

In the opinion of Bond Counsel, under the Internal Revenue Code of 1986, as amended (the "Code"), as presently construed and administered, and assuming continued compliance by the Authority with certain covenants made in the Indenture, the interest income on the Series 2010 Bonds will be excludable from gross income of the recipients thereof for Federal income tax purposes, except with respect to any Series 2010-B Bond for any period during which it is held by a "substantial user" of the Airport or a "related person" as those terms are used and defined in Section 147(a) of the Code. The Series 2010-B Bonds are "private activity bonds," the interest on which is an item of tax preference for purposes of the alternative minimum tax on individuals and corporations under the Code. Ownership of the Series 2010 Bonds by certain classes of taxpayers may have certain other Federal tax consequences See "TAX EXEMPTION" herein. In the opinion of Bond Counsel, the interest income on the Series 2010 Bonds will be exempt from Alabama income taxation.

**THE HUNTSVILLE-MADISON COUNTY
AIRPORT AUTHORITY**

\$10,175,000
Airport Revenue Bonds
Series 2010-A

\$3,310,000
Airport Revenue Bonds
Series 2010-B

Dated: Date of Delivery

Due: July 1, as shown on the
the inside cover hereof

Interest on the Series 2010 Bonds is payable on July 1, 2011, and semiannually thereafter on January 1 and July 1 of each year. The Series 2010 Bonds will be issued as fully registered bonds, and when issued, will be registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2010 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2010 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2010 Bonds. The principal of and interest on the Series 2010 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2010 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2010 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE SERIES 2010 BONDS—Book-Entry Only System."

The Series 2010 Bonds, together with certain outstanding bonds heretofore issued under the Indenture herein described and any Additional Bonds hereafter issued, are limited special obligations of the Authority payable solely out of the Pledged Revenues derived from the operation of the Airport remaining after payment of Operating Expenses. See "Security for the Series 2010 Bonds" herein. The Indenture does not constitute a mortgage on any of the physical properties forming a part of the Airport or create any lien thereon or security interest therein. The Series 2010 Bonds are not general obligations of the Authority, and the covenants and representations contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the Authority, nor shall the City of Huntsville, Alabama, or Madison County, Alabama in any manner be liable for payment of the principal of or the interest (or premium, if any) on the Series 2010 Bonds. The Authority has no taxing power. The Series 2010-A Bonds are subject to optional redemption prior to maturity as more fully described herein.

The scheduled payment of principal of and interest on the Series Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2010 Bonds by **ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)**



The purchase and ownership of beneficial interests in the Series 2010 Bonds involves investment risk. Prospective purchasers are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed under "BONDHOLDERS' RISKS."

The Series 2010 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter and subject to the approval of their legality by Hand Arendall LLC, Birmingham, Alabama, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Wilmer & Lee, P.A., Huntsville, Alabama. It is expected that the Series 2010 Bonds in definitive form will be delivered through the facilities of DTC on or about December 21, 2010.

Morgan Keegan

Dated: December 8, 2010

*For an explanation of the Rating, see "Ratings" herein

Amount, Maturities, Interest Rates, Yields and CUSIP

Maturity Schedule

\$10,175,000
Airport Revenue Bonds
Series 2010-A

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP
2011	\$ 395,000	2.000%	1.090%	447203CA6
2012	695,000	2.500	1.360	447203CB4
2013	715,000	2.500	1.660	447203CC2
2014	730,000	2.750	2.050	447203CD0
2015	750,000	2.000	2.330	447203CE8
2016	765,000	3.000	2.610	447203CF5
2017	785,000	3.000	3.020	447203CG3
2018	810,000	3.250	3.380	447203CH1
2019	840,000	3.625	3.770	447203CJ7
2020	870,000	4.000	4.010	447203CK4
2021	900,000	4.125	4.250	447203CL2
2022	940,000	4.250	4.390	447203CM0
2023	980,000	4.500	4.580	447203CN8

\$3,310,000
Airport Revenue Bonds
Series 2010-B

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP
2011	\$ 205,000	2.500%	1.820%	447203CP3
2012	355,000	2.500	2.100	447203CQ1
2013	365,000	3.000	2.390	447203CR9
2014	380,000	3.000	2.750	447203CS7
2015	390,000	3.000	3.080	447203CT5
2016	400,000	3.125	3.310	447203CU2
2017	410,000	3.500	3.770	447203CV0
2018	425,000	4.000	4.130	447203CW8
2019	380,000	4.250	4.520	447203CX6

**HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
1000 GLENN HEARN BOULEVARD
HUNTSVILLE, ALABAMA 35824
(256) 772-9395**

BOARD OF DIRECTORS

William H. Johnston, Jr.	Chairman
Betty D. Fletcher	Vice-Chairman
Jeff Sikes	Secretary and Treasurer
Carl J. Gessler	Vice Secretary
Mark McDaniel	Member

ADMINISTRATION

Richard A. Tucker	Executive Director
Luther H. Roberts, Jr., A.A.E., CMA	Deputy Director
Douglas E. Kreulen	Director - Operations
Paul S. Kelly, Jr., CPA	Director - Finance & Administration
Mitch Bradley	Director - International Intermodal Center
S. Brooks Kracke	Director - Jetplex Industrial Park
Stan Hogan	Director - Capital Improvements
Barbie P. Peek	Director - Marketing

AUDITOR

Mercer & Associates, PC

BOND COUNSEL

Hand Arendall LLC
Birmingham, Alabama

COUNSEL TO THE AUTHORITY

Wilmer & Lee, P.A.
Huntsville, Alabama

FINANCIAL ADVISOR

Public FA, Inc.
Huntsville, Alabama

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations, other than those contained herein in connection with the offering of the Series 2010 Bonds, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Certain information set forth in this Official Statement has been furnished by the Authority and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2010 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Appendix C – Summary of Certain Provisions of the Indenture

Appendix D – Summary of the Continuing Disclosure Agreement

Appendix E – Specimen Municipal Bond Insurance Policy

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“AGM”) makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “Exhibit E - Specimen Municipal Bond Insurance Policy”.

OFFICIAL STATEMENT

relating to

THE HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY

\$10,175,000
Airport Revenue Bonds
Series 2010-A

\$3,310,000
Airport Revenue Bonds
Series 2010-B

INTRODUCTION

The purpose of this Official Statement which includes the cover page and the appendices hereto, is to set forth information concerning The Huntsville-Madison County Airport Authority (the "Authority"), the Airport (as hereinafter defined) and the Authority's (a) Airport Revenue Bonds, Series 2010-A (the "Series 2010-A Bonds") and (b) Airport Revenue Bonds, Series 2010-B (the "Series 2010-B Bonds").

Proceeds from the sale of the Series 2010-A Bonds will be used to pay: (i) the cost of refunding, on a current basis, the Authority's Airport Revenue Bonds, Series 1998, dated September 1, 1998 (the "Series 1998 Bonds"), which are presently outstanding in the aggregate principal amount of \$10,195,000; and (ii) the costs of issuing the Series 2010-A Bonds. Proceeds from the sale of the Series 2010-B Bonds will be used to pay (1) the cost of refunding, on a current basis, the Authority's Airport Revenue Bonds, Series 2001, dated August 1, 2001 (the "Series 2001 Bonds"), which are presently outstanding in the aggregate principal amount of \$3,350,000; and (2) the costs of issuing the Series 2010-B Bonds.

On July 13, 1989, the Authority issued \$39,530,000 aggregate principal amount of its Airport Revenue Bonds, Series 1989-A, dated June 15, 1989 (the "Series 1989-A Bonds") under and pursuant to a Trust Indenture dated as of June 15, 1989 (the "1989 Indenture") between the Authority and First Alabama Bank, currently known as Regions Bank, as trustee (the "Trustee"). The Series 1989-A Bonds were currently refunded by the Series 1997 Bonds hereinafter referred to.

On August 22, 1989, the Authority issued \$2,945,000 aggregate principal amount of its Airport Revenue Bonds, Series 1989-B, dated July 15, 1989 (the "Series 1989-B Bonds") and \$3,625,000 aggregate principal amount of its Taxable Airport Revenue Bonds, Series 1989-C, dated July 15, 1989 (the "Series 1989-C Bonds") under and pursuant to the 1989 Indenture, as supplemented by a First Supplemental Indenture dated as of July 15, 1989, between the Authority and the Trustee (the "First Supplemental Indenture"). The Series 1989-B Bonds matured and were paid on July 1, 1999. The Series 1989-C Bonds matured and were paid on July 1, 1996.

On July 9, 1991, the Authority issued \$5,925,000 aggregate principal amount of its Airport Revenue Bonds, Series 1991 (the "Series 1991 Bonds") under and pursuant to the 1989 Indenture, as theretofore supplemented by the First Supplemental Indenture and as further supplemental by a Second Supplemental Indenture dated as of June 1, 1991, between the Authority and the Trustee (the "Second Supplemental Indenture"). The Series 1991 Bonds were currently refunded by the Series 2001 Bonds.

On April 10, 1997, the Authority issued \$42,345,000 principal amount of its Airport Revenue Bonds, Series 1997 (the "Series 1997 Bonds") under and pursuant to the 1989 Indenture, as theretofore supplemented by the First Supplemental Indenture and the Second Supplemental Indenture and as further supplemented by the First Supplemental Indenture and the Second Supplemental Indenture and as further supplemented by a Third Supplemental Indenture dated as of April 1, 1997, between the Authority and the Trustee (the "Third Supplemental Indenture"). The Series 1997 Bonds were issued for the purpose of currently refunding the Series 1989-A Bonds. Those of the Series 1997 Bonds maturing on July 1, 2010, and thereafter were currently refunded by the Series 2007 Bonds hereinafter referred to.

On September 16, 1998, the Authority issued the Series 1998 Bonds for the purpose of constructing a new public parking deck at the Airport. The Series 1998 Bonds were issued under and pursuant to the 1989 Indenture, as theretofore supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture and as further supplemented by a Fourth Supplemental Indenture dated as of September 1, 1998, between the Authority and the Trustee (the "Fourth Supplemental Indenture"). The Series 1998 Bonds are being currently refunded by the Series 2010-A Bonds.

On August 19, 2001, the Authority issued the Series 2001 Bonds under and pursuant to the 1989 Indenture, as theretofore supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture and as further supplemented by a Fifth Supplemental Indenture dated as of August 1, 2001, between the Authority and the Trustee (the "Fifth Supplemental Indenture"). The Series 2001 Bonds are being currently refunded by the Series 2010-B Bonds.

On April 20, 2006, the Authority issued \$18,705,000 aggregate principal amount of its Airport Revenue Bonds, Series 2006 (the "Series 2006 Bonds") under and pursuant to the 1989 Indenture, as theretofore supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, and as further supplemented by a Sixth Supplemental Indenture dated as of April 1, 2006, between the Authority and the Trustee (the "Sixth Supplemental Indenture").

On March 21, 2007, the Authority issued \$27,210,000 aggregate principal amount of its Airport Revenue Bonds, Series 2007 (the "Series 2007 Bonds") under and pursuant to the 1989 Indenture, as theretofore supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and as further supplemented by a Seventh Supplemental Indenture dated as of March 1, 2007, between the Authority and the Trustee (the "Seventh Supplemental Indenture").

The Series 2010-A Bonds and the Series 2010-B Bonds (together, the "Series 2010 Bonds") are being issued under the applicable laws of the State of Alabama and under and pursuant to the 1989 Indenture, as heretofore supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, and as further supplemented by a Eighth Supplemental Indenture dated as of December 1, 2010, between the Authority and the Trustee (the 1989 Indenture, as so supplemented, the "Indenture").

Under certain circumstances, the Indenture permits the issuance of additional bonds ("Additional Bonds") which rank on a parity with, the Series 2006 Bonds, the Series 2007 Bonds and the Series 2010 Bonds, as to lien upon and security of payment from the Pledged Revenues (as hereinafter defined). See "Security for the Series 2010 Bonds - Additional Bonds." The Series 2006 Bonds and the Series 2007 Bonds are hereinafter collectively referred to as the "Outstanding Bonds." The Outstanding Bonds, the Series 2010 Bonds and any Additional Bonds which may be issued under the Indenture are hereinafter collectively referred to as the "Bonds."

The Airport is defined in the Indenture to be those properties and facilities actually used for airport operations as specifically identified therein, including the International Intermodal Center and Air Cargo Facilities and the General Aviation Facilities. See "The Airport." In addition to the Airport, the Authority also owns other properties and facilities including an industrial park, the Sheraton Four Points Hotel located in the terminal building (including restaurants, meeting rooms, catering and banquet facilities and shops associated with such hotel) and a golf course, all of which are not part of the Airport and the revenues from which are not pledged under the Indenture.

Unless otherwise indicated, capitalized terms used in this Official statement shall have the meanings established in the Indenture. See "Appendix C—Summary of Certain Provisions of the Indenture—Selected Definitions."

DESCRIPTION OF THE SERIES 2010 BONDS

General

The Series 2010 Bonds will be dated the date of their delivery, and will bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rates per annum and will mature on July 1 in the amounts and in the years set forth on the inside page of the front cover of this Official Statement. Interest on the Series 2010 Bonds will be payable on January 1 and July 1 in each year commencing July 1, 2011. The Series 2010 Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any multiple thereof and in accordance with the provisions of the Indenture. The Series 2010 Bonds will initially be registered under the book-entry only system described under the caption "Book-Entry Only System" (the "Book-Entry Only System") and the method of payment of the Series 2010 Bonds and matters pertaining to transfers and exchanges while the Series 2010 Bonds are held in the Book-Entry Only System are described under that caption. During any period in which the Series 2010 Bonds are not held in the Book-Entry Only System, the payment and other provisions described below under "Discontinuation of Book-Entry Only System" will apply to the Series 2010 Bonds.

Book-Entry Only System

The Depository Trust Company ("DTC") will act as securities depository for the Series 2010 Bonds. The ownership of one fully registered Series 2010 Bond for each maturity of each series, each in the aggregate principal amount of such maturity for such series, will be registered in the name of Cede & Co., as nominee for DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2010 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, BOND OWNERS OR REGISTERED OWNERS OF THE SERIES 2010 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2010 BONDS.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "Banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of beneficial ownership interests in the Series 2010 Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each beneficial owner of a Series 2010 Bond (a "Beneficial Owner") is in turn to be recorded on the DTC Participants' and Indirect Participants' records. Beneficial Owners will not receive written communication from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry only system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2010 Bonds with DTC and

their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds. DTC's records reflect only the identity of the DTC Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2010 Bonds of one series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each DTC Participant with respect to that series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2010 Bonds. 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 DTC Participants to whose accounts the Series 2010 Bonds are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2010 Bonds will be made to DTC. DTC's practice is to credit DTC Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participants and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of the DTC Participants and Indirect Participants.

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2010 BONDS (1) PAYMENTS OF PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OF, OR INTEREST ON THE SERIES 2010 BONDS; (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2010 BONDS OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2010 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE SERIES 2010 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2010 BONDS; (4) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2010 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its services with respect to the Series 2010 Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the book-entry only system for the Series 2010 Bonds will be discontinued unless a successor securities depository is appointed by the Authority. In addition, the Authority may discontinue the book-entry only system for the Series 2010 Bonds at any time by giving reasonable notice to DTC.

In the event that the book-entry only system for the Series 2010 Bonds is discontinued, the following provisions would apply, subject to the further conditions set forth in the Indenture:

The principal of and the premium, if any, on the Series 2010 Bonds shall be payable when due in lawful money of the United States of America at the principal corporate trust office of the Trustee in Birmingham, Alabama, and the interest on the Series 2010 Bonds shall, except for overdue interest, be paid by check or draft mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Bonds; provided, however, that any Holder of not less than \$500,000 in principal amount of one series of the Series 2010 Bonds then outstanding may make arrangements with the Trustee for the payment of interest thereon and principal and premium, if any, payable upon redemption thereof, by wire transfer. Interest payments that are due with respect to the Series 2010 Bonds on any Interest Payment Date and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such interest.

Overdue interest shall not be payable to the Holder of the Series 2010 Bonds solely by reason of such Holder having been the Holder on the Interest Payment Date on which such interest became due and payable, but shall be payable by the Trustee not less than ten (10) days following receipt by the Trustee of immediately available funds in an amount sufficient to enable the Trustee to pay all overdue interest. The Trustee shall fix an overdue interest payment date for payment of such overdue interest. Such overdue interest payment date fixed by the Trustee shall be a date not more than twenty (20) days following the expiration of such period, and overdue interest shall be paid to the persons in whose names the Series 2010 Bonds were registered on the overdue interest payment date.

All Series 2010 Bonds shall be registered as to both principal and interest by the Trustee as registrar and transfer agent for the Authority and shall be transferable only on the transfer books of the Trustee. No transfer or exchange of a Series 2010 Bond shall be valid hereunder unless such Series 2010 Bond is presented at the office of the Trustee with written power to transfer signed by the registered owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Trustee, whereupon the Authority shall execute, and the Trustee shall (i) authenticate and deliver to the transferee, a new Series 2010 Bond of that series, registered in the name of such transferee and of like tenor as that presented for transfer or (ii) thereupon authenticate and deliver, upon surrender to the Trustee of such Series 2010 Bond or Series 2010 Bonds and in exchange therefor, other Series 2010 Bonds of that series in different authorized denominations of like tenor and together aggregating the same principal amount as the then unpaid principal amount of the Series 2010 Bond or Series 2010 Bonds so surrendered, as may be requested by the person surrendering such Series 2010 Bond or Series 2010 Bonds. The person in whose name a Series 2010 Bond is registered on the books of the Trustee shall be the sole person to whom or on whose order payments on account of the principal thereof and of the interest (and premium, if any) thereon may be made.

