year), accruing on the Series 2008A Bonds referred to in paragraph 3 above for a period of 35 days is \$_____.
5. Upon receipt by the Bank of this Certificate, the Stated Amount of the Letter of Credit is reduced to \$_____ (such amount being equal to the amounts specified in paragraphs 3 and 4 above).

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate this _____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the “Trustee”) hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the “Bank”), with reference to Irrevocable Letter of Credit No. ____ (the “Letter of Credit”; the terms “Series 2008A Bonds” and “Series Resolution” as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee hereby notifies you that all the Series 2008A Bonds have been paid, redeemed or defeased pursuant to the Series Resolution.
3. The Letter of Credit is attached hereto and is being surrendered to you herewith.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate this ____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Ladies and Gentlemen:

We refer to Irrevocable Letter of Credit No. _____ (the “Letter of Credit”), issued in favor of Branch Banking and Trust Company, in its capacity as Trustee under the Series Resolution (as defined in the Letter of Credit).

For value received we hereby irrevocably transfer to _____, hereinafter referred to as the transferee, all rights of the undersigned to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

The Letter of Credit is returned herewith for the purpose of effecting such transfer.

Please notify the transferee of this transfer and the conditions of the Letter of Credit.

Very truly yours,

(Signature of Transferor)

Signature Authenticated

(Bank)

(Authorized Signature)

Form of 2008B Letter of Credit

IRREVOCABLE LETTER OF CREDIT
LETTER OF CREDIT NO. [_____]

March 18, 2008

Branch Banking and Trust Company
Corporate Trust Services
223 West Nash Street
Wilson, North Carolina 27894

Ladies and Gentlemen:

At the request of Piedmont Triad Airport Authority (the “Authority”), we hereby establish this Irrevocable Letter of Credit in your favor as Trustee under the Bond Order adopted by the Authority on December 21, 1990, as amended and restated by the Supplemental Order adopted by the Authority on October 19, 1999 (the “Bond Order”), and a Series Resolution adopted by the Board of Directors of the Authority on March 13, 2008 (the “Series Resolution”), pursuant to which \$33,115,000 principal amount of the Authority’s Airport Revenue Bonds, Series 2008B (AMT) (the “Series 2008B Bonds”) have been issued. We hereby authorize you to draw on us at our Presentation Office (as hereinafter defined) an amount not exceeding \$33,496,050 (the “Initial Stated Amount” and, as the same may from time to time be reduced and thereafter reinstated as hereinafter provided, the “Stated Amount”) of which (i) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$33,115,000 may be drawn on in respect of principal or the portion of the purchase price corresponding to principal of the Series 2008B Bonds (the “Principal Component”); and (ii) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$381,050 may be drawn on in respect of the payment of up to 35 days’ interest or the portion of the purchase price corresponding to interest on the Series 2008B Bonds at an assumed per annum interest rate of 12% based on a 365-day year (the “Interest Component”) effective immediately and expiring at 3:00 P.M. (prevailing Eastern Time) on March 18, 2015 (the “Expiration Date”) or as hereinafter provided.

Multiple and partial drawings may be made under this Letter of Credit, but no single drawing under this Letter of Credit shall be honored in an amount exceeding the Stated Amount. Any and all payments made under this Letter of Credit will be made with our own funds.

Funds under this Letter of Credit are available to you against a sight draft drawn on us, stating on its face “Drawn under Branch Banking and Trust Company Irrevocable Letter of Credit No. _____”, presented for payment on a Business Day (as defined in the Series Resolution), and accompanied by a written certificate:

(a) in the form of Annex A attached hereto (an “A Drawing”) if the drawing is made with respect to payment of principal of the Series 2008B Bonds upon the acceleration, redemption or stated maturity thereof;

(b) in the form of Annex B attached hereto (a “B Drawing”) if the drawing is made with respect to payment of interest on the Series 2008B Bonds on or prior to their stated maturity date or upon the acceleration or redemption thereof; and

(c) in the form of Annex C attached hereto (a “C Drawing”) if the drawing is made with respect to payment of the purchase price of Series 2008B Bonds tendered, or deemed tendered, for purchase pursuant to Section 2.06 of the Series Resolution.