Any transfer, registration or exchange of any of the Series 2010 Bonds provided for in the Indenture shall be made without charge to the Holders; provided, however, that in every case involving any transfer, registration or exchange or any of the Series 2010 Bonds that are requested by the Holder thereof, such Holder shall pay all taxes and other governmental charges required to be paid in connection with such transfer, registration or exchange. The Trustee shall not be required to transfer or exchange any Series 2010 Bond during the period of fifteen (15) days next preceding any Interest Payment Date; and if any Series 2010 Bond is duly called for redemption (in whole or in part), the Trustee shall not be required to transfer or exchange such Series 2010 Bonds during the period of forty-five (45) days next preceding the date fixed for its redemption.

In the event any Series 2010 Bond is mutilated, lost, stolen or destroyed, the Authority may execute, and the Trustee shall thereupon authenticate and deliver, a new Series 2010 Bond of that series of like tenor as that

mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Series 2010 Bond, such Series 2010 Bond is first surrendered to the Authority and the Trustee, and (b) in the case of any such lost, stolen or destroyed bond, there is first furnished to the Authority and the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to each of them. The Authority may charge the Holder with the expense of issuing any such new Series 2010 Bond.

Redemption

Series 2010-A Bonds. Those of the Series 2010-A Bonds having a stated maturity in 2021 and thereafter shall be subject to redemption and payment, at the option of the Authority, on July 1, 2020, and on any date thereafter, as a whole or in part in integral multiples of \$5,000 (but if redeemed in part, those of the maturities to be redeemed to be selected by the Authority at its discretion, and if less than all the Series 2010-A Bonds of a single maturity are to be redeemed, those to be redeemed shall be selected by the Trustee by lot), at and for a Redemption Price equal to the principal amount of Series 2010-A Bonds to be redeemed plus accrued interest to the date set for redemption.

Series 2010-B Bonds. The Series 2010-B Bonds are not subject to redemption.

Redemption Notice

In the event of the redemption of Series 2010-A Bonds, the Trustee shall cause notice of such redemption to be forwarded by United States Registered or Certified Mail to the registered owner thereof, at the address of such registered owner as such address appears on the registry books of the Trustee, not more than ninety (90) nor less than thirty (30) days prior to the redemption date. All future interest on the Series 2010-A Bonds so called for redemption or the portions thereof called for redemption shall cease to accrue after the redemption date; and the Series 2010-A Bonds so called shall no longer be entitled to the benefit of the provisions of the Indenture but shall look solely to the moneys deposited with the Trustee.

PURPOSES OF THE ISSUE

Refunding of Series 1998 Bonds

The Authority has determined to issue the Series 2010-A Bonds for the purpose of refunding, on a current basis, the Series 1998 Bonds. Simultaneously with the issuance of the Series 2010-A Bonds, the Authority and Regions Bank will enter into an Escrow Trust Agreement dated as of December 1, 2010, pursuant to which the Authority shall deposit into a special escrow fund created therein (the "Series 1998 Bonds Escrow Fund") cash sufficient to provide for payment of the redemption price on January 20, 2011, of the Series 1998 Bonds. Prior to the issuance of the Series 2010-A Bonds, the Authority will call the Series 1998 Bonds for redemption and payment on January 20, 2011.

Refunding of Series 2001 Bonds

The Authority has determined to issue the Series 2010-B Bonds for the purpose of refunding, on a current basis, the Series 2001 Bonds. Simultaneously with the issuance of the Series 2010-B Bonds, the Authority and Regions Bank will enter into an Escrow Trust Agreement dated as of December 1, 2010, pursuant to which the Authority shall deposit into a special escrow fund created therein (the "Series 2001 Bonds Escrow Fund") cash sufficient to provide for payment of the redemption price on January 20, 2011, of the Series 2001 Bonds. Prior to the issuance of the Series 2010-B Bonds, the Authority will call the Series 2001 Bonds for redemption and payment on January 20, 2011.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2010 Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2010 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody's.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

Capitalization of AGM

At September 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$2,512,828,657 and its total net unearned premium reserve was approximately \$2,305,542,616, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);
- (ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010);
- (iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010); and
- (iv) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

SECURITY FOR THE SERIES 2010 BONDS

Pledge

The Bonds, including the Series 2010 Bonds, are limited special obligations of the Authority and are payable from and are secured solely by a pledge of Pledged Revenues remaining after payment of Operating Expenses. For definitions of "Pledged Revenues and "Operating Expenses," see "Appendix C—Summary of Certain Provisions of the Indenture - Selected Definitions."

The Indenture does not constitute a mortgage on any of the physical properties forming a part of the Airport or create any lien thereon or security interest therein. The Series 2010 Bonds are not general obligations of the Authority, and the covenants and representations contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the Authority, nor shall the City of Huntsville, Alabama, or Madison County, Alabama in any manner be liable for payment of the principal of or the interest (or premium, if any) on the Series 2010 Bonds. The Authority has no taxing power.

Rate Covenant

The Authority has covenanted to make and maintain such rates and charges for the use of the Airport and to make collections from the users thereof in such manner as shall produce Net Revenues during each Fiscal Year in an amount which, together with any other moneys of the Authority deposited to the Revenue Fund which are not Pledged Revenues in the Fiscal Year in which such deposit is made, will equal not less than 1.25 times the Annual Debt Service Requirement with respect to the Bond Year ending on the day following the end of such Fiscal Year (the "Rate Covenant"). The Authority has agreed from time to time to make such increases and other changes in such rates and charges as may be necessary to produce said amounts. Net Revenues are all Pledged Revenues plus interest on the Bonds paid during such period with moneys derived from the issuance of any of the Bonds (whether or not such Bonds are issued during the period in question), less Operating Expenses and the amount required to be deposited into the Rebate Fund with respect to such period to be applied to the payment of any Required Rebates.

Rate Resolution

Since 1989, the Authority each year adopts a resolution (the "Rate Resolution") which provides a methodology for the establishment and periodic adjustment of rents and fees for airlines (the "Airlines") operating at the airport and other persons using the airport facilities for the upcoming Fiscal Year. The Rate Resolution implements the basic policy of the Authority that the Airport will be operated, maintained and developed on a self-sustaining basis, without the use of other Authority revenues or pledges and in a manner designed to meet the covenants of the Indenture. The Rate Resolution designates various Airport "cost centers" for purposes of accounting for Airport revenues and expenses and for calculating and adjusting the rents and fees payable by the Airlines and such other persons, which rents and fees consist of terminal building rents, concourse equipment fees, fuel farm fees ramp user fees, public safety charges and landing fees. The foregoing rents and fees are subject to adjustment at the beginning of each Fiscal Year based upon the annual budget adopted by the Authority. In addition, under the Rate Resolution, the Authority may adjust such rents and fees upon the happening of certain events.

The ability of the Authority to comply with the Rate Covenant depends upon its ability to enforce the Rate Resolution. The Authority is of the opinion that the rates and charges set forth in the Rate Resolution are reasonable and non-discriminatory and in conformance with federal requirements. See "Federal Rates and Charges Legislation, Policy and Procedures" herein.

Additional Bonds

The Authority has reserved the right to issue Additional Bonds on a parity with the Outstanding Bonds and the Series 2010 Bonds for any lawful purpose upon the meeting of certain conditions including receipt by the Trustee of the following: (i) a certificate by an Independent Auditor certifying that the Net Revenues during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued were not less than 125% of the average Annual Debt Service Requirement with respect to the then current and each then

succeeding Bond Year immediately preceding the issuance of such Additional Bonds; and (ii) a report of an Airport Consultant setting forth estimates of Net Revenues for each of the three Fiscal Years following the Fiscal Year in which the Capital Improvements will be completed (or, if such Additional Bonds are not being issued for the purpose of acquiring Capital Improvements, during the three Fiscal Years following the Fiscal Year during which such Additional Bonds are proposed to be issued), accompanied by a certificate of the Chairman of the Authority certifying that the Net Revenues during each of such three Fiscal Years as estimated as aforesaid by such Airport Consultant are projected to be not less than 125% of the average Annual Debt Service Requirement with respect to the then current and each then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds.

The requirements of (i) and (ii) above do not have to be met in the case of Additional Bonds issued for the purpose of (A) making any deposit into the Reserve Fund required as a result of the issuance of any of the Bonds or (B) paying the expenses of issuing any of the Bonds. Refunding bonds may be issued to refund any Bonds without meeting the requirement of (i) or (ii) above provided the average Annual Debt Service Requirement with respect to then current and each then succeeding Bond Year immediately following the issuance of such refunding bonds will not exceed the average Annual Debt Service Requirement with respect to then current and each then succeeding Bond Year immediately prior to such issuance. The requirement of (ii) above need not be met with respect to the issuance of Additional Bonds for any purpose if the certificate required by (i) indicates that the Net Revenues for the Fiscal Year preceding the issuance of such Additional Bonds were not less than 125% of the maximum Annual Debt Service Requirement with respect to the then current and each then succeeding Bond Year following the issuance of such Additional Bonds.

Reserve Fund

The Indenture establishes a Reserve Fund for the benefit of all Bonds, including the Series 2010 Bonds and requires that an amount equal to the Maximum Required Reserve Fund Deposit be accumulated and maintained therein, in accordance with the Indenture. The Maximum Required Reserve Fund Deposit is defined as the lesser of (i) the maximum Annual Debt Service Requirement due in the then current or any then succeeding Bond Year with respect to the Bonds outstanding, or (ii) one hundred twenty-five percent (125%) of the annual Average Debt Service Requirement due in the then current or any then succeeding Bond Year with respect to the Bonds outstanding.

The Indenture allows the funding of any increase in its Maximum Required Reserve Fund Deposit resulting from the issuance of Additional Bonds in sixty equal monthly installments. The Indenture also provides for the use of a Reserve Fund Credit Facility in lieu of a cash deposit. See, "Appendix C — Summary of Certain Provisions of the Indenture - Flow of Funds - Reserve Fund." At the time of the issuance of the Series 2010 Bonds, an amount equal to the Maximum Required Reserve Fund Deposit will be on deposit in the Reserve Fund. Such amount includes: (i) a reserve fund surety bond issued by Financial Security Assurance Inc. ("FSA"), in the maximum amount of \$1,348,991, issued in connection with the issuance of the Series 2006 Bonds (the "2006 Reserve Fund Surety Bond"), and (ii) a reserve fund surety bond issued by FSA, in the maximum amount of \$2,697,216.19, issued in connection with the issuance of the Series 2007 Bonds (the "2007 Reserve Fund Surety Bond").

The 2006 Reserve Fund Surety Bond provides that upon notice from the Trustee to FSA to the effect that insufficient amounts are on deposit in the Bond Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, FSA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the 2006 Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by FSA of a Demand for Payment in the form attached to the 2006 Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to FSA, FSA will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage. The Authority and FSA have entered into a Financial Guaranty Agreement dated as of April 1, 2006 (the "2006 Agreement"). Pursuant to the 2006 Agreement, the Authority is required to reimburse FSA, in twelve equal monthly installments, the amount of such deposit made by FSA with the Trustee under the 2006 Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Rebate Fund, the Bond Fund, the Sinking Fund and the Reserve Fund have been made. Under the

terms of the 2006 Agreement, no optional redemption of Bonds may be made until FSA's 2006 Reserve Fund Surety Bond is reinstated. The 2006 Reserve Fund Surety Bond will be held by the Trustee in the Reserve Fund and is provided as an alternative to the Authority's depositing funds equal to the initial face amount of the Reserve Fund Surety Bond.

The 2007 Reserve Fund Surety Bond provides that upon notice from the Trustee to FSA to the effect that insufficient amounts are on deposit in the Bond Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, FSA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the 2007 Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by FSA of a Demand for Payment in the form attached to the 2007 Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to FSA, FSA will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Security Bond Coverage. The Authority and FSA have entered into an Insurance Agreement (the "2007 Agreement"). Pursuant to the 2007 Agreement, the Authority is required to reimburse FSA, in twelve (12) equal monthly installments, the amount of such deposit made by FSA with the Trustee under the 2007 Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Rebate Fund, the Bond Fund, the Sinking Fund and the Reserve Fund have been made. Under the terms of the 2007 Agreement, no optional redemption of Bonds may be made until the 2007 Reserve Fund Surety Bond is reinstated. The 2007 Reserve Fund Surety Bond will be held by the Trustee in the Reserve Fund and is provided as an alternative to the Authority's depositing funds equal to the initial face amount of the Reserve Fund Surety Bond.

Any amounts withdrawn from the Reserve Fund for the payment of Bonds must be replenished after providing for certain other payments required by the Indenture in twelve equal monthly installments. To the extent that the Authority makes a payment to the issuer of a Reserve Fund Credit Facility as a result of a draw by the Trustee on such Reserve Fund Credit Facility, and, as a result of such payment, such Reserve Fund Credit Facility is reinstated, in whole or in part, and such Reserve Fund Credit Facility then meets the requirements for a Reserve Fund Credit Facility under the Indenture, the requirement for a deposit to the Reserve Fund will be deemed satisfied to the extent of such reinstatement.

Subordinated Securities

The Authority has reserved the right, from time to time, to issue evidences of indebtedness payable out of and secured by a pledge of moneys on deposit in the Subordinate Securities Fund as may from time to time be available for the purpose of payment thereof, but said pledge shall be subordinate in all respects to the pledge of the Pledged Revenues contained in the Indenture. Such indebtedness may include evidences of indebtedness of the Authority issued with respect to an interfund transfer or a loan from one of the Authority's funds to another fund of the Authority. Such indebtedness may also be made payable from and secured by a pledge of any revenues of the Authority other than Pledged Revenues.

Special Purpose Facilities

The Authority has reserved the right to finance Special Purpose Facilities from the proceeds of obligations issued by the Authority without regard to any requirements of the Indenture with respect to the issuance of Additional Bonds, subject, however, to the following conditions: (a) such obligations shall be payable solely from rentals derived by the Authority under a lease between the Authority and the person, firm or corporation which will be utilizing the Special Purpose Facilities; (b) there shall be filed with the Trustee a certificate of an Authorized Authority Representative certifying that the estimated rentals to be derived by the Authority will be at least sufficient to pay the principal of and interest on such obligations; and (c) there shall be filed with the Trustee prior to the issuance of such obligations a report of an Airport Consultant to the effect that such Special Purpose Facilities either (i) will not decrease the Pledged Revenues or (ii) will not cause Net Revenues during any Fiscal year covered by such report (which shall cover a period extending at least through the three Fiscal Years following the Fiscal Year during which such Special Purpose Facilities will be completed) to be less than 1.25 times the average Annual Debt Service Requirement during the then current and each then succeeding Bond Year.

Flow of Funds

The Indenture creates seven special funds in addition to the Construction Fund. All Pledged Revenues as received are required to be deposited into the Revenue Fund established by the Indenture, and moneys in such fund are required to be applied and allocated on a monthly basis in the manner and the priority established by the Indenture. See "Appendix C—Summary of Certain Provisions of the Indenture - Flow of Funds."

SOURCES AND USES OF FUNDS

The following is the expected sources and uses of the proceeds from the sale of the Series 2010 Bonds:

Series 2010-A Bonds	
Sources	
Series 2010-A Bonds	\$10,175,000.00
Plus Net Original Issue Premium	4,442.75
Transfer of Amounts in Bond Fund and Reserve Fund held for the benefit of the Series 1998 Bonds	<u>523,343.73</u>
Total	\$10,702,786.48
Uses	
Deposit into Series 1998 Bonds Escrow Fund	\$10,475,482.21
Underwriter's discount, costs of issuance and insurance premium	<u>227,304.27</u>
Total	\$10,702,786.48
Series 2010-B Bonds	
Sources	
Series 2010-B Bonds	\$3,310,000.00
Less Net Original Issue Discount	(10,695.30)
Transfer of Amounts in Bond Fund and Reserve Fund held for the benefit of the Series 2001 Bonds	<u>222,456.81</u>
Total	\$3,521,761.51
Uses	
Deposit into Series 2001 Bonds Escrow Fund	\$3,442,552.28
Underwriter's discount, costs of issuance and insurance premium	<u>79,209.23</u>
Total	\$3,521,761.51

DEBT SERVICE REQUIREMENTS

The following table contains the Annual Debt Service Requirements⁽¹⁾ of the Authority following the issuance and delivery of the Series 2010 Bonds:

Bond Year	Series 2006 Bonds	Series 2007 Bonds	Series 2010-A Bonds	Series 2010-B Bonds	Total Outstanding Bonds ⁽²⁾
2011	\$1,338,086.26	\$3,422,450.00	\$ 573,111.81	\$262,026.39	\$5,595,674.46
2012	1,338,291.26	3,416,200.00	1,024,575.00	457,925.00	6,236,991.26
2013	1,336,923.76	3,419,700.00	1,027,200.00	459,050.00	6,242,873.76
2014	1,336,923.76	3,417,200.00	1,024,325.00	463,100.00	6,241,548.76
2015	1,337,923.76	3,423,700.00	1,024,250.00	461,700.00	6,247,573.76
2016	1,337,298.76	3,418,450.00	1,024,250.00	460,000.00	6,239,998.76
2017	1,335,486.26	3,421,700.00	1,021,300.00	457,500.00	6,235,986.26
2018	1,336,798.76	3,422,700.00	1,022,750.00	458,150.00	6,240,398.76
2019	1,336,836.26	3,416,200.00	1,026,425.00	396,150.00	6,175,611.26
2020	1,335,231.26		1,025,975.00		2,361,206.26
2021	1,336,762.50		1,021,175.00		2,357,937.50
2022	1,336,562.50		1,024,050.00		2,360,612.50
2023	1,339,812.50		1,024,100.00		2,363,912.50
2024	1,335,812.50				1,335,812.50
2025	1,339,812.50				1,339,812.50
2026	1,336,312.50				1,336,312.50
2027	1,335,562.50				1,335,562.50
2028	1,336,306.26				1,336,306.26
2029	1,339,737.50				1,339,737.50
2030	1,335,625.00				1,335,625.00
2031	1,339,200.00				1,339,200.00

⁽¹⁾Does not include debt service respecting the Series 1998 Bonds or the Series 2001 Bonds.

⁽²⁾The Airport has made several interfund borrowings from funds of the Authority not constituting part of the Airport which are not reflected in this chart.

Debt Service Coverage

Net Revenues of the Authority for the Fiscal Year ended June 30, 2010 (\$10,535,435) are approximately 1.69 times the maximum Annual Debt Service Requirement (\$6,247,573.76) (occurring in Bond Year 2015) following the issuance of the Series 2010 Bonds.

OTHER DEBT OF THE AUTHORITY

In addition to the Bonds, at the time the Series 2010 Bonds are issued, the Authority will have outstanding a Passenger Facility Charge Revenue Bond (the "PFC Bond") in the principal amount of \$18,000,000. The PFC Bond is not being issued under the Indenture and is not payable out of the Pledged Revenues. Rather, the PFC Bond is payable solely out of charges imposed under the provisions on The Aviation Safety and Capacity Expansion Act of 1990 and regulations of the Department of Transportation, Federal Aviation Administration (Title 14, Code of Federal Regulations, Part 158) on certain enplaning passengers at the Airport. Proceeds of the PFC Bond will be used to pay a portion of the cost of the renovation and expansion of the baggage claim area at the Airport.

THE HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY

The Authority was originally formed pursuant to Act No. 780 enacted by the 1961 Regular Session of the Legislature of Alabama, as amended, under the authorization of the City of Huntsville, Alabama, and Madison County, Alabama, on May 9, 1963. On October 23, 1991 the Authority reincorporated under the Code of Alabama, Title 4, Chapter 3, as amended (the "Act"). The Act provides that a public airport authority created pursuant to any other legislative act may reincorporate under the Act and avail itself of all rights, powers and privileges under the Act. Pursuant to the Act, the Authority is a public corporation under the laws of the State of Alabama with the powers conferred by the Act. The Act further provides that reincorporation shall not affect the rights of creditors or the rights or liabilities of the Authority existing at the time of reincorporation.

Board of Directors

The Authority is governed by a Board of Directors consisting of five members, two of whom are appointed by the Madison County Commission, two of whom are appointed by the City Council of the City of Huntsville and one of whom is appointed jointly by the Madison County Commission and the Huntsville City Council. The directors are appointed for staggered six-year terms. The current Board of Directors is:

Current Office	Name of Officer	End of Current Term
Chairman	William H. Johnston, Jr. ⁽¹⁾	10/2013
Vice-Chairman	Betty D. Fletcher ⁽²⁾	10/2013
Secretary and Treasurer	Jeff Sikes ⁽²⁾	10/2011
Vice Secretary	Carl J. Gessler ⁽³⁾	10/2015
Member	Mark McDaniel ⁽¹⁾	10/2011

⁽¹⁾Appointed by the governing body of Madison County, Alabama.

⁽²⁾Appointed by the governing body of the City of Huntsville, Alabama.

⁽³⁾Appointed jointly by the governing bodies of Madison County, Alabama, and the City of Huntsville, Alabama.

Airport Management

Richard A. Tucker, Executive Director, is responsible for the overall management of all activities under the jurisdiction of the Authority. He has served the Authority in various capacities since 1978 and is a graduate of Freed-Hardeman University (B.S. Accounting, 1978). Mr. Tucker is a member of the American Association of Airport Executives, the International Air Cargo Association, Council of Industrial Development Financing Agencies, Economic Development Association of Alabama, North Alabama International Trade Association, Huntsville-Madison County Chamber of Commerce and the National Association of Foreign Trade Zones. He is also a member of the Huntsville Rotary Club.

Luther H. Roberts, Jr., Deputy Director, serves as principal assistant to the Executive Director and is directly responsible for the supervision and administration of financial, human resources operation and property management activities for the Authority. He has served the Authority in various capacities since 1986. He is a graduate of the University of Alabama in Huntsville (B.S. Accounting, 1985). Mr. Roberts is a certified management accountant and an Accredited Airport Executive.

Paul S. Kelly, Jr., Director - Finance and Administration, has line responsibility for financial, accounting, property management activities and risk management. He has served the Authority since April, 2001. Prior to assuming this position he served as Executive Director of Business of the Huntsville City School System. He is a graduate of the University of Alabama (B.S., Accounting). Mr. Kelly is a Certified Public Accountant. He is a member of the American Institute of CPA's, Government Finance Officers Association of Alabama, and Huntsville Rotary Club.

Mitch Bradley, Director, International Intermodal Center, has line responsibility for the administration of air cargo and rail cargo business at the International Intermodal Center. Prior to assuming the position of Director in 2003, he served in various positions at the International Intermodal Center where he has been employed for the past eighteen years. Prior to his employment with the International Intermodal Center, he worked for five years with United Parcel Service. He is a graduate of Faulkner University (B.S. Business).

S. Brooks Kracke, Director Jetplex Industrial Park, has line responsibility for the planning, development and marketing of the Industrial Park. Prior to assuming this position in 1998, he served as Associate Director of the North Alabama Industrial Development Association. He is a graduate of Athens State University (B.S. Business Administration, 1989). He is a member of the Economic Development Association of Alabama, the North Alabama Trade Association, the Southern Economic Development Council and the Huntsville Existing Industry Committee.

Stan Hogan, Director - Capital Improvements, has line responsibility for administering the engineering, construction and planning projects. He is a graduate of Athens State University Cum Laude (Bachelor's of Business Administration 1998). Mr. Hogan has a State of Alabama Masters Electrical License. He has been employed by the Authority since 1985, and has served in various management capacities since 1990.

Barbie P. Peek, Director - Marketing, has line responsibility for the administration of marketing and public relations for the Authority. She has served the Authority in various capacities since 1989 and is a graduate of the University of Alabama (B.S. Commerce & Business Administration, Marketing, 1986). She was the Marketing Assistant for the Huntsville-Madison County Convention & Visitors Bureau prior to joining the Authority. Ms. Peek is a member of the American Association of Airport Executives.

Douglas E. Kreulen, Director - Operations, has line responsibility for the Airport's Airside and Landside Operations. Prior to assuming this position in 2008, he served as Senior Business Development Manager for Airborne Communication Systems Sanmina-SCI Defense and Aerospace Systems. Mr. Kreulen is also a military veteran having served 27 years in the United States Air Force. He is a graduate of Auburn University (B.S. Degree) and Troy University (Master of Science in Personnel Management). He is also a graduate of the National Defense University in Washington DC (Master of Science in National Security Strategy).

Employee's and Defined Pension Benefit Plan

The Authority currently has 102 full-time employees and believes its employee relations are good. All full-time employees of the Authority participate in the Employees' Retirement System of Alabama (the "System"), a multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 2010, was \$4,995,679; the Authority's total payroll was \$5,241,055. Currently, there are 16 retirees and beneficiaries receiving benefits, and 102 active members covered by the plan. Covered employees, other than law enforcement officers and firefighters, are required by State statute to contribute 5% of their salary to the plan. Law enforcement officers and firefighters are required by state statute to contribute 6% of their salaries to the plan. The Authority is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended June 30, 2010, was \$604,040, which consisted of \$345,201 from the Authority and \$258,839 from employees. Contribution rates for the plan year ended September 30, 2010, were 6.91% from the Authority, in addition to the employee rates mentioned previously. For the plan year beginning October 1, 2010, the Authority's portion consists of a 3.93% normal contribution rate, a 2.65% accrued liability rate, a 0.15% pre-retirement death-Benefit, and a 0.18% administrative expense rate, totaling a 6.91% rate. For additional information see "Note E - Defined Benefit Pension Plan" in Appendix B hereto.

Other Activities of the Authority

In addition to the Airport as defined in the Indenture, the Authority has developed an industrial park and foreign-trade zone on approximately 4,000 acres of property surrounding the airport operations area. Land has been purchased by the Authority with monies available in the Industrial Park Fund, developed for commercial use, and sold or leased to industrial entities subject to appropriate avigation easements and building site development standards. The Authority has committed in its strategic plan to maintain a reserve consisting of cash and interfund receivables in the amount of \$20 million dollars from net income earned by the Industrial Park Fund and to use the excess income as a source of capital for various Authority capital expenses. The Authority also owns the Sheraton

Four Points Hotel, a 146-room hotel with a restaurant and a lounge, located in the Terminal Building of the Airport. The current franchise agreement with the Sheraton LLC expires December 31, 2010, however, the Airport has agreed to terms to extend the franchise agreement for a 20-year period, ending December 31, 2030. As a part of the franchise renewal, the Airport is required to make certain capital improvements. The Airport estimates the cost of these improvements will be approximately \$3.4 million. In addition, the Airport has signed an agreement with McKibbon Hotel Management, Inc. to continue their management of the operations of the hotel. The initial term of this management agreement is for five years and is automatically renewable for up to three additional five year periods. The Authority also owns an 18-hole public golf course. The golf course is currently leased to Tennessee Valley Golf Management, Inc. Neither the Industrial Park, the Airport Hotel nor the Golf Course are included in the definition of "Airport" under the Indenture, and the revenues from such activities are not pledged to the payment of the Bonds.

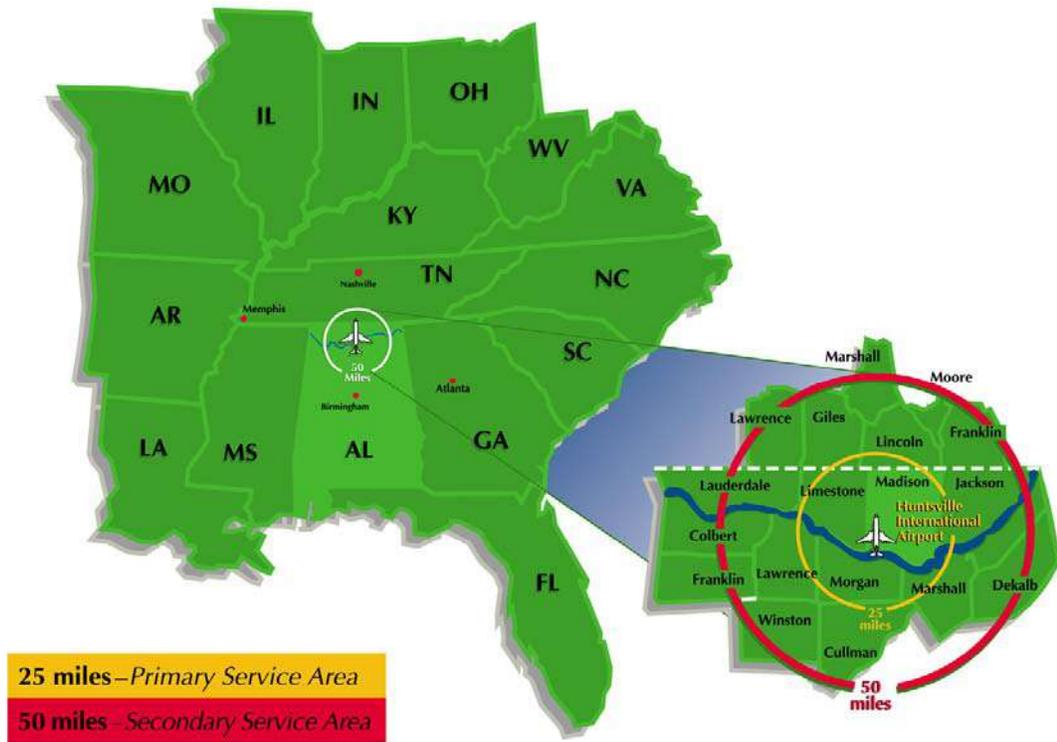
AIRPORT SERVICE AREA

The Airport is located 12 miles southwest of downtown Huntsville, Alabama and is the principal air carrier airport serving northern Alabama and parts of Tennessee. The total service region, generally a 50-mile radius, for the Airport is comprised of 18 counties; twelve counties in North Alabama and six counties in South Central Tennessee. The 25-mile radius of the airport includes Madison, Morgan and Limestone counties. The Airport is located 120 miles south of Nashville, Tennessee; 100 miles north of Birmingham, Alabama and 218 miles west of Atlanta, Georgia. In 2009, Madison County represented approximately 34% of the population of the 50-mile radius, and approximately 62% of the population of the 25-mile radius.

In the following section, economic and population data for the Huntsville MSA are used to represent the Airport service region except as noted.



HUNTSVILLE INTERNATIONAL AIRPORT



CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION HUNTSVILLE MSA

General Information

The City of Huntsville (the "City"), the county seat of Madison County (the "County"), was incorporated in 1811 and is one of the oldest incorporated municipalities in the State. Centrally situated in the Tennessee River Valley of north Alabama (the Tennessee River being the southern boundary of Madison County), the City is located approximately 95 miles north of Birmingham, approximately 103 miles south of Nashville, Tennessee, and approximately 180 miles northwest of Atlanta, Georgia.

The City is the central economic base of the State's third largest Metropolitan Statistical Area ("MSA") and is the primary economic engine for the Northern Alabama, Southern Tennessee region. The eight counties adjoining Huntsville/Madison County form a thriving regional market.

Initially, the City prospered as a commercial center in an agricultural area and also grew from the manufacture of cotton goods, flour, shoes, lumber, pumps and other products. During World War II the construction of two arsenals -- Huntsville and Redstone -- gave the City new military and strategic importance as a principal manufacturing site of chemical artillery shells and explosives. Although arsenal activities were sharply curtailed during the immediate postwar period, in 1950 the U.S. Army transferred its missile experts, including the late Dr. Werner Von Braun and a team of German rocket scientists, to the City.

Following the successful launching of a Jupiter C missile in 1958, the U.S. Army's missile program and the Marshall Space Flight Center for the National Aeronautics and Space Administration were located in the City. As a result, the City experienced a rapid influx of population during the decades of the 1950's and 1960's. Beginning in the mid 1960's, cutbacks in the space program slowed growth in Huntsville. However, the 1980 Census showed that the City maintained strong economic indicators and a youthful, well-educated labor force. As the City's economy began to diversify in the 1980's, recovery was swift.

The City's population grew by approximately 12.2% between 1980 and 1990. During this same time, the Huntsville MSA grew by approximately 21.3%, reflecting additional growth in the immediate vicinity of the City. According to the 2000 Census, the City's population was 158,216 and the Huntsville MSA was 276,700, indicating a 15.8% increase in growth within and around Huntsville during this time. In 2009 the City's population was estimated to be 179,653, Madison County was estimated to be 327,744, and the Huntsville MSA (Madison County and Limestone County) was estimated to be 406,316. See Population Characteristics.

Income, education, and employment levels are all substantially higher in Huntsville than in the state of Alabama and compare favorably to national and regional indices. The Huntsville economy is one of the strongest economies in the Southeast, marked by low unemployment, steady job growth, and income levels that regularly lead the region. Huntsville compares favorably in numerous categories to some of the leading cities in the Southeast and Southwest United States.

Annual Unemployment Rate

MSA	2000	2005	2006	2007	2008	2009
Austin, TX	3.1%	4.4%	4.1%	3.6%	4.4%	6.9%
Charlotte, NC	3.4	5.2	4.8	4.7	6.4	11.7
Durham, NC	2.9	4.3	3.9	3.8	4.8	7.9
Huntsville, AL	3.2	3.5	3.0	2.7	3.7	7.4
Raleigh, NC	2.5	4.2	3.7	3.6	4.9	8.8
Alabama	4.1	4.0	3.6	3.5	5.0	10.1
United States	4.0	5.1	4.6	4.6	5.8	9.3

*Source: Bureau of Labor Statistics, Local Area Unemployment Statistics
Alabama's unemployment rate for September 2010 was 8.9%*

Total Employment

MSA	2000	2005	2006	2007	2008	2009
Austin, TX	672,700	692,200	723,200	757,500	775,800	758,200
Charlotte, NC	766,800	791,200	825,900	859,900	861,200	810,200
Durham, NC	261,700	268,800	278,900	287,000	290,900	284,200
Huntsville, AL	184,900	198,000	203,200	210,000	214,300	209,100
Raleigh, NC	437,800	466,500	491,000	516,000	521,500	499,700
Alabama	1,931,200	1,944,900	1,979,600	2,005,700	1,992,100	1,885,700
United States	131,785,000	133,703,000	136,086,000	137,598,000	137,790,000	130,920,000

Source: Bureau of Labor Statistics, Current Employment Statistics

Average Annual Pay

MSA	2000	2004	2005	2006	2007	2008	2009
Austin, TX	\$40,409	\$42,141	\$43,528	\$45,737	\$46,458	\$47,355	\$47,187
Charlotte, NC	36,392	41,887	43,732	45,732	46,975	47,332	46,294
Durham, NC	41,671	45,893	46,757	47,994	52,420	53,700	54,888
Huntsville, AL	35,009	40,964	42,395	49,205	45,763	47,427	49,239
Raleigh, NC	34,049	38,452	39,464	41,205	42,801	43,912	44,021
Alabama	28,453	33,414	34,594	36,204	37,492	38,734	39,413
United States	34,718	39,348	40,671	42,535	44,458	45,563	45,551

Source: Bureau of Labor Statistics, Quarterly Census of Employment and wages available 9 months after year end

Per Capita Personal Income

MSA	2000	2003	2004	2005	2006	2007	2008	2009
Austin, TX	\$32,548	\$31,135	\$32,494	\$34,701	\$36,328	\$37,477	\$37,362	\$47,187
Charlotte, NC	32,182	33,251	34,816	36,580	38,164	40,108	39,621	46,294
Durham, NC	30,515	31,466	33,011	34,775	36,693	40,809	40,927	54,888
Huntsville, AL	27,566	30,951	31,626	32,949	34,689	37,134	38,259	49,239
Raleigh, NC	33,654	33,627	34,498	35,585	37,221	40,059	39,602	44,021
Alabama	23,764	26,505	28,054	29,623	30,894	32,803	33,655	39,413
United States	29,845	31,472	33,090	34,495	36,714	39,392	40,166	45,551

Source: Bureau of Economic Analysis, Table CA30-Regional Economic Profile

New estimates for 2008 and revisions for 1969-2007 were released on April 22, 2010. These estimates incorporate the results of the comprehensive revision to the national income and product accounts released in July 2009 and of the comprehensive revision to the state income accounts released in October 2009. Population estimates were reviewed from year 2000 forward. The next local area release is scheduled for August 9, 2010.