The demand for payment hereunder shall not exceed the Stated Amount. The Stated Amount shall be reduced by delivery to us of your certificate in the form of Annex D in the amount specified in such certificate.

The Principal Component of the Stated Amount shall be further automatically and permanently reduced by the amount of each A Drawing. The Stated Amount shall also be reduced by the amount of any drawing hereunder, except that (i) the amount of each B Drawing honored in respect of interest shall immediately and automatically be reinstated following the honoring of such drawing (except as provided in the next following sentence); and (ii) the amount of each C Drawing shall be restored upon receipt by you of notice from us confirming that the Authority has reimbursed us for such drawing. In the case of a B Drawing delivered in connection with a redemption, acceleration or stated maturity (but not purchase) of Series 2008B Bonds as indicated on Annex B, there shall be a pro rata permanent reduction of the Interest Component as provided in such Annex B.

The Letter of Credit shall terminate, effective immediately, on the earliest to occur of any of the following: (i) 3:00 p.m. (prevailing Eastern Time) on the Expiration Date, (ii) the close of business on the second Business Day following a conversion of the interest rate on the Series 2008B Bonds to a rate other than the Weekly Interest Rate (as defined in the Series Resolution), (iii) the date on which we honor a draft drawn hereunder pursuant to Section 8.03 of the Bond Order following the occurrence of an Event of Default thereunder and an acceleration, (iv) the date this Letter of Credit is surrendered to us by you for cancellation following acceptance by you of an Alternate Credit Facility (as defined in the Series Resolution), (v) the date on which we honor a draft drawn hereunder to purchase the Series 2008B Bonds following your receipt of written notice from us that an Event of Default under the Letter of Credit and Reimbursement Agreement dated as of March 1, 2008 (the “Reimbursement Agreement”) between the Authority and us has occurred and is continuing and a written notice from us directing a mandatory purchase of the Series 2008B Bonds pursuant to Section 2.06 of the Series Resolution, and (vi) the date on which we receive from you a certificate in the form of Annex E hereto. This Letter of Credit shall be promptly surrendered to us by you upon such termination. The Expiration Date may be extended by us at our discretion at any time or from time to time, by our giving written notice of such extension to you specifying a new Expiration Date.

The aforesaid certificates, which form an integral part of this Letter of Credit, shall have all blanks appropriately filled in and shall be signed by your authorized officer, and any sight

draft and the aforesaid certificates shall be in the form of a letter on your letterhead either delivered to us at our office located at 3318 West Friendly Avenue, 2nd Floor, Greensboro, NC 27410, Attention: Corporate Banker (the "Presentation Office") on a Business Day or delivered to us by facsimile (at telecopier number (336) 547-2175) on a Business Day (or at such other address or telecopier number as we may designate in a written notice delivered to you). The originals of all documents telecopied to us pursuant to which a drawing is made hereunder shall be delivered to us immediately following such facsimile. If demand for payment is made hereunder not later than 11:00 A.M. (prevailing Eastern Time) on any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds not later than 2:00 P.M. (prevailing Eastern Time) on the same Business Day. If demand for payment is made hereunder after 11:00 A.M. (prevailing Eastern Time) on any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds, not later than 10:00 A.M. (prevailing Eastern Time) on the next succeeding Business Day.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee whom you certify to us has succeeded you as Trustee under the Series Resolution. Transfer of the available balance of this Letter of Credit to a successor transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a written certificate in the form of Annex F attached hereto.

Only you (or a transferee as permitted by the terms of this Letter of Credit) may make a drawing under this Letter of Credit. Upon payment to you or your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to the respective demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment. By paying to you an amount demanded in accordance herewith we make no representation as to the correctness of the amount demanded. Series 2008B Bonds that are registered in the name of, or held by or for the account of the Authority or are held or required to be held for our benefit pursuant to the Series Resolution ("Pledged Bonds") shall not be entitled to any benefit of this Letter of Credit.