NOTE: The U.S. Department of Housing and Urban Development estimates that the median family income of families in the nation for 2010 is \$64,400, for families in Alabama is \$54,100, and for families in the Huntsville MSA is \$68,000.

Professional & Business Service Employment

MSA	2000	2005	2006	2007	2008	2009
Austin, TX	91,900	94,100	99,600	106,000	111,000	106,500
Charlotte, NC	120,000	117,300	124,700	133,400	136,200	124,700
Durham, NC	33,000	34,100	35,300	35,800	35,600	34,500
Huntsville, AL	33,300	41,300	42,700	44,700	47,600	48,100
Raleigh, NC	75,400	79,500	85,200	89,700	88,300	82,500
Alabama	185,200	209,000	214,800	220,800	220,300	204,700
United States	16,666,000	16,954,000	17,566,000	17,942,000	17,735,000	16,580,000

Source: Bureau of Labor Statistics, Current Employment Statistics

Population Characteristics

According to the 2000 Federal Decennial Census, the City is both the largest municipality in Madison County and the third largest municipality in the State, while Madison County is the third largest county in the State. The following table depicts the history of population growth in Madison County, the City of Huntsville, and the Huntsville MSA since 1980. The Huntsville Metro area includes Madison and Limestone County.

Population Growth

Census	Madison County	Madison Huntsville	Huntsville Metro Area (MSA)
1980	196,966	145,604	242,971
1990	238,912	159,789	293,047
2000	276,700	156,216	343,798
2004	293,072	164,237	363,221
2005	298,192	166,313	370,064
2006	304,307	168,132	379,304
2007	312,734	171,327	387,705
2008	319,510	176,645	397,228
2009	327,744	179,653	406,316

Source: U.S. Census Bureau (www.census.gov)

Major Economic Activity

High-technology research and manufacturing is a continuing source of economic growth in the City. At one time, federally-funded space and defense programs were the dominant high-technology activities in the City. However, as the economy of the City has grown and diversified companies and individuals with high-technology backgrounds are becoming increasingly active in the private sector.

National Aeronautics and Space Administration. The Marshall Space Flight Center in Huntsville was established in 1960 as the lead agency for the National Aeronautics and Space Administration ("NASA") in developing the Saturn rockets for travel to the moon. In addition to the most powerful rockets ever designed, the center provides the engineering expertise behind propulsion and transportation systems such as the space shuttle and future generation rockets. Supporting around-the-clock operations on the International Space Station through the Payload Operations Center, Marshall develops, integrates, and operates major logistics, life support, and scientific experiment components and systems that enable living and working in space. The center conducts fundamental and applied scientific research and enables scientific discovery by developing hardware and instruments that lead to discoveries in space science and Earth science. Marshall also provides technical and project management expertise in support of the agency's science and mission systems programs. The Marshall Space Flight Center's budget for fiscal year 2009 totaled \$2.6 billion which is approximately 15% of the total NASA budget. Currently, NASA has approximately 2,500 civil service employees.

Source: Marshall Space Flight Center Office of Government and Community Relations

Military. There is a significant military presence in Huntsville/Madison County. As of April 2010, the U. S. Army employed some 16,900 civilians, 1,930 active military personnel, and 15,600 contractors (this does not include construction workers on base). Army activity in the area involves a number of different organizations including:

The U. S. Army Aviation and Missile Command ("AMCOM"). AMCOM was formed on October 1, 1997, and represents the consolidation of the U. S. Army Missile Command ("MICOM") with the U. S. Army Aviation and Troop Command as a result of the 1995 Base Realignment and Closure Commission report. Approximately 2,000 additional jobs were brought to Redstone Arsenal and the Huntsville Region in connection with the merger. Historically, MICOM has performed work on the Army's missile and rocket programs including research, development, procurement and continued support of weapons systems once they reach operations

status with Army units worldwide. The added mission of AMCOM will include the management, development and procurement of helicopter systems for the U. S. Army.

The Program Executive Office ("PEO"), Missile Defense. PEO is charged with the mission of developing, integrating and fielding quality air and missile defense systems. The PEO Tactical Missiles Department is responsible for acquiring almost all Army missiles for battlefield use.

Logistics Support Activity ("LOGSA"). The elements that compose the LOGSA were consolidated at Redstone Arsenal in 1993 in accordance with the Base Realignment and Closure Commission decisions in 1989 and 1991. As a primary interface between the Army Material Command and the Army in the field, LOGSA's mission is to provide information and management support to the Department of the Army and other services in the broad areas of logistic mission readiness and assistance, acquisition and integrated logistic support; distribution management, procedures and systems; packaging, storage and containerization policy and procedures; and Army cataloging policy, operations, data management and distribution.

The Space and Missile Defense Command ("SMDC"). SMDC is a field operating agency of the Army Chief of Staff which acts as the Army advocate for Space, Theatre Missile Defense and National Missile Defense.

U. S. Army Corps of Engineers. The Corps of Engineers, Huntsville Division, manages national programs that have a broad scope, require standardization across corps of engineers boundaries, or are otherwise complex in nature.

Source: Redstone Arsenal Public Affairs Office

BRAC. Legislation authorizing the formation of a Base Realignment and Closure Commission was passed by the Congress in 2000. The Commission was appointed in March, 2005. On May 13, 2005 the Secretary of Defense recommended the following functions be relocated to Huntsville's Redstone Arsenal:

- The Army Materiel Command Headquarters
- The United States Army Security Assistance Command
- The Space and Missile Defense Command
- The Missile Defense Agency
- The U.S. Army Aviation Technical Test Center
- 2nd Recruiting Brigade
- Rotary Wing Platform

According to the Department of Defense, the functions identified above will lead to approximately 4,700 new direct civilian and contractor positions being relocated to Redstone Arsenal. As of May 2010, 2,355 of those positions have been transferred and filled. According to the Department of Defense estimates the total estimated BRAC investment at Redstone Arsenal is expected to be approximately \$664,274,000.

The report of the BRAC Commission was made to the President on September 9, 2005. The recommendations of the BRAC Commission have been approved by the President and were sent to the Congress on September 15, 2005. The recommendations of the BRAC Commission became law in November, 2005. Initial implementation at Redstone Arsenal commenced during 2006 and, according to the BRAC legislation, is to be completed by September 15, 2011. As of summer 2008 this process is well underway. All of the BRAC related construction reports have received budget appropriations and construction contracts have been awarded. In addition to

BRAC there is an additional \$80 Million investment scheduled for Redstone Arsenal including awards for software engineering.

Construction is set to begin in late 2010 on the Redstone EUL Project, Redstone Gateway, a mixed-use development which will create 4.6 million square feet of office, academic, retail and entertainment space next to the main gates at Redstone Arsenals. This property is anticipated to be Cummings Research Park South. The project is authorized under the government's Enhanced Use Lease (EUL) program and is a partnership between the Federal Government, the City of Huntsville, and two private-sector developers.

In July of 2010 Raytheon announced the building of a state-of-the-art missile production facility on Redstone Arsenal, creating an estimated 300 new jobs. The aerospace company Raytheon already employs about 600 people in Huntsville. The company plans to assemble and test the Standard Missile-3 and Standard Missile-6 at a 70,000 square-foot, facility. Those programs are managed by the Missile Defense Agency at Redstone Arsenal. Huntsville is the only Raytheon location that includes all six of the company's primary business units: Integrated Defense Systems, Intelligence and Information Systems, Missile Systems, Network Centric Systems, Technical Services, and Space and Airborne Systems.

Source: Chamber of Commerce Huntsville/Madison County and AL.COM

Diversification. Federally funded space and defense programs have a significant impact on the Huntsville region. However, economic analysts for local organizations such as the Huntsville/Madison County Chamber of Commerce and the Alabama State Employment Service point to the increasing shares of trade and services employment as indications that the economy has become more diversified. In addition, the education and technical skills associated with the space and defense programs in the region have been applied in the private sector, as evidenced by the success of numerous high-technology firms that originated in Huntsville. Such firms include: Sanmina/SCI Systems, a Fortune 500 computer manufacturer established in Huntsville in 1961; Intergraph Corporation, a Fortune 500 computer graphics firm established in Huntsville in 1969; Nichols Research Corporation, a diversified computer services firm established in 1976 which later merged with Computer Sciences Corporation in 1999; ADTRAN, Inc., a telecommunications firm founded in 1985; and Avocent Corporation, a leading provider of KVM switching, remote access, and serial connectivity solutions formed in 2000 from a merger of Apex and Cybex Computer Products Corporation.

The Huntsville region has an increasing concentration of biotechnology activities. Huntsville based companies such as Research Genetics, which was acquired by Invitrogen in 2000 and Nektar Therapeutics, which acquired Shearwater Polymers in 2001 have led to additional bio-technology start-ups which are both developmental as well as early-stage in nature. In 2005, Governor Bob Riley announced the formation of the HudsonAlpha Institute for Biotechnology. The non-profit research institute, which was initially funded with \$80 million in private donations and a \$50 million investment by the State of Alabama, opened the doors to its 270,000 square foot building in April 2008. Approximately 400 employees are housed in the institute, including one of the nation's top genomics teams led by Dr. Richard Myers. Prior to becoming President and Director of HudsonAlpha, Dr. Myers served as chair of the Department of Genetics at Stanford University. Projected employment at HudsonAlpha and the affiliate companies is estimated to be in excess of 1,000 jobs. Fourteen affiliate biotechnology companies are currently in residence at the institute on the 155 acre Cummings Research Park Biotech Campus. The Jackson Center, a full-service conference center, opened in April 2009 and was the second building to be added to the Biotech campus. Further construction of the Biotech Campus infrastructure is underway and will be enhanced by the current development of McMillian Park, a nearly mile-long green space that will run the length of the campus. Additionally, development options are being explored for a third and fourth building.

The following table depicts industrial job growth for announced new and expanding companies in Huntsville/Madison County for the period 2000 to 2009. It is interesting to note the continued diversification of the local employment base and that none of the largest announced developments from 2000-2009 were by federal contractors.

Announced New and Expanding Industry

Year	Total New Jobs	Total New Investment	Largest Single Development
2000	3,618	147,260,000	West Teleservices
2001	1,923	397,101,900	Toyota Motor Manufacturing
2002	2,301	325,632,100	Kohler Industries
2003	1,458	85,835,000	Embassy Suites Hotels
2004	3,512	318,825,529	Toyota Motor Manufacturing
2005	7,017	685,849,435	Hudson-Alpha Ins. for Biotech.
2006	3,188	175,350,000	Verizon Wireless
2007	4,181	115,860,000	International Diesel of Alabama
2008	3,811	96,093,846	BASF Catalysts
2009	2,027	219,290,000	Toyota Motor Manufacturing of Alabama

Source: Huntsville Chamber of Commerce/Economic Development/New & Expanding Industry

High Technology/Industrial Activity. Research and industrial parks are the center of much of the high-technology and manufacturing activity within or near the city of Huntsville. Those parks include Cummings Research Park, Chase Industrial Park, Jetplex Industrial Park (on Airport property), Lowe Industrial Park, Chelsea Industrial Park, Thornton Research Park, Gateway Research Park, North Huntsville Industrial Park, Arlington Industrial Park, SouthPoint Industrial Park and Triana Industrial Park. Cummings Research Park is a mixture of Fortune 500 companies and homegrown firms on more than 3,800 acres. *World Trade Magazine* has ranked Cummings Research Park second among the Top 10 leading research parks in the United States and fourth largest in the world. More than 25,000 people work in Cummings Research Park’s approximately 11.1 million square feet of research and development facilities, office complexes, and manufacturing operations. Among the Park’s nearly 285 prominent residents are The University of Alabama in Huntsville, United Technologies, Alabama Supercomputer Network, Sanmina/SCI, ADTRAN, Lockheed Martin, Avocent, SAIC, Boeing, and Teledyne. CRP is home to a uniquely focused alliance of business, government, and academic research initiatives. With more than 220 companies active in more than 40 separate technology fields, including 20 of the FORTUNE 500 companies, CRP attracts a vibrant and distinguished concentration of research and development activity.

The Boeing Company is the principal company located in the Jetplex Industrial Park. Boeing currently occupies facilities with approximately 600,000 square feet. Other companies include Raytheon, Navistar and LG Electronics. There are approximately 28 companies located in the Park with more than 6,500 employees. The Jetplex Industrial Park offers foreign trade zone status and on-site customs officials and brokers.

Lowe Industrial Park, Chase Industrial Park, Chelsea Industrial Park, Thornton Research Park and Gateway Research Park house a number of companies including Intergraph Corporation (one of the City’s largest employers), Engelhard, Browning Ferris Industries, MagnaTek and PB&S Chemical. Madison Industrial Park, along with privately held Arlington and other parks, including Triana Industrial Park, continue to support a growing industrial and service base of business in the communities near Huntsville. In addition, Southpoint Industrial Park, a 260 acre privately developed Industrial Park, is under development in the City of Huntsville at the I-65/I-565 interchange.

In addition, the University of Alabama in Huntsville and Alabama A&M University are active in high-technology research with an emphasis on optics, micro-gravity, and propulsion.

In May of 2010 the State of Alabama committed an investment of \$8 million to build the Center for Systems Study at the University of Alabama in Huntsville. The new Center for System Studies will involve groundbreaking research into complex engineering systems, which include smart power grids, space launch vehicles, robotics, aviation systems and missile defense, to name a few. The center’s focus will involve understanding how complex systems interact and developing engineered solutions to system problems. Plans call for the Center for System Studies to be a three-phase project that will include research labs, training space, classrooms

and a rooftop experiment area. Phase One of the project will be about 60,000 square feet. When fully completed, the center will occupy approximately 160,000 square feet.

Huntsville is home to Toyota Motor Manufacturing Alabama which is located on a 500 acre park in the northwest section of the city. Production began in May 2003 on the first V8 engines ever produced outside of Japan. In July of the same year an additional investment of \$20 million was made which added 150 new jobs and production of V6 engines. In September of 2004 a second major V8 engine expansion project was announced which nearly doubled the size of the facility. August of 2009 brought yet another expansion announcement bringing four-cylinder engine production to the Huntsville plant. Once the new project comes on line in July 2011 the plant will employ more than 1000 team members and investment will top \$637 million.

Source: Toyota, External Affairs

Retail. While high technology research and manufacturing continue to dominate Huntsville's economy, retailing has been steadily growing in recent years. This is especially significant since Huntsville derives a significant portion of its operating budget from sales tax collections. A major factor in this growth is Huntsville's above average per capita and median family incomes. This healthy buying power has attracted many national retailers to the area.

A recent addition to the Huntsville retail scene is Bridge Street. Built in 2007, Bridge Street Town Centre is mixed-use lifestyle center in Huntsville, Alabama. Featuring over 70 upscale shops and restaurants, the 210-room Westin Huntsville Hotel with 74 luxury residential units occupying the top five floors, a 14-screen Monaco Pictures and a six story office tower. The property also features a customer service centre, 10-acre lake with gondola boats and water craft rentals, carousel, fountains and lots of green open spaces. Bridge Street is located on the corner of Old Madison Pike and Research Park Boulevard in the heart of Cummings Research Park.

Labor Force Characteristics

According to the 2000 Census, the City had a "labor force participation rate" of 69%, compared with 62.2% for the State of Alabama and 66% for the United States.

The quality of the City's work force is enhanced by the educational attainments of a significant portion of the work force. The following table compares the educational attainments (in 2000), for persons over 25 years of age, with respect to the City, the State of Alabama and the United States.

	Educational Attainment		
	City of Huntsville	State of Alabama	United States
Percentage high school graduates or higher	82.0%	76.1%	81.6%
Percentage bachelor's degree or higher	38.0	20.2	25.1

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

Employment in professional, administrative, and technical occupations is relatively high in the City. According to the 2000 Census, the percentage of employment in these categories in the City significantly exceeded state averages, while employment in the City of laborers, craftsmen and repairmen was less than comparable state averages.

Employment Data

Civilian Labor Force. The following table provides statistics regarding the average civilian labor force and unemployment rates of Huntsville/Madison County during the past seven years:

	2000	2005	2006	2007	2008	2009
Labor Force	175,460	195,312	200,027	203,194	204,293	198,588
Unemployment Rates						
Huntsville/Madison County	2.8%	3.5%	2.8%	2.7%	3.7%	7.4%
State of Alabama	4.6	4.3	3.5	3.5	5.0	10.1
United States	4.0	5.1	4.6	4.6	5.8	9.3

Source: Alabama Department of Industrial Relations, Annual Averages

Major Employers in the Huntsville Region

As shown in the following table, the major private sector employers in the Huntsville Region include The Boeing Company (aerospace), CINRAM (DVD manufacturing), Sanmina-SCI Systems (electronic components), Integraph Corporation (Computer graphics and services), Deltacom, Inc. (Communications services), and Siemens VDO Automotive (electronics), each with more than 2,000 employees in 2007. Most of the major employers are involved in high-technology research and manufacturing, previously noted as a leading source of economic activity in the Huntsville Region.

**MAJOR EMPLOYERS IN THE HUNTSVILLE REGION
(2010)**

	Number of Employees
Private Employers:	
The Boeing Company	3,006
CINRAM	2,800
SAIC	2,303
Gold Kist Inc*	1,900
Sanmina-SCI Corporation	1,971
ADTRAN	1,700
Wayne Farms Fresh, East and West Properties / Contigroup Co*	1,682
AlaTrade Foods	1,500
Integrgraph Corporation	1,309
Verizon Wireless Call Center	1,300
General Electric*	1,250
ITT/CAS, Inc	1,220
Tyson Foods*	1,200
Northrop Grumman	1,200
Lockheed Martin Corp.	1,200
International Paper*	1,100
Teledyne Brown Engineering	1,042
Jacobs ITTSS Group	1,028
Direct TV	1,000
West Corporation	1,000
Crestwood Medical Center	994
Continental AG	952
Qualitest Pharmaceuticals	950
Dynetics	950
Wise Alloys, LLC*	890
Steelcase, Inc.*	850
FPMI	850
Eagle Support Services	850
Toyota Motor Manufacturing Alabama	800
3M Company*	760
Public Employers:	
U.S. Army/Redstone Arsenal	25,373
NASA/Marshall Space Flight Center	7,177
Huntsville Hospital System	5,126
Huntsville City Schools	3,000
City of Huntsville	2,199
Madison County Schools	2,150
University of Alabama in Huntsville	1,300
Madison County	1,199
Tennessee Valley Authority*	1,147
Alabama A&M University	1,092
Limestone County Schools*	1,064
Madison City Schools	970

*Located outside the Huntsville MSA but within the Airport Service Area

Source: Chamber of Commerce Huntsville/Madison County and the North Alabama Industrial Development Association, September 2010

Employment Data. The total number of persons employed in Huntsville/Madison County in nonagricultural wage and salary employment increased by approximately 19,600 between 2004 and 2009. The four

largest sectors of employment are (in descending order) services (91,000), government (46,200), manufacturing (28,900), and trade (21,700) in the Huntsville Region during 2010.

Huntsville Metropolitan Area Employment by Industry Sector (in thousands)						
	2004	2005	2006	2007	2008	2009
Manufacturing	30.0	31.5	32.1	32.8	32.1	28.9
Durable	24.7	27.0	27.3	28.2	27.6	24.8
Non-Durable	5.2	4.5	4.8	4.6	4.4	4.0
Construction & Mining	7.6	6.8	6.9	7.9	8.2	7.1
Transportation/Utilities	4.8	4.8	5.3	5.6	6.1	2.6
Wholesale Trade	5.2	5.9	5.9	5.9	5.9	5.7
Retail Trade	22.6	23.6	23.2	22.9	23.7	21.7
Finance/Insurance/Real Estate	5.9	6.0	6.1	6.1	6.4	6.3
Services	72.8	79.2	81.6	83.5	87.0	91.0
Government	41.3	42.1	42.1	43.0	44.0	46.2
Total Nonagricultural Employment	190.4	201.4	203.0	207.9	213.7	210.0

Source: Alabama Department of Industrial Relations

Utilities Facilities and Service

The City owns its own electric, water, wastewater (sanitary sewer) and natural gas systems. The following table shows total connections to the several City-owned utilities for the years indicated.

Utility Connections

Year	Electric*	Water	Natural Gas	Sewer
2000	133,567	69,516	38,123	59,790
2001	135,417	70,650	40,206	60,044
2002	139,089	72,969	41,631	60,620
2003	141,323	73,707	43,028	60,649
2004	144,603	75,694	43,010	61,252
2005	148,040	77,258	44,105	62,400
2006	151,329	79,392	44,923	63,500
2007	155,991	82,035	46,165	64,600
2008	159,415	83,652	46,896	65,500
2009	161,179	84,543	47,277	67,700

*Includes electrical connections in Madison County outside City limits.

Source: Huntsville Utilities and City of Huntsville

Construction Activity

The following table shows the value of new building permits issued in the City of Huntsville and the City of Madison for the fiscal years indicated.

Value of Building Permits*
(Residential Apartment
and Commercial/Industrial)

Year	Residential	Apartment	Commercial/ Industrial	Total
2000	\$42,290,000	\$197,600,000	\$288,683,000	\$528,573,000
2001	43,111,000	23,164	216,739,000	259,873,164
2002	20,612,545	13,786,776	146,360,411	180,759,732
2003	22,424,032	45,806,751	109,297,779	177,528,562
2004	81,775,076	7,839,000	222,786,047	312,400,123
2005	142,362,479	0	269,750,376	412,112,855
2006	156,946,382	12,308,820	298,901,153	468,156,355
2007	114,495,788	73,366,333	271,096,806	458,958,927
2008	88,120,933	37,108,158	219,526,963	344,756,054
2009	116,820,914	38,313,939	111,635,798	266,770,651
2010**	24,456,061	29,800	60,754,357	85,240,218

Madison City Data included in years 2004-2009 only

*Exclusive of "Moving and Demolition Permits" and consists of new construction only

**Period 1/1/10 – 7/15/10

Source: City of Huntsville, Inspection Department and the City of Madison

THE AIRPORT

Description of the Airport

Airfield. The current Airport is located on approximately 1,700 acres of land which is part of 6,000 acres that is owned and operated by the Authority. It includes two active runways and associated taxiways. These north/south parallel runways, one 10,000 feet and one 12,600 feet, have a 5,000 foot separation which allows for simultaneous operations. The Authority received approval for both its Federal Aviation Regulations Part 150 Noise Compatibility Program on May 22, 1992, and the environmental assessment of the western land acquisition program on February 1, 1994. Located on the airfield is a fuel farm with the capacity to hold 250,000 gallons of jet fuel and 12,000 gallons of AV gas. Runways 36R, 36L and 18L are equipped with Category I instrument landing systems and Runway 18R is equipped with a Category II instrument landing system. All runways are equipped with high intensity runway edge light systems. The west runway, 18R-36L, has in-pavement center line/touchdown zone lighting.

In 2008, a new air traffic control tower opened mid-field between the two parallel runways and stands 249 feet, at its tallest point. This \$21 million tower was a 100% fully-funded project by the FAA.

The Airport is currently constructing new facilities and planning minor facility adjustments in order to be capable of handling future expansion opportunities and cargo operations by the new Group VI aircraft. Taxiway L was completed in 2008, an additional taxiway that provides the opportunity to extend the passenger concourse as well as to facilitate Group VI aircraft to the air cargo facility on the east side of the property. Taxiway L eliminates any limitations imposed on airport operations on existing cross taxiways. In addition, the Authority plans to widen the taxiway fillets in three areas, thereby increasing the available turning radius to accommodate the wingspan of these larger aircraft. Upon completion of this \$750,000 project, the Airport will be able to handle up to 500 Group VI cargo operations per year.

Terminal Building. The terminal building is a state-of-the-Art modern facility which includes the airline counters, baggage handling area, ground transportation counters and the administrative offices of the Authority and encompasses more than 200,000 square feet. The Sheraton Four Points Hotel is also located in the terminal building

and during 2008 received renovations to the restaurant and added additional meeting space. The three-level concourse can accommodate 14 jet aircraft parking positions. The facility also features loading bridges, concourse concessionaires and recent facilities upgrades. Construction began on Phase I during Fiscal Year 2005. This phase included adding an additional jet bridge at Gates 1 and 2. With the new jet bridges, four baggage lifts were built at both dual jet bridge locations providing additional customer service for passengers. The concourse also received a make-over with new carpet and ceiling tiles. On April 20, 2006, the Authority issued its Series 2006 Bonds in order to pay a portion of the costs of improving the parking deck and creating additional parking spaces at the Airport (the "2006 Project"). The parking area at the Airport has approximately 4,849 parking spaces (consisting of approximately 286 public short-term spaces, 2,391 public long-term spaces 1,349 public economy long-term spaces, 243 parking deck rental car spaces, 137 surface area rental car spaces, 324 employee parking spaces, and 119 hotel parking spaces).

The implementation of the Terminal Area Planning and Programming ("TAPP") project began during Fiscal Year 2005. TAPP is a sixty-five million dollar renovation and remodeling project that will be completed in the next 2 years. TAPP will touch all areas of the terminal and concourse including already implemented improvements to the retail and food and beverage concessions throughout the terminal and concourse, a larger public waiting area and an expansion to the security checkpoint. Construction has recently begun to renovate the baggage claim area which will add 46,000 sq ft. to the area.

General Aviation. The general aviation facilities consist of one fixed based operator, Signature Flight Support. Its facilities include 7,100 square feet of terminal /office space and 116 vehicle parking spaces. During 2005, 17 new corporate hangars and modifications to the corresponding taxiway were completed. The Airport provides 81 general aviation hangars and three corporate hangars on-site for aircraft storage.

International Intermodal and Air Cargo Center. The International Intermodal Center ("IIC") is an inland port that offers at one central location a hub of multi-modal services and operations for containerized rail, truck and air cargo. The Intermodal facility began operation on December 7, 1986. In October 2004, the IIC completed a \$13.4 million capital improvement project. This expansion increased the capacity of the rail yard from previous yearly operations of 25,000 lifts to 100,000 lifts. In addition to lift capacity, depot storage space also increased from 985 available spots to 2,517 spots. The project also included the completion of a railroad track extension by 6,000 feet as well as refurbishment of the existing track and improvements to the paving, lighting, fencing and drainage of the entire Intermodal yard.

Norfolk Southern provides rail service and its mainline is approximately two miles from the Intermodal Center. The Authority has an operating agreement with Norfolk Southern which provides among other things for a fee per gantry crane lift to the Authority for items transported by the railroad. The depot storage program represents approximately 20% of the total revenue for the Intermodal Facility.

A four-Bay 50,000 square foot air cargo building was built as a part of the 1989 air cargo project. This facility is located next to the Intermodal Facility and was the first air cargo building located on the Airport. This multi-tenant air cargo building was expanded to a total of 100,000 square feet and tenants include, Delta Air Cargo, Fed Ex, Mid-South Express, SES, Inc., CEVA, UPS-Supply Chain Solutions, and UPS, Inc. In 2000 the Authority constructed an additional 100,000 square foot cargo facility for Panalpina, an international freight forwarding company with 6-12 weekly cargo flights into the Airport, increasing the total air cargo facilities to 200,000 square feet. International air cargo operations include Asia, Europe and Mexico. In 2009 the Authority opened a new 94,000 square foot air cargo building. The new building has 5,250 square feet of cold storage for perishable air freight. Tyonek, Inc. is the current building tenant. The cold storage facility is being used by Panalpina.

Other features included at this multi-modal transportation complex are U.S. Customs Border Protection Officials, U.S. Department of Agriculture inspectors and on-site customs brokers.

TABLE ONE
HISTORICAL INTERMODAL LIFTS
International Intermodal Center
(For Fiscal Year ended June 30)

Year	Lifts	Annual Increase (Decrease)
1995	17,630	24.36%
1996	20,358	15.47
1997	19,002	(6.66)
1998	19,550	2.88
1999	25,001	27.88
2000	23,943	(4.23)
2001	22,310	(6.82)
2002	25,537	14.46
2003	26,209	2.63
2004	33,124	26.38
2005	30,588	(7.66)
2006	41,344	35.16
2007	43,903	6.19
2008	47,239	7.60
2009	39,190	(17.04)
2010	32,848	(16.18)

Airlines and Market Share. As of the date of this Official Statement, the following airlines serve the Airport: American Airlines, Continental Express, Delta Air Lines, US Airways Express, United Airlines and AirTran. The most recent addition is low cost carrier AirTran, which began service from Huntsville May 27, 2010 (in reliance, in part, on a guarantee by the Authority of certain minimum levels of revenue during the first year of operation at the Airport), with service to Baltimore-Washington and Orlando. As a result of the addition of a low cost carrier, the average advance purchase fares at the Airport have dropped. Current non-stop service is provided to Baltimore, Orlando, Chicago, Dallas, Atlanta, Detroit, Memphis, Washington D.C., Houston, Charlotte, and Denver. Delta continues to be the dominant carrier with 45% of the market. U.S. Air Express is second in market share with 20%. In September 2010, Southwest Airlines announced their agreement to acquire AirTran. At this date, there has been no information from Southwest concerning continuation or expansion of the service from Huntsville initiated by AirTran.

The following table presents the airlines' shares of enplaned passengers for Fiscal Years 2000, 2005, 2008, 2009 and 2010.

TABLE TWO

**HISTORICAL AIRLINE MARKET SHARES
OF ENPLANED PASSENGERS
Huntsville International Airport
(For Fiscal Years Ended June 30)**

	2000	2005	2008	2009	2010
Scheduled Domestic Carrier					
AirTran ⁽¹⁾	0.00%	0.00%	0.00%	0.00%	1.13%
Allegiant Air	0.00	0.00	2.58	0.00	0.00
American	17.59	18.19	19.76	17.47	17.25
Delta	53.79	44.99	34.72	43.85	44.81
Independence Air	0.00	6.51	0.00	0.00	0.00
Continental Express	3.78	7.52	6.19	5.83	5.71
NW Airlink	8.75	8.51	10.27	3.68	0.00
United Express	0.00	0.00	6.83	9.02	11.16
US Air Express	<u>15.87</u>	<u>14.22</u>	<u>19.52</u>	<u>20.06</u>	<u>19.79</u>
	99.78%	99.94%	99.87%	99.91%	99.85%
Charter	<u>0.22</u>	<u>0.06</u>	<u>0.13</u>	<u>0.09</u>	<u>0.15</u>
	100.00%	100.00%	100.00%	100.00%	100.00%

⁽¹⁾See "*Airlines and Market Share*" above for a discussion of the proposed acquisition of AirTran by Southwest Airlines.

Origin and Destination Markets

The top 20 origin and destination cities for scheduled domestic passenger at the Airport for the first quarter of 2010, which represented approximately 52% of the total airline traffic at the Airport are shown below.

DOMESTIC ORIGIN-DESTINATION PATTERNS
Scheduled Domestic Airlines
Huntsville International Airport
As of March 31, 2010

Destinations	Air Miles from Huntsville	% of O&D Traffic
Washington-National, DC	612	8.91%
Los Angeles, CA	1,802	3.38
Dallas/Fort Worth, TX	602	3.35
Orlando, FL	535	3.32
Houston-Intercontinental, TX	594	3.09
Baltimore, MD	640	2.91
Washington-Dulles, VA	595	2.56
Boston, MA	1,004	2.43
Denver, CO	1,047	2.26
Las Vegas, NV	1,600	2.12
Chicago-O'Hare, IL	509	1.98
Philadelphia, PA	729	1.95
Detroit, MI	554	1.87
New York-La Guardia, NY	822	1.82
Seattle/Tacoma, WA	2,032	1.78
Phoenix, AZ	1,446	1.71
Newark, NJ	806	1.56
San Diego, CA	1,750	1.55
Colorado Springs, CO	1,034	1.53
Tampa, FL	1,283	1.41
Cities Listed		51.51
Other cities		48.49
		100.00%

Source: Seabury Aviation Planning and Technology

Historical Airline Traffic

The following table presents enplaned passengers aircraft departures and enplaned passengers per departure at the Airport from Fiscal Year 1995 through Fiscal Year 2010.

Passenger enplanements since 1995 have increased by 35%. After peaking at 645,484 passengers in fiscal year 2008, enplanements have declined to just under 600,000 passengers. This reflects the impact of the economic slowdown on air traffic nationwide. In the past, passengers have been willing to drive to alternate airports for lower fares, influenced predominately by Southwest Airlines, which currently serves both the Nashville and Birmingham markets. As can be seen from Table 3, the events of September 11, 2001 greatly influenced the size of planes

utilized in our market. The use by the airlines of regional jets greatly increased from 2001 to 2010 (indicated by the “Commuter” columns) from 5,738 to 11,308 departures.

TABLE THREE
HISTORICAL AIRLINE TRAFFIC
Huntsville International Airport
(Fiscal Years ended June 30)

Fiscal Year	Enplaned Passengers				Annual Increase (Decrease)	Aircraft Departures				Enplaned Passengers Per Departures		
	Scheduled Domestic	Charter	Commuter	Total		Scheduled Domestic	Aircraft Charter	Departures Commuter	Total	Scheduled Domestic	Charter	Commuter
1995	376,598	2,174	58,362	437,134	(4.5)	7,360	70	3,377	10,807	51	31	17
1996	370,665	1,571	64,017	436,253	(0.2)	6,113	52	3,475	9,640	61	30	18
1997	397,126	1,371	80,389	478,886	9.8	5,919	47	3,774	9,740	67	29	21
1998	408,487	1,854	94,598	504,939	5.4	5,990	61	3,876	9,927	68	30	24
1999	404,006	6,340	109,223	519,569	2.9	5,627	126	3,680	9,433	72	50	30
2000	383,619	1,163	149,118	533,900	2.8	5,757	25	4,522	10,304	67	47	33
2001	357,368	1,327	176,606	535,301	0.3	5,275	23	5,738	11,036	68	58	31
2002	232,195	1,012	235,296	468,503	(12.5)	3,314	22	7,247	10,583	70	46	32
2003	175,114	443	333,786	509,343	8.7	2,544	11	11,232	13,787	69	40	30
2004	149,921	256	407,736	557,913	9.5	2,105	6	14,007	16,118	71	43	29
2005	156,689	364	483,142	640,195	14.7	2,045	11	15,362	17,418	77	33	31
2006	171,066	588	430,787	602,441	(5.9)	2,180	8	13,047	15,235	78	74	33
2007	144,964	416	440,126	585,506	(2.8)	1,529	9	12,109	13,647	95	46	36
2008	124,245	815	520,424	645,484	10.2	1,334	14	12,697	14,045	93	58	41
2009	116,088	566	476,801	593,455	(8.1)	1,355	7	11,189	12,551	86	81	43
2010	109,213	894	481,580	591,687	0.3)	1,345	15	11,308	12,668	81	60	43

Air Cargo Activities

Federal Express, Panalpina, and UPS serve the Airport's air cargo needs. The following table documents the historical air cargo activity from Fiscal Year 1995 to Fiscal Year 2010. Panalpina began weekly international cargo B747 service between Huntsville and Luxembourg in 1990 with one flight per week. Panalpina currently operates seven flights per week into Huntsville and recently announced the addition of a flight from Hong Kong to Huntsville beginning October 2010. The Panalpina flights were the first and continue to be the only scheduled international flights in the State of Alabama. After some up and down years, tonnage began to increase dramatically in Fiscal Year 2006, followed by record volume years in FY 2007 and FY 2008. While air cargo volumes decreased in FY 2009 and FY 2010, due to the global economic recession, the addition of the Hong Kong flight and improving economic conditions should benefit volumes going forward.