This Letter of Credit sets forth in full the terms of our undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit is related, except for the certificates referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates.

This Letter of Credit, except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500, and to the extent not inconsistent therewith, the laws of the State of North Carolina.

BRANCH BANKING AND TRUST COMPANY

By: _____
Jennifer L. Cudd
Senior Vice President

DRAWING CERTIFICATE
(Principal)

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the "Trustee"), hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. _____ (the "Letter of Credit"; the terms "Series 2008B Bonds", "Stated Amount", "Principal Component", "Bond Order" and "Series Resolution" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of principal of the Series 2008B Bonds.
3. The amount of principal of the Series 2008B Bonds which is due and payable is \$_____ and is the amount of the sight draft accompanying this Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Certificate was computed in compliance with the terms and conditions of the Bonds and the Series Resolution, is made in accordance with the Series Resolution and does not exceed the Principal Component of the Stated Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of the Series 2008B Bonds pursuant to the Series Resolution, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Bond Order and an acceleration of the Series 2008B Bonds in accordance with Section 8.03 thereof.]

The undersigned acknowledges that upon the Bank's honoring the sight draft accompanying this Certificate, the Principal Component of the Stated Amount of the Letter of Credit shall be permanently reduced by the aggregate amount of such sight draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

DRAWING CERTIFICATE
(Interest)

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the "Trustee") hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"; the terms "Series 2008B Bonds", "Stated Amount", "Interest Component", "Bond Order" and "Series Resolution" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of interest on the Series 2008B Bonds on or prior to their stated maturity date.
3. The amount of interest on the Series 2008B Bonds which is due and payable is \$_____ and is the amount of the sight draft accompanying this Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Certificate was computed in compliance with the terms and conditions of the Series 2008B Bonds and the Series Resolution, is made in accordance with the Series Resolution, and does not exceed the Interest Component of the Stated Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby (a) the undersigned will apply the same directly to the payment when due of the interest on the Series 2008B Bonds pursuant to the Series Resolution, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [The amount drawn hereby is to be used to pay interest on Series 2008B Bonds redeemed and not purchased. The undersigned acknowledges that upon the Bank's honoring the sight draft accompanying this Certificate, the Interest Component of the Stated Amount of the Letter of Credit shall be permanently reduced by an amount equal to 35 days interest on the principal amount of the Series 2008B Bonds being redeemed computed at the rate of 12% per annum.]

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Bond Order and an acceleration of the Series 2008B Bonds in accordance with Section 8.03 thereof.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

DRAWING CERTIFICATE
(Purchase Price)

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the “Trustee”) hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the “Bank”), with reference to Irrevocable Letter of Credit No. ____ (the “Letter of Credit”; the terms “Series 2008B Bonds”, “Series Resolution”, “Stated Amount” and “Pledged Bonds” as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Series 2008B Bonds tendered, or deemed tendered, for purchase pursuant to Section 2.06 of the Series Resolution, equal to the principal amount thereof. The amount of such portion of the purchase price equal to the principal amount of such Series 2008B Bonds is \$_____.
3. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Series 2008B Bonds tendered, or deemed tendered, for purchase pursuant to Section 2.06 of the Series Resolution, equal to the amount of accrued and unpaid interest on such Series 2008B Bonds to the date of purchase thereof. The amount of such portion of the purchase price equal to accrued and unpaid interest on such Series 2008B Bonds to the date of purchase thereof is \$_____.
4. The amount of this demand for payment is \$_____ (the sum of the amounts in Paragraphs 2 and 3 above) and the sight draft accompanying this Certificate was computed in compliance with the terms and conditions of the Series 2008B Bonds and the Series Resolution, is made in accordance with the Series Resolution, and does not exceed the Stated Amount of the Letter of Credit.
5. Upon receipt of the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the appropriate amount owing on account of the purchase price of Series 2008B Bonds tendered, or deemed tendered, pursuant to the Series Resolution, (b) no portion of said amount shall be applied for any other purpose and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

6. The Trustee agrees to hold, as the designee and agent for the Bank, the Series 2008B Bonds tendered for purchase and, upon request, will deliver the Series 2008B Bonds with respect to which this drawing relates and the purchase price of which demand is made hereunder to the Bank as Pledged Bonds entitled to a security interest in favor of the Bank.