TABLE FOUR
HISTORICAL AIR CARGO ACTIVITY
Huntsville International Airport
(For the Fiscal Years ended June 30)

Fiscal Year	Enplaned Cargo (Pounds)	Annual Increase (Decrease)
1995	26,347,512	25.42
1996	32,465,880	23.22
1997	38,690,733	19.17
1998	50,621,084	30.84
1999	57,661,614	13.91
2000	62,717,346	8.77
2001	74,763,784	19.21
2002	57,620,228	(22.93)
2003	75,973,291	31.85
2004	63,728,544	(16.12)
2005	62,984,150	(1.17)
2006	70,840,266	12.47
2007	89,230,169	25.96
2008	100,902,089	13.08
2009	76,664,659	(24.02)
2010	68,442,513	(10.72)

Aircraft Operations

Historical aircraft operations at the Airport from Fiscal Year 1995 through Fiscal Year 2010 are represented on the following table. Total aircraft operations at the Airport increased from 57,530 in Fiscal Year 1995 to a peak of 74,105 in Fiscal Year 2004 before declining back to the previous range of 55,000 to 60,000..

Air carrier and Commuter operations began to climb in Fiscal Year 1997 and steadily increased to 39,610 in Fiscal Year 2005. In Fiscal Year 2006, air carrier operations declined to 34,402 as several carriers reduced their number of flights due to escalating fuel costs and industry financial difficulties. Between Fiscal years 2007 and 2010, air carrier and commuter operations have remained between 30,500 and 33,600.

Military operations peaked in Fiscal Year 2004 at 14,126. There has been a relatively steady level of military aircraft operations at the Airport since 1999 with the exception of the spikes in fiscal years 2004 and 2010.

TABLE FIVE

**HISTORICAL AIRCRAFT OPERATIONS
Huntsville International Airport
(For Fiscal Years Ended June 30)**

Fiscal Year	Commercial Air Carriers	General Aviation	Military	Total
1995	25,999	29,144	2,387	57,530
1996	17,618	21,296	1,811	40,725
1997	23,610	25,949	4,451	54,010
1998	25,085	26,980	5,875	57,940
1999	23,088	29,473	8,055	60,616
2000	24,756	27,253	7,801	59,810
2001	26,867	25,818	8,165	60,850
2002	25,595	23,893	6,913	56,401
2003	31,526	21,797	7,590	60,913
2004	36,617	23,362	14,126	74,105
2005	39,610	22,987	7,715	70,312
2006	34,402	20,244	7,803	62,449
2007	31,391	18,991	9,082	59,464
2008	33,605	18,449	8,530	60,584
2009	30,527	17,472	9,366	57,365
2010	32,209	17,322	11,133	60,664

Historical Financial Data

The Authority, as operator of the Airport, currently accounts for its activities according to generally accepted accounting principles through one enterprise fund with three separate operating departments: (1) Airport Operations, (2) Hotel Operations, and (3) Industrial Park Operations. Only revenues from Airport Operations are pledged to the payment of the Bonds under the Indenture. The following table presents the Pledged Revenues and Operating Expenses for Airport Operations for Fiscal Years 2006 through 2010.

TABLE SIX

**HISTORICAL OPERATING RESULTS
Huntsville-Madison County Airport Authority**

	Fiscal Year Ended 6/30/06	Fiscal Year Ended 6/30/07	Fiscal Year Ended 6/30/08	Fiscal Year Ended 6/30/09	Fiscal Year Ended 6/30/10
Pledged Revenues					
Airside	\$2,180,309	\$2,063,130	\$2,455,005	\$2,242,631	\$2,116,719
Public Safety	1,329,082	1,281,102	1,416,460	1,446,997	1,417,031
Landside	7,277,420	8,394,454	8,394,994	7,602,447	7,457,191
Terminal	5,365,527	5,589,326	5,670,368	5,415,789	5,225,251
General Aviation	550,291	584,991	573,330	572,791	586,546
Intermodal	3,121,315	3,255,540	3,505,119	2,750,068	2,096,552
Air Cargo	1,328,212	1,375,368	1,543,994	1,365,466	1,747,249
Loading Bridges	437,521	413,734	466,738	403,865	410,748
Fuel Farm	410,960	401,901	404,580	343,683	371,466
Total Pledged Revenues	<u>\$22,000,637</u>	<u>\$23,359,546</u>	<u>\$24,430,588</u>	<u>\$22,143,737</u>	<u>\$21,428,753</u>
Operating Expenses					
Airside	\$1,867,454	\$1,840,371	\$1,951,843	\$2,004,438	\$2,001,092
Public Safety	1,339,916	1,390,635	1,428,444	1,374,503	1,439,955
Landside	1,718,436	1,821,846	1,846,288	1,958,468	1,948,555
Terminal	2,708,404	2,646,297	2,819,762	2,995,647	3,039,820
General Aviation	119,779	122,890	130,868	132,203	144,287
Intermodal	1,846,928	2,124,163	2,278,263	2,010,854	1,633,628
Air Cargo	325,182	341,303	325,516	301,590	401,028
Loading Bridges	127,934	143,893	149,656	141,725	152,080
Fuel Farm	128,538	161,384	152,513	150,385	132,893
Total Operating Expenses	<u>\$10,182,571</u>	<u>\$10,592,782</u>	<u>\$11,083,153</u>	<u>\$11,069,813</u>	<u>\$10,893,318</u>
Net Revenues	<u>\$11,818,066</u>	<u>\$12,766,764</u>	<u>\$13,347,435</u>	<u>\$11,073,924</u>	<u>\$10,535,435</u>

AIRLINE INFORMATION

Airport revenues may be affected by the ability of the airlines operating at the Airport to meet their respective obligations under the Rate Resolution. The factors affecting aviation activity at the Airport include the growth of the population and of the economy in the Huntsville metropolitan area, airline service and route networks, airline economics (competition and airfares), national and international economic and political conditions, terrorism and security issues, the availability and price of aviation fuel, and the capacity of the national air traffic control system. The financial results of the airline industry have been volatile since deregulation of the airline industry in 1978. Annual financial results of most airlines have reflected substantial net losses since 1990. Several airlines serving the Airport have filed bankruptcy in recent years; including Delta Airlines, Inc., (including Comair Services, Inc. and ASA Holdings, Inc.), Northwest Airlines Corporation, U.S. Airways Group, Independence Air, Inc., Mesaba Aviation, Inc., and Atlas Air, Inc. Further bankruptcies, liquidations and major restructurings are possible. The Authority imposes fees and charges on the Airlines by means of an annual Rate Resolution rather than by written agreement. As a result, the Authority is susceptible to being unable to collect pre-petition debt from airlines filing bankruptcy.

Each of the said airlines (or their respective parent corporations) is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports with

the Securities and Exchange Commission (the "SEC"). Certain information, including financial information on each of the airlines operating at the Airport, is disclosed in certain reports and statements filed with the SEC. Such reports and statements are available for inspection in the Public Reference Room of the SEC at 450 Fifth Street, NE, Washington, D.C. 20659, and at the SEC's regional offices at 219 South Dearborn Street, Chicago, Illinois 60624; 26 Federal Plaza, New York, New York 10278; and 5757 Wilshire Boulevard, Suite 500 East, Los Angeles, California 90036-3548. Copies of such reports and statements can also be obtained from the Public Reference Section of the SEC at the above address at prescribed rates. In addition, each airline operating at the Airport is required to file periodic reports of financial and operating statistics with the United States Department of Transportation ("the D.O.T."). Such reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, SW, Washington, D.C. 20590, and copies of such reports can be obtained from the D.O.T. at prescribed rates.

FEDERAL RATES AND CHARGES LEGISLATION, POLICY AND PROCEDURES

Four statutes govern the use of airport revenue, the Airport and Airway Improvement Act of 1982, the Airport and Airway Safety and Capacity Expansion Act of 1987, the FAA Reauthorization Act of 1994 and the FAA Reauthorization Act of 1966. These statutes are codified in 49 U.S.C. 47101, *et. seq.*, which continues the preexisting federal policy that airports be made available for public use on reasonable conditions and without unjust discrimination, that air carriers making similar use of an airport be subject to substantially comparable charges and that an airport maintain a rate structure that makes the airport as self-sustaining as possible.

Under 49 U.S.C. 47129 an affected airline can file a written complaint requesting a determination of whether a fee imposed by an airport owner is reasonable. The written complaint requesting such a determination is to be filed with the FAA within sixty days after such air carrier receives written notice of the establishment or increase of such fee. 49 U.S.C. 47129 provides for an expedited process whereby the FAA is to issue a final order determining whether such a fee is reasonable within one hundred twenty days after an air carrier files a written complaint. During the pendency of the review, the airline is to pay the disputed portion of the fee to the airport under protest, subject to refund in the event the FAA determines that the fee is not reasonable. In order to assure timely repayment of amounts determined not to be reasonable the airport must obtain a letter of credit, surety bond or other credit facility equal to the amount in dispute plus interest, unless the airport and the air carrier agree otherwise.

In accordance with the FAA Authorization Act of 1994, the Department of Transportation, on February 16, 1999, published a "Final Policy" which (1) describes the scope of airport revenue that is subject to federal requirements, (2) describes prohibited and permitted uses of airport revenue and (3) outlines the FAA's enforcement policies and procedures. The Final Policy outlines record keeping and reporting requirements for the use of airport revenue and interprets the obligation of an airport sponsor to maintain a self-sustaining rate structure.

The Authority believes that the rate-making methodology contained in its Rate Resolution is fair and reasonable and in compliance with the Final Policy. In the event that one or more airlines files a complaint under 49 U.S.C. 47129, and the Secretary of the Department of Transportation finds the Airport's rates and charges to be unreasonable, no assurance can be given that such finding would not have a materially adverse effect on the financial operations of the Airport.

BONDHOLDERS' RISKS

The Series 2010 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2010 Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

Air Transportation Industry Factors

The revenues of the Authority are affected substantially by the economic health of the air transportation industry and the airlines serving the Airport. Historically, the financial performance of the air transportation industry generally has correlated with the strength of the national economy. Certain factors that may materially affect the Airport and the airlines include, but are not limited to, growth of population and the economic health of the region and the nation, airline service and route networks, national and international economic and political conditions, changes in demand for air travel, service and cost, competition, mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, the financial health and viability of the airline industry, bankruptcy and insolvency laws, acts of war or terrorism and other risks. As a result of these and other factors, many airlines have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, the legacy carriers have taken many actions to restructure and reduce costs including reducing their workforce, renegotiating their labor agreements, consolidating connecting activity and replacing mainline jets with regional jets. The Authority makes no representation whatsoever with respect to the continued viability of any of the carriers serving the Airport.

Geopolitical Risks

The terrorist attacks of September 11, 2001, the conflicts in Iraq and Afghanistan and the threat of more terrorist attacks generally decreased passenger traffic levels locally and nationally. The Authority cannot assess the threat of terrorism and the probability of another attack on American soil or against Americans traveling abroad. Should new attacks occur against the air transportation industry, the travel industry, cities, utilities, infrastructure, office buildings or manufacturing plants, the effects on travel demand could be substantial.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred in Iraq and Afghanistan) and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Intensified security precautions were instituted by government agencies, airlines and airport operators after the events of September 11, 2001. These precautions include the strengthening of aircraft cockpit doors, the federal program to allow and train domestic commercial airline pilots to carry firearms during flights, extensive background checks of airport employees, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed air marshals, federalization of airport security functions under the Transportation Security Administration (the "TSA"), revised procedures and techniques for the screening of baggage for weapons and explosives and technology for the screening of passengers, such as US-VISIT. No assurance can be given that these precautions will be successful. Also, the possibility of international hostilities and/or further terrorists attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

The Aviation Security Act requires all United States airports to use explosive detection systems ("EDS") to screen all checked baggage unless an alternative system and/or timetable has been approved by the TSA. As of December of 2002, all checked baggage at the Airport is screened by EDS. The Aviation Security Act also requires that eventually all passenger bags, mail and cargo be screened to prevent the carriage of weapons (including chemical and biological weapons), explosives or incendiary devices; however, no regulations regarding these enhanced security measures have been finalized as of the dated date of this Official Statement.

After the events of September 11, 2001, the United States government launched a military offensive against Afghanistan and Iraq, and has warned that these hostilities may continue for years. The Authority cannot predict the duration or the effects of these hostilities on the air transportation system, the likelihood of any retaliation or the

likelihood of any future terrorist attacks. Any such action could directly or indirectly reduce passenger traffic and depress airline industry revenues and Authority revenues. The Authority cannot predict the effect of any future government-required security measures on passenger activity at the Airport. Nor can the Authority predict how the government will staff the security screening functions or the effect on passenger activity of government decisions regarding its staffing levels.

Cost of Aviation Fuel

According to the Air Transportation Association, aviation fuel is the second largest item of airline expense after labor. Fuel costs fluctuate in response to market forces and exposure to these fluctuations is largely outside of airline management control except through hedging techniques. The price of aviation fuel increased sharply starting in the second half of 2003, continuing through the majority of 2004, and increased sharply again in 2005 and is expected to remain at high levels. Significant increases in the cost of fuel for a prolonged period of time have and may continue to adversely affect airline industry profitability and could jeopardize the recovery plans for the airlines.

Certain Factors Affecting the Airport

Enplanements at the Airport, collections of Passenger Facility Charges and the receipt of Revenues may continue to be negatively affected by security restrictions on the Airport and the financial condition of the air transportation industry. Like many airport operators, the Authority has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. In addition, the FAA or the Department of Homeland Security (the "DHS") may require further enhanced security measures and impose additional restrictions on the Airport, which may affect future Authority results. The Authority cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions.

Regulations and Restrictions Affecting the Airport

The operations of the Authority and its ability to generate revenues are affected by a variety of legislative, legal, contractual and practical restrictions, including extensive federal regulations applicable to all airports.

Airlines Serving the Airport

The Authority derives a substantial portion of its operating revenue from landing, facility rental and concession fees. The financial strength and stability of the airlines using the Airport, together with numerous other factors, influence the level of commercial aviation at the Airport. Total enplanements from the Airport are affected by the decision individual airlines make with regard to destinations, frequency of flights, non-stop service, size of aircraft and fares. See "AIRLINE INFORMATION" herein for further discussion regarding airlines serving the Airport.

Pre-Petition Obligations

During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments on account of debts incurred prior to the filing of the bankruptcy petition. As a result, the Authority's stream of payments from any airline filing bankruptcy is interrupted to the extent of pre-petition amounts owed by the debtor airline. The Authority imposes fees and charges on the Airlines by means of an annual Rate Resolution rather than by written agreement. As a result, the Authority is susceptible to being unable to collect pre-petition debt from airlines filing bankruptcy.

Competition

Birmingham International Airport, Nashville International Airport and Hartsfield-Jackson Atlanta International Airport are the primary competing airports. Other forms of transportation such as the automobile and train should not be over-looked. The industry is reporting that short haul air markets are still suffering because

travelers are driving instead of flying since September 11, 2001. Some regional passengers of the Airport are driving to alternate airports, primarily Nashville International Airport and Birmingham International Airport, because they are able to obtain more competitive fares. Huntsville, Alabama, Birmingham, Alabama and Nashville, Tennessee are located on the same interstate, which provides easy access for Huntsville passengers to drive to alternate airports. Huntsville is located approximately 100 miles north of Birmingham, Alabama and 120 miles south of Nashville, Tennessee. Atlanta, Georgia is 218 miles from Huntsville, but there is no direct interstate highway between these two cities; thereby making it inconvenient for passengers to make this four hour trip. Very few communities share the unique geographical challenges that Huntsville has with low fare service from Southwest Airlines and Frontier Airlines through Nashville, Tennessee and Birmingham, Alabama. In addition, one of the busiest airports in the world to the east, Hartsfield-Jackson Atlanta International Airport, located in Atlanta, Georgia, is served by AirTran Airways.

Government Regulation

Environmental Regulation. The FAA has jurisdiction over aircraft operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Aircraft noise reduction is a significant federal and local issue which requires substantial capital investments by the airline industry to meet evolving standards. The Airport Noise and Capacity Expansion Act of 1990 introduced a national noise policy which requires the airline industry to retrofit substantial numbers of its existing aircraft or acquire compliant aircraft by January 1, 2000, with some exemptions to December 31, 2005.

In addition, under the Clean Air Act of 1970, the Environmental Protection Agency (the "EPA") was given authority to promulgate aircraft emission standards. Consequently, the potential for additional regulation exists.

Airport Security. The Federal Aviation and Transportation Security Act (the "ATSA") was enacted in response to the events of September 11, 2001. The ATSA, among other things, provided for the federalization of airport security within one year (with an "opt-out" provision that would permit the use of non-federal security screeners after three years) and created the TSA. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. To finance these federal security services, the ATSA provides for payment by the airlines of a passenger fee of \$2.50 for each flight segment, not to exceed \$5.00 per one-way trip.

Homeland Security Act. The Homeland Security Act created the DHS to accomplish several primary goals: preventing terrorist attacks within the United States; reducing the nation's vulnerability to terrorism; minimizing the damage of, and assisting in the recovery from, terrorist attacks that do occur; and monitoring connections between illegal drug trafficking and terrorism and coordinating efforts to sever such connections. The TSA is now a part of DHS. The Homeland Security Act extended the federal government's guarantee of war-risk insurance to airlines through at least September 30, 2011. In addition, the statute eliminates the deductible to be paid for war-risk coverage, and expands the scope of such coverage to include hull loss and injuries to passengers and crew. Finally, the Homeland Security Act caps the total premium paid by any airline for war-risk insurance at no more than twice the premium the airline was paying the US Department of Transportation (the "DOT") or its third-party policy carrier as of June 19, 2002.

The Terrorism Risk Insurance Act establishes the Terrorism Insurance Program in the Department of the Treasury. The program aims to ensure the availability of property and casualty insurance for terrorism risk by having the federal government temporarily share the burden of compensating for insured losses. The program expires December 31, 2014. Losses resulting from terrorist acts that are incurred by passenger or cargo air airlines, United States flag vessels, and qualifying vessels based principally in the United States are covered by the program, regardless of where the loss occurs.

The Homeland Security Act requires that carriers include methods of self-defense within their security training programs for flight attendants. The Act also requires DHS to establish a program for arming pilots, though participation in the program remains voluntary.

The Homeland Security Act requires DOT to consult with the DHS before approving an application for airport development grants concerning security equipment or airport reconfiguration necessary for the installation of that equipment.

Forward Looking Statements

This Official Statement, and particularly the information contained under the captions "INTRODUCTION," "DESCRIPTION OF THE SERIES 2010 BONDS," "SECURITY FOR THE SERIES 2010 BONDS," "SOURCES AND USES OF FUNDS," "THE HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY," "AIRPORT SERVICE AREA," "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION HUNTSVILLE MSA," "THE AIRPORT," AND "AIRLINE INFORMATION" contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including but not limited to those that *may* affect the ability to undertake the timing or the costs of certain projects. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

LITIGATION

There is no litigation pending in any court or, to the best of the knowledge of the Authority, threatened, questioning the corporation existence of the Authority or which would restrain or enjoin the issuance or delivery of the Series 2010 Bonds, or which concerns the proceedings of the Authority taken in connection with the Series 2010 Bonds or the pledge or application of any Pledged Revenues provided for their payment, or which contest the powers of the Authority with respect to the foregoing.

CONTINUING DISCLOSURE AGREEMENT

The Authority has entered into a Continuing Disclosure Agreement for the benefit of holders of the Series 2010 Bonds wherein the Authority has agreed to provide annually certain financial information and operating data relating to the Airport (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA website") at <http://emma.msrb.org>. or with any other nationally recognized municipal securities information repository ("NRMSIR") designated by the United States Securities and Exchange Commission for purposes of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events and other provisions of the Continuing Disclosure Agreement are summarized in "Appendix D - Summary of Continuing Disclosure Agreement." The Continuing Disclosure Agreement has been entered into in order to assist the Underwriter in complying with the Rule. The Authority is in compliance with all of its Continuing Disclosure Agreements made prior to the sale of the Series 2010 Bonds.

TAX EXEMPTION

General

Pursuant to the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the exclusion of the interest income on the Series 2010 Bonds from gross income of the recipients thereof for Federal income tax purposes is dependent upon the continued compliance by the Authority with certain provisions of the Code subsequent to the issuance of the Series 2010 Bonds. In the Indenture, the Authority has made certain covenants (the Compliance Covenants) to the effect that it will comply with all conditions to and requirements imposed by the

Code for the exclusion from gross income of the recipients thereof for Federal income tax purposes of the interest income on the Series 2010 Bonds. Failure to comply with the Compliance Covenants may result in the interest income on the Series 2010 Bonds being included in the gross income of the recipients thereof for Federal income tax purposes from the date of issuance of the Series 2010 Bonds.

Series 2010-A Bonds.

Hand Arendall LLC, Bond Counsel, is of the opinion that, under the Code, as presently construed and administered, and assuming compliance by the Authority with the Compliance Covenants, the interest income on the Series 2010-A Bonds is excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103 of the Code and will not constitute an item of tax preference for the purpose of computing the liability of individuals and corporations for the alternative minimum tax imposed by Section 55 of the Code. Bond Counsel will state in its opinion that it expresses no opinion with respect to the federal tax consequences of ownership of the Series 2010-A Bonds under any provision of the Code.

Section 265 of the Code provides that, as a general rule, banks, thrifts, and other financial institutes may not deduct that portion of their interest expense that is allocable to tax-exempt obligations acquired after August 7, 1986. There is a specific exception in Section 265 for interest income from a "qualified tax-exempt obligation" which is defined as an obligation (other than a private activity bond) that has been designated by the issuer for purposes of the Code as a "qualified tax-exempt obligation." Under the exception, interest allocable to qualified tax-exempt obligations is subject to the 20% disallowance rule effective prior to the Tax Reform Act of 1986. Section 265 provides that not more than \$30,000,000 of obligations may be designated by an issuer as "qualified tax-exempt obligations" during calendar year 2010 and that obligations may not be designated as "qualified tax-exempt obligations" unless the issuer reasonably anticipates that the amount of qualified tax-exempt obligations issued by such issuer during such calendar year will not exceed \$30,000,000.

In the proceedings authorizing the issuance of the Series 2010-A Bonds, the Authority has designated the Series 2010-A Bonds as "qualified tax-exempt obligations" for purposes of Section 265 and has, in connection therewith, specifically found that the amount of tax-exempt obligations (other than private activity bonds) that have heretofore been issued during the current calendar year and the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds) that will be issued by the Authority and all "subordinate entities" during the calendar year in which the Series 2010-A Bonds will be issued will not exceed \$30,000,000. Contemporaneously with the delivery of the Series 2010-A Bonds, Bond Counsel will furnish to the Underwriter a supplemental opinion regarding the status of the Series 2010-A Bonds as "qualified tax-exempt obligations" under Section 265(b)(3)(B) of the Code.

Bond Counsel is of the opinion that the interest income on the Series 2010-A Bonds is exempt from Alabama income taxation.

Series 2010-B Bonds.

Hand Arendall LLC, Bond Counsel, is of the opinion that, under the Code, as presently construed and administered, and assuming continued compliance by the Authority with the Compliance Covenants, the interest income on the Series 2010-B Bonds is excludable from gross income of the recipients thereof for federal income tax purposes pursuant to Section 103 of the Code except with respect to any Series 2010-B Bond, for any period during which it is held by a "substantial user" of the Airport or a "related person", as those terms are used or defined in Section 147(a) of the Code. Bond Counsel is further of the opinion, however, that interest income on the Series 2010-B Bonds will be included as an item of tax preference in alternative minimum taxable income for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code. Bond counsel will state in its opinion that it expresses no opinion with respect to the Federal tax consequences of ownership of the Series 2010-B Bonds under any other provision of the Code.

The Code also includes provisions which would deny banks, thrifts and other financial institutions a deduction for the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, including the Series 2010-B Bonds.

Bond counsel is of the opinion that the interest income on the Series 2010-B Bonds is exempt from present Alabama income taxation.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2010 Bonds. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2010 Bonds.

Prospective owners of the Series 2010 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2010 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

The initial public offering price to be paid for certain of the Series 2010 Bonds (the "Original Issue Discount Bonds") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Series 2010 Bonds. Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Series 2010 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Series 2010 Bonds.

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

Original Issue Premium

The initial public offering price to be paid for certain of the Series 2010 Bonds (the "Original Issue Premium Bonds") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Bond in the initial public offering of the Series 2010 Bonds is required to reduce his basis in such Original Issue Premium Bond by the amount of premium allocable to periods during which he holds such Original Issue Premium Bond, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Bond and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Bond.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 2010 Bonds by the Authority are subject to the approval of Hand Arendall LLC, Birmingham, Alabama, Bond Counsel. It is anticipated that the approving opinions of Bond Counsel will be in substantially the forms attached hereto as Appendix A.

Bond Counsel will state in its opinions that it expresses no opinion with respect to the adequacy, accuracy, completeness or fairness of any information contained in this Official Statement.

Certain legal matters in connection with the Series 2010 Bonds are being approved for the Authority by its legal counsel, Wilmer & Lee, P.A., Huntsville, Alabama, who are not passing upon the validity of the Series 2010 Bonds, their issuance or their tax-exempt status under Federal or State of Alabama income tax laws.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating to the Series 2010 Bonds of "Aa3" (negative outlook) with the understanding that upon delivery of the Series 2010 Bonds, a policy guaranteeing the payment when due of the principal of and interest on the Series 2010 Bonds will be issued by AGM. Moody's has also given the Series 2010 Bonds an underlying rating of "A2". Any definitive explanation of the significance of any such rating may be obtained only from Moody's. There is no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be lowered or withdrawn entirely if, in the judgment of Moody's, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Series 2010 Bonds could have an adverse effect on their market price.

FINANCIAL ADVISOR

Public FA, Inc., Huntsville, Alabama, has served as financial advisor to the Authority in connection with the issuance of the Series 2010 Bonds.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Authority which are included as Appendix B to this Official Statement have been examined and reported on by Mercer & Associates, P.C., Huntsville, Alabama, independent certified public accountants for the periods indicated in their report thereon. The financial statements of the Authority have been included in reliance upon the report of Mercer & Associates, PC and with reliance upon their authority as experts in accounting and auditing.

APPENDIX A
FORMS OF OPINIONS OF BOND COUNSEL

APPENDIX A

Form of Opinion of Bond Counsel
With Respect to the Series 2010-A Bonds

(Closing Date)

The Huntsville-Madison County Airport Authority
Huntsville, Alabama

Gentlemen:

We have examined certified copies of proceedings and other documents showing the organization under the laws of Alabama of THE HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY (herein called the "Authority"), together with copies of proceedings of the Authority and other documents submitted to us pertaining to the issuance and validity of

\$10,175,000

**THE HUNTSVILLE-MADISON COUNTY
AIRPORT AUTHORITY**

**Airport Revenue Bonds
Series 2010-A**

(herein called the "Series 2010-A Bonds"). The Series 2010-A Bonds are dated the date of this opinion. We have not examined any of the Series 2010-A Bonds as executed. In rendering the opinion hereinafter expressed with respect to the exclusion of the interest income on the Series 2010-A Bonds from gross income of the recipients thereof for Federal income tax purposes, and the inapplicability of (i) the registration requirements of the Securities Act of 1933, as amended, to the Series 2010-A Bonds, and (ii) the qualification requirements of the Trust Indenture Act of 1939, as amended, to the Indenture hereinafter referred to, we have relied, in part, upon certain representations made by the Authority. The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of the aforesaid proceedings and documents and upon said representations.

The documents submitted to us show as follows:

(a) that the Authority has heretofore executed and delivered to First Alabama Bank (now known as Regions Bank) (herein called the "Trustee"), a Trust Indenture dated as of June 15, 1989 (herein called the "1989 Indenture"), wherein the Authority has pledged for payment of all bonds issued under the 1989 Indenture the revenues derived by the Authority from the operation of certain airport and related facilities (herein called the "Airport") of the Authority described in the 1989 Indenture (the said revenues being herein called the "Pledged Revenues");

(b) that there are presently outstanding under the 1989 Indenture, two series of bonds aggregating \$42,195,000, in aggregate principal amount (herein called the "Outstanding Bonds");

(c) that in the 1989 Indenture the Authority has reserved the privilege of issuing from time to time additional bonds (herein called "Additional Bonds") in one or more series, without limitation as to principal amount, on a parity with the Outstanding Bonds as respects the pledge of the Pledged Revenues, upon compliance with the conditions set forth in the 1989 Indenture; and

(d) that simultaneously with the issuance of the Series 2010-A Bonds, the Authority will issue under the 1989 Indenture its Airport Revenue Bonds, Series 2010-B, dated the date of delivery (herein called the "Series 2010-B Bonds").

We are of the following opinion:

(1) that the Authority is a duly organized and existing public corporation under the laws of the State of Alabama and has corporate power to own and operate the Airport, to issue the Series 2010-A Bonds, to execute and deliver the 1989 Indenture, as heretofore supplemented by a First Supplemental Indenture between the Authority and the Trustee dated as of July 15, 1989, a Second Supplemental Indenture between the Authority and the Trustee dated as of June 1, 1991, a Third Supplemental Indenture between the Authority and the Trustee dated as of April 1, 1997, a Fourth Supplemental Indenture between the Authority and the Trustee dated as of September 1, 1998, a Fifth Supplemental Indenture between the Authority and the Trustee dated as of August 1, 2001, a Sixth Supplemental Indenture between the Authority and the Trustee dated as of April 1, 2006, and a Seventh Supplemental Indenture between the Authority and the Trustee dated as of March 1, 2007, and as further supplemented by an Eighth Supplemental Indenture between the Authority and the Trustee dated as of December 1, 2010 (the 1989 Indenture, as so supplemented, being herein called the "Indenture") and to perform the agreements on its part contained therein;

(2) that the Series 2010-A Bonds have been duly authorized, sold, executed and issued in the manner provided by the applicable provisions of the Constitution and laws of Alabama, are in due and legal form and evidence valid and binding limited or special obligations of the Authority payable, as to principal, interest and premium (if any), solely out of the Pledged Revenues;

(3) that payment of the principal of and the interest (and premium, if any) on the Series 2010-A Bonds is secured, pro rata with the Outstanding Bonds and the Series 2010-B Bonds and with any other of the Additional Bonds that may hereafter be issued, and without preference or priority of one bond over another (except as otherwise permitted by the Indenture) by the provisions of the Indenture, including, without limitation, the pledge of the Pledged Revenues;

(4) that the said pledge of the Pledged Revenues is valid, subject to all prior charges thereon and subject to bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights;

(5) that the Indenture has been duly authorized, executed and delivered on behalf of the Authority and constitutes a valid and binding agreement, enforceable against the Authority except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights;

(6) that the Series 2010-A Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(7) that under existing statutes, the interest income on the Series 2010-A Bonds is exempt from Alabama income taxation; and

(8) that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the Authority with the covenants set forth in the Indenture with respect to certain requirements of Federal tax law, the interest income on the Series 2010-A Bonds is excludable from gross income of the recipients thereof for Federal income tax purposes pursuant to Section 103(a) of the Code, and the interest income on the Series 2010-A will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code. We call your attention, however, that a portion of the interest income on the Series 2010-A Bonds will be included in alternative minimum taxable income of corporations for the purpose of computing the alternative minimum tax imposed by Section 55

of the Code. We express no opinion with respect to the Federal tax consequences of ownership of the Series 2010-A Bonds under any other provision of the Code.

We have not examined the title of the Authority to the Airport, but have, pursuant to instructions, assumed that the Authority has good title to the Airport, subject to "Permitted Encumbrances" as that term is defined in the Indenture.

The Indenture provides that in the event the Authority should default in any of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all bonds then outstanding under the Indenture to be forthwith due and payable, whereupon the same shall immediately become due and payable and the Trustee shall be entitled to exercise the rights specified in the Indenture. The Indenture does not, however, constitute a mortgage on the Airport and is not, therefore, subject to foreclosure. The Indenture further provides that to the extent and in the manner provided thereby, it may be amended with the written consent of the holders of at least 66-2/3% in principal amount of the bonds then outstanding thereunder.

We express no opinion with respect to the adequacy, accuracy, completeness or fairness of any information contained in the Authority's Official Statement with respect to the Series 2010-A Bonds.

Yours very truly,

Form of Opinion of Bond Counsel
With Respect to the Series 2010-B Bonds

(Closing Date)

The Huntsville-Madison County Airport Authority
Huntsville, Alabama

Gentlemen:

We have examined certified copies of proceedings and other documents showing the organization under the laws of Alabama of THE HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY (herein called the "Authority"), together with copies of proceedings of the Authority and other documents submitted to us pertaining to the issuance and validity of

\$3,310,000

**THE HUNTSVILLE-MADISON COUNTY
AIRPORT AUTHORITY**

**Airport Revenue Bonds
Series 2010-B**

(herein called the "Series 2010-B Bonds"). The Series 2010-B Bonds are dated the date of this opinion. We have not examined any of the Series 2010-B Bonds as executed. In rendering the opinion hereinafter expressed with respect to the exclusion of the interest income on the Series 2010-B Bonds from gross income of the recipients thereof for Federal income tax purposes, and the inapplicability of (i) the registration requirements of the Securities Act of 1933, as amended, to the Series 2010-B Bonds, and (ii) the qualification requirements of the Trust Indenture Act of 1939, as amended, to the Indenture hereinafter referred to, we have relied, in part, upon certain representations made by the Authority. The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of the aforesaid proceedings and documents and upon said representations.