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Reimbursement Agreement and a written notice from us directing a mandatory purchase of the Series 2008B Bonds in accordance with Section 2.06 of the Series Resolution.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the "Trustee") hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"; the terms "Series 2008B Bonds", the "Series Resolution" and "Stated Amount" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee hereby notifies you that on or prior to the date hereof \$_____ amount of the Series 2008B Bonds have been paid or defeased pursuant to the Series Resolution other than with funds drawn under the Letter of Credit.
3. Following the payment or defeasance referred to in paragraph (2) above, the aggregate principal amount of all the Bonds outstanding is \$_____.
4. The amount of interest (computed at a rate of twelve percent (12%) per annum based on a 365-day year), accruing on the Series 2008B Bonds referred to in paragraph 3 above for a period of 35 days is \$_____.
5. Upon receipt by the Bank of this Certificate, the Stated Amount of the Letter of Credit is reduced to \$_____ (such amount being equal to the amounts specified in paragraphs 3 and 4 above).

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate this _____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Ladies and Gentlemen:

Branch Banking and Trust Company, in its capacity as Trustee (the “Trustee”) hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the “Bank”), with reference to Irrevocable Letter of Credit No. ____ (the “Letter of Credit”; the terms “Series 2008B Bonds” and “Series Resolution” as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Series Resolution.
2. The Trustee hereby notifies you that all the Series 2008B Bonds have been paid, redeemed or defeased pursuant to the Series Resolution.
3. The Letter of Credit is attached hereto and is being surrendered to you herewith.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate this ____ day of _____, 20__.

BRANCH BANKING AND TRUST COMPANY,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
3318 West Friendly Avenue, 2nd Floor
Greensboro, NC 27410
Attention: Corporate Banker

Ladies and Gentlemen:

We refer to Irrevocable Letter of Credit No. ____ (the “Letter of Credit”), issued in favor of Branch Banking and Trust Company, in its capacity as Trustee under the Series Resolution (as defined in the Letter of Credit).

For value received we hereby irrevocably transfer to _____, hereinafter referred to as the transferee, all rights of the undersigned to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

The Letter of Credit is returned herewith for the purpose of effecting such transfer.

Please notify the transferee of this transfer and the conditions of the Letter of Credit.

Very truly yours,

(Signature of Transferor)

Signature Authenticated

(Bank)

(Authorized Signature)

CERTAIN INFORMATION CONCERNING
BRANCH BANKING AND TRUST COMPANY

[THIS PAGE INTENTIONALLY LEFT BLANK]

The information contained in this Appendix has been obtained from Branch Banking and Trust Company (the “Bank”) and is not to be construed as a representation by the Authority or the Underwriter.

The Bank is a wholly-owned subsidiary of BB&T Corporation (the “Corporation”), a North Carolina financial holding company. The Bank is chartered under the laws of the State of North Carolina to engage in a general banking business.

The Bank provides a full range of commercial banking, consumer banking and trust and investment services primarily through its branch network located in North Carolina, South Carolina, Virginia, West Virginia, Kentucky, Georgia, Florida, Alabama, Maryland, Tennessee, Indiana and Washington, D.C. At December 31, 2007, the Bank had total assets of approximately \$127.698 billion, and total deposits of approximately \$86.958 billion.

The Bank submits quarterly to the Federal Deposit Insurance Corporation, its primary federal regulator, certain information regarding its financial condition entitled “Consolidated Reports of Conditions and Income for a Bank with Domestic and Foreign Offices (“Call Reports”). All Call Reports may be obtained by calling the FDIC at (800) 688-3342 or (877) 275-3342.

Additionally, the Corporation is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the “SEC”). The Bank will provide copies of the Corporation’s most recent Form 10-K and any reports on Form 10-Q or Form 8-K filed since the date of such Form 10-K, in each case as filed with the SEC, free of charge to any recipient of this document, upon written request of such person delivered in writing to: BB&T Corporation, 200 West Second Street, Winston-Salem, North Carolina 27101, Attention: External Reporting.

The information concerning the Corporation and the Bank contained herein is furnished solely to provide limited introductory information, is not intended to be comprehensive and is qualified in its entirety by the detailed information appearing in the documents and filings (including all financial statements) referenced above.

THE LETTER OF CREDIT IS AN OBLIGATION OF THE BANK AND NOT AN OBLIGATION OF THE CORPORATION.

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE DEPOSITORY TRUST COMPANY AND
THE BOOK-ENTRY-ONLY SYSTEM

[THIS PAGE INTENTIONALLY LEFT BLANK]

The Depository Trust Company and the Book-Entry-Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully registered bonds registered in the name of Cede & Co., DTC’s partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each Series of the 2008 Bonds in the aggregate principal amount of such Series of Bonds, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF EITHER SERIES OF THE 2008 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF SUCH SERIES OF THE 2008 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF SUCH SERIES OF THE 2008 BONDS.

DTC, the world’s largest 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 Exchange Act. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P’s highest rating: “AAA”. The rules applicable to DTC and its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC’s records. The ownership interest of actual purchasers of the Series 2008 Bonds (“Beneficial Owners”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on

behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds of such Series they own is discontinued.

To facilitate subsequent transfers, all Series 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008 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 identities of the actual Beneficial Owners of the Series 2008 Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The Authority and the Trustee will recognize DTC or DTC's partnership nominee, Cede & Co., while the registered owner, as the owner of the Series 2008 Bonds for all purposes, including notices and voting. 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 of the Series 2008 Bonds 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 should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Series 2008 Bonds that may be transmitted by or through DTC.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2008 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2008 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2008 Bond documents. For example, Beneficial Owners of Series 2008 Bonds may wish to ascertain that the nominee holding the Series 2008 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a Series of the 2008 Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series of Series 2008 Bonds to be redeemed.

Neither DTC, Cede & Co. nor any other DTC nominee will consent or vote with respect to the Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption premiums, if any, on the Series 2008 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, its nominee, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption premiums, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2008 Bonds purchased or tendered through its Direct or Indirect Participant to the Trustee and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Series 2008 Bonds on DTC's record to the Trustee. The requirement for physical delivery of the Series 2008 Bonds in connection with an optional or mandatory tender for purchase will be deemed satisfied when the ownership rights in the Series 2008 Bonds are transferred by Direct Participants on DTC's records and followed by a book entry of tendered Series 2008 Bonds to the Trustee.

DTC may discontinue providing its service as securities depository with respect to the Series 2008 Bonds at any time by giving reasonable notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, or in the event the Authority desires to use a similar book-entry system with another securities depository, there may be a successor securities depository (all references to DTC include any such successor). The Authority may also decide to discontinue participation in the system of book-entry transfer through DTC (or a successor securities depository) at any time by giving reasonable notice to DTC. If the book-entry system is discontinued and there is no successor securities depository, bond certificates are required to be printed and delivered to the Beneficial Owners as described in the Bond Order and Series Resolution. The Beneficial Owners of the Series 2008 Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Series 2008 Bonds.

For every transfer and exchange of Series 2008 Bonds, owners of such Series 2008 Bonds requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Trustee, DTC or the Participant in connection with such transfers or exchanges.

The Authority and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2008 Bonds (a) payments of principal of, premium, if any, or interest on the Series 2008 Bonds, (b) confirmations of their ownership interests in the Series 2008 Bonds or (c) redemption or other

notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Series 2008 Bonds, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants will serve and act in the manner described in this Official Statement. The information in this section preceding this paragraph concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NONE OF THE AUTHORITY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2008 BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A HOLDER. THE AUTHORITY AND THE TRUSTEE SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR REDEMPTION PRICE OR INTEREST ON THE SERIES 2008 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE BOND ORDER OR THE SERIES RESOLUTION; (4) THE SELECTION BY DTC OR ANY PARTICIPANTS OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2008 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS HOLDER.