The documents submitted to us show as follows:

(a) that the Authority has heretofore executed and delivered to First Alabama Bank (now known as Regions Bank) (herein called the "Trustee"), a Trust Indenture dated as of June 15, 1989 (herein called the "1989 Indenture"), wherein the Authority has pledged for payment of all bonds issued under the 1989 Indenture the revenues derived by the Authority from the operation of certain airport and related facilities (herein called the "Airport") of the Authority described in the 1989 Indenture (the said revenues being herein called the "Pledged Revenues");

(b) that there are presently outstanding under the 1989 Indenture, two series of bonds aggregating \$42,195,000, in aggregate principal amount (herein called the "Outstanding Bonds");

(c) that in the 1989 Indenture the Authority has reserved the privilege of issuing from time to time additional bonds (herein called "Additional Bonds") in one or more series, without limitation as to principal amount, on a parity with the Outstanding Bonds as respects the pledge of the Pledged Revenues, upon compliance with the conditions set forth in the 1989 Indenture; and

(d) that simultaneously with the issuance of the Series 2010-B Bonds, the Authority will issue under the 1989 Indenture its Airport Revenue Bonds, Series 2010-A, dated the date of delivery (herein called the "Series 2010-A Bonds").

We are of the following opinion:

(1) that the Authority is a duly organized and existing public corporation under the laws of the State of Alabama and has corporate power to own and operate the Airport, to issue the Series 2010-B Bonds, to execute and deliver the 1989 Indenture, as heretofore supplemented by a First Supplemental Indenture between the Authority and the Trustee dated as of July 15, 1989, a Second Supplemental Indenture between the Authority and the Trustee dated as of June 1, 1991, a Third Supplemental Indenture between the Authority and the Trustee dated as of April 1, 1997, a Fourth Supplemental Indenture between the Authority and the Trustee dated as of September 1, 1998, a Fifth Supplemental Indenture between the Authority and the Trustee dated as of August 1, 2001, a Sixth Supplemental Indenture between the Authority and the Trustee dated as of April 1, 2006, and a Seventh Supplemental Indenture between the Authority and the Trustee dated as of March 1, 2007, and as further supplemented Eighth Supplemental Indenture between the Authority and the Trustee dated as of December 1, 2010 (the 1989 Indenture, as so supplemented, being herein called the "Indenture") and to perform the agreements on its part contained therein;

(2) that the Series 2010-B Bonds have been duly authorized, sold, executed and issued in the manner provided by the applicable provisions of the Constitution and laws of Alabama, are in due and legal form and evidence valid and binding limited or special obligations of the Authority payable, as to principal, interest and premium (if any), solely out of the Pledged Revenues;

(3) that payment of the principal of and the interest (and premium, if any) on the Series 2010-B Bonds is secured, pro rata with the Outstanding Bonds and the Series 2010-A Bonds and with any other of the Additional Bonds that may hereafter be issued, and without preference or priority of one bond over another (except as otherwise permitted by the Indenture) by the provisions of the Indenture, including, without limitation, the pledge of the Pledged Revenues;

(4) that the said pledge of the Pledged Revenues is valid, subject to all prior charges thereon and subject to bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights;

(5) that the Indenture has been duly authorized, executed and delivered on behalf of the Authority and constitutes a valid and binding agreement, enforceable against the Authority except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights;

(6) that the Series 2010-B Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(7) that under existing statutes, the interest income on the Series 2010-B Bonds is exempt from Alabama income taxation; and

(8) that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the Authority with the covenants set forth in the Indenture with respect to certain requirements of Federal tax law, the interest income on the Series 2010-B Bonds is excludable from gross income of the recipients thereof for Federal income tax purposes pursuant to Section 103(a) of the Code, except, with respect to any Series 2010-B Bond, for any period during which it is held by a "substantial user" of the Airport or a "related person", as those terms are defined in Section 147(a) of the Code. We call to your attention, however, that interest income on the Series 2010-B Bonds will be included as an item of tax preference in alternative minimum taxable income for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code. We express no

opinion with respect to the Federal tax consequences of ownership of the Series 2010-B Bonds under any other provision of the Code.

We have not examined the title of the Authority to the Airport, but have, pursuant to instructions, assumed that the Authority has good title to the Airport, subject to "Permitted Encumbrances" as that term is defined in the Indenture.

The Indenture provides that in the event the Authority should default in any of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all bonds then outstanding under the Indenture to be forthwith due and payable, whereupon the same shall immediately become due and payable and the Trustee shall be entitled to exercise the rights specified in the Indenture. The Indenture does not, however, constitute a mortgage on the Airport and is not, therefore, subject to foreclosure. The Indenture further provides that to the extent and in the manner provided thereby, it may be amended with the written consent of the holders of at least 66-2/3% in principal amount of the bonds then outstanding thereunder.

We express no opinion with respect to the adequacy, accuracy, completeness or fairness of any information contained in the Authority's Official Statement with respect to the Series 2010-B Bonds.

Yours very truly,

APPENDIX B

**AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEARS ENDED
JUNE 30, 2010 AND JUNE 30, 2009**

**HUNTSVILLE-MADISON COUNTY
AIRPORT AUTHORITY
FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Huntsville-Madison County Airport Authority
Huntsville, Alabama

We have audited the accompanying financial statements of the Huntsville-Madison County Airport Authority, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Huntsville-Madison County Airport Authority Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Huntsville-Madison County Airport Authority as of June 30, 2010 and 2009, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2010, on our consideration of the Huntsville-Madison County Airport Authority Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Huntsville-Madison County Airport Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Schedule of Passenger Facility Charges as required by 49 U.S.C. 47107(b), FAA's Policy and Procedures Regarding the Use of Airport Revenues, and are not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Mercer & Associates, PC

September 14, 2010

**HUNTSVILLE MADISON COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

Our discussion and analysis of the Huntsville Madison County Airport Authority's (the "Authority's") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Authority's financial statements and notes to the financial statements, which immediately follow this analysis.

Airport Activities and Highlights

At June 30, 2010, the Huntsville International Airport was served by American Airlines, Continental, Delta Airlines, AirTran Airways, U.S. Airways and United Airlines directly or through their affiliates. Currently non-stop passenger service is provided to Dallas, Chicago, Atlanta, Houston, Memphis, Charlotte, Detroit, Washington D.C., Baltimore, Orlando and Denver.

Air cargo carriers include Atlas, Cargolux, Federal Express and UPS. Air cargo service includes both domestic destinations and international destinations in Luxembourg, England and Mexico.

The following chart highlights selected key activities of the Airport Authority:

	FY10	FY09	Difference	% Difference
Enplanements	591,687	593,455	(1,768)	(0.3%)
Landed Weight-Air Carriers (000 pounds)	803,669	801,650	2,019	0.3%
Landed Weight-Air Cargo (000 pounds)	317,276	329,137	(11,861)	(3.6%)
Air Carrier Landings	12,668	12,551	117	0.9%
Rail Lifts	32,848	39,190	(6,342)	(16.2%)
June 2010/2009				
Number of Weekly Passenger Flights	598	524	74	14.1%
Number of Seats on Weekly Flights	40,182	33,444	6,738	20.2%

During FY10, enplanements decreased only slightly (0.3%) after experiencing an 8% drop in FY09. In each of the first three quarters of the fiscal year the Airport experienced declines in enplanements, however, the fourth quarter saw a 3.7% increase. The increase was primarily attributable to the Airport being able to attract a low cost passenger carrier. Beginning, Thursday, May 27, 2010, AirTran Airways began daily service to Baltimore-Washington and Orlando. The Airport has been pursuing a low cost carrier for several years. The Airport received the dubious honor this past year of being ranked as the airport in the United States having the highest airfares. Fortunately, the ranking benefited us in our pursuit of a U. S. Department of Transportation Small Community Air Service Development Grant. The Airport was awarded a \$1 million grant to assist in attracting a low cost passenger carrier. As a result of AirTran's service at our airport, the average advance purchase fare dropped from \$365 on March 3, 2010, (prior to AirTran) to \$258 on August 17, 2010, a 29% reduction. Having a low cost carrier has helped drive down fares of all carriers at our Airport. The addition of AirTran, plus the additional service to Chicago by United Airlines helped boost the number of weekly flights by 14% and number of seats by 20% at the end of the year. For the entire year, the number of passenger carrier landings and landing weights increased only slightly.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Airport Activities and Highlights, continued

Landed weights for cargo carriers continued to decline in FY10, falling 3.6% after a decline of 21% in the prior year. This continued decline reflects the impact of the economic downturn on the worldwide shipment of goods over the past two years.

Rail Lifts also continued to decline in FY10, falling 16.2% from FY09, after dropping 17% in the prior year. In FY08, Rail Lifts set an all time record of 47,239, but now have fallen over the past two years to 32,848, a 30% decline. As in the case of cargo carriers, the decline in Rail Lifts reflects the continued impact of the economic downturn. As a result of the significant decline in activities, personnel at the Intermodal Center have been shifted to other departments where vacancies have occurred. This has resulted in a 24% reduction in headcount at the Intermodal Center.

The Airport is in the midst of a major renovation and expansion. During FY09 a new parking deck expansion was opened which increased the number of available spaces to 4,849. The cost of the deck, including a new toll plaza, revenue control system and access road was \$27 million. The Airport Authority issued \$18.7 million in bonds in April 2006 to partially fund the project. The remainder of the funds for the project came primarily from internally generated funds. A major renovation of the airport terminal at a cost of \$33 million was completed during FY10. The Terminal Project was primarily funded through Federal Entitlement Funds. Airport internally generated funds, funds provided through the March 2007 refinancing of the 1997 Series Bonds, PFC funds and the release of Debt Service Reserve Funds from the 2006 Bond Issue provided the remainder of the funds. The March 2007 bond refinancing did not increase the Airport's annual debt service payments, nor extend the debt maturity. Among the improvements completed are a new Flight Information Display System, new food and beverage concession area in the concourse which is twice the size of the previous area, a new expanded TSA checkpoint, a newly constructed hotel restaurant, and a greatly expanded public waiting area.

Another major project, renovating the Baggage Claim area, will begin in FY11. The estimated cost of this project is \$30 million. It is anticipated that the Airport will issue debt of \$18 million to help fund the project, with repayment over a 15 year period. Additional funds to pay construction costs will come from FAA Entitlement Funds (\$6.4 million) and Airport generated funds. The Airport has applied with the FAA for approval to use Passenger Facility Charges of \$24.8 million to repay the principal and interest on the \$18 million debt. The expanded Baggage Claim area will increase the number of carousels to 3 from 2 currently, relocate all rental car counters, add an elevator, and connect the terminal with the parking deck via a second floor walkway.

The Airport completed construction of a 92,000 square foot air cargo facility in FY09 costing \$8 million. The Airport leased the facility in October 2009 to a company which supports testing, maintenance, repair and overhaul of Army rotary fixed wing aircraft.

During FY10, a company opened a 65,000 square foot aircraft modification and integration center in the Jetplex Aviation Center East.

Using the Financial Statements - An Overview for the User

As a result of the implementation of the GASB 34 reporting model the financial section consists of five parts - *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements*, *required supplemental information* (not required for enterprise funds), and *other supplemental information*.

Because the Authority is considered an enterprise fund and no other funds are component units of the Airport Authority, many aspects of GASB 34 are not applicable to the financial statements and require little

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Using the Financial Statements - An Overview for the User, continued

or no changes from previous years. The enterprise fund presentation required by GASB 34 does not change the appearance of the financial statements for the Authority or the footnotes to those statements. There is no required supplemental information for an enterprise fund. However, one change is the recognition of all grant proceeds as revenue in the current period, not as net assets changes, as required by GASB 33. This change is described in the footnotes to the financial statements.

Analysis of the Airport Authority's Overall Financial Position

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net assets. The Authority's assets exceeded liabilities by \$227.5 million at June 30, 2010.

- ✓ Of this figure, \$163.6 million reflects the Authority's investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture and equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. The major changes between 2010 and 2009 were the result of \$23.4 million net capital acquisitions and an increase in depreciation expense. The Authority uses these capital assets to provide services to the airlines, passengers and to service providers at the Airport; consequently, these assets are not available for future spending. Although, the Authority's equity in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.
- ✓ The reduction in restricted assets is due to expenditure of bond construction funds for the assets referenced above.
- ✓ The Authority made payments on long-term debt as required by bond indentures totaling \$3.355 million in principal.
- ✓ Unrestricted Net Assets may be used at the Authority's discretion to meet ongoing obligations to passengers and other airport users, creditors and for future operations. Unrestricted Net Assets decreased slightly from \$54.7 million to \$51.1 due to the effect of the economic downturn on operating results and the reimbursed grant to the Industrial Development Board.

Table 1: Summary of Net Assets

	2010	2009
Current assets	\$49,714,020	\$57,577,450
Restricted assets	16,177,520	21,315,099
Property and equipment, net of accumulated depreciation	221,993,229	208,754,784
Other assets	3,949,272	4,358,264
Total Assets	291,834,041	292,005,597
Current liabilities	2,806,151	7,470,975
Current liabilities, payable from restricted assets	4,916,852	4,841,457
Long-term debt, net of current portion	56,572,109	60,177,964
Total Liabilities	64,295,112	72,490,396
Total Net Assets	\$227,538,929	\$219,515,201

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Analysis of the Airport Authority's Operations

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Revenues and Expenditures*. Table 2 below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the Authority for the year. It also shows the impact the operations had on changes in net assets as of June 30, 2010.

As shown in Table 2, the reduction in Operating Income during the year is related to an increase in depreciation expense due to the capitalization of capital improvements as well operating reductions related to the economic downturn. It is important to note that none of these costs were borne by the taxpayers of Huntsville.

- ✓ Much of the revenue, \$24.65 million, was collected from users who benefited from services provided during the year, such as airlines, concessionaires, parking fees, tenants, pilots using hangers and other users.
- ✓ State and federal governments funded capital projects with grants and contributions totaling \$10.79 million.
- ✓ Passenger facility charges of \$2.29 million were collected.
- ✓ Interest earnings provided for \$.63 million in revenues.

Table 2: Statement of Revenue and Expenses and Changes in Net Assets

	2010	2009
Operating Revenues		
Airport	\$21,249,271	\$21,411,229
Industrial Park	113,263	209,300
Hotel	3,288,358	3,493,126
Total Operating Revenues	24,650,892	25,113,655
Operating Expenses		
Airport	11,744,781	11,504,312
Industrial Park	707,828	761,833
Hotel	2,713,076	2,907,426
Total Operating Expenses	15,165,685	15,173,571
Excess of Operating Revenue	9,485,207	9,940,084
Depreciation	10,114,851	8,443,551
Operating Income (Loss)	(629,644)	1,496,533
Interest income	612,616	1,415,712
Interest, amortization and other expense and income	(3,057,698)	(2,599,966)
Federal, State and Local Grants	8,787,301	20,504,670
Passenger Facility Charges	2,292,992	2,457,092
Interest income on passenger facility charges	18,161	70,348
Increase in Net Assets	8,023,728	23,344,389
Net Assets – Beginning	219,515,201	196,170,812
Net Assets – Ending	\$227,538,929	\$219,515,201

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Analysis of Airline Rates and Charges

The Airport Authority's Statement of Policy regarding Airline Use and Occupancy of Airport Facilities and Periodic Adjustment of Airline Rentals, Fees and Charges for Fiscal Year 2010 establishes how the airlines will be assessed annual rates and charges for their use of the Airport. The agreement includes a methodology for fueling, security and facilities charges.

The Authority also has the ability under the Agreement to adjust airline rates and charges at any time throughout the year to ensure adherence to all financial covenants in its bond resolutions. No such adjustments were required during 2010. Airfield landing fees and terminal rental rates billed by the Airport are adjusted based on an annual year end settlement calculation for the landing fee and the terminal rental rate based on actual income and expenditures allocated to the cost centers.

The airline cost per enplanement is calculated after the settlement of all rates and charges adjustments based on actual revenues and expenses. The airline cost per enplaned passenger was \$9.78 for 2010 and \$9.75 for 2009.

Summary of Cash Flow Activities

The following *Table 3* shows a summary of the major sources and uses of cash and cash equivalents for the current year. Cash equivalents are considered cash on-hand, bank deposits and highly liquid investments with a maturity of three months or less.

	2010	2009
Cash flows from:		
Operating Activities	\$9,588,616	\$9,637,735
Capital and Related Financing Activities	(20,850,335)	(18,142,667)
Investing	8,161,954	(9,171,248)
	<hr/>	<hr/>
Net increases (decrease) in Cash and Cash Equivalents	(3,099,765)	(17,676,180)
Cash and Cash Equivalents:		
Beginning of year	22,325,996	40,002,176
End of year	<u>\$19,226,231</u>	<u>\$22,325,996</u>

The Authority's available cash and cash equivalents decreased from \$22.3 million at the beginning of FY2010 to \$19.2 million at the end of FY2010 due to use of funds provided for capital expenditures.

Capital Acquisitions and Construction Activities

During fiscal year 2010, the Authority expended \$23.4 million on capital activities. This included major construction projects, principally a greatly expanded public waiting area, western land acquisition, air carrier ramp expansion, and parking area expansion.

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using a variety of financing techniques including Federal grants with matching Airport funds, private investment, debt issuances, and Airport revenues.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Capital Acquisitions and Construction Activities, continued

At June 30, 2010, the Authority has signed contracts for a number of construction projects. The Baggage Claim project includes an owner/architect agreement of \$2 million, of which \$1.5 has been paid. Ramp Enhancement construction has begun with a contract of \$2.5 million, with \$0.5 million remaining to be paid. Certain of these costs are funded with grants from the Federal Aviation Administration (FAA), Federal Transportation Administration (FTA) and the remainder from Authority funds, including PFCs for approved projects and also, bond proceeds.

Long Term Debt Administration

A summary of the revenue bonds payable by the Authority and outstanding at June 30, 2010 and 2009 from airport operations are as follows:

Issue	Interest Rate	June 30, 2010	June 30, 2009
Airport Revenue Bonds – 1997	4.00 - 5.40%	\$ 0	\$ 1,925,000
Airport Revenue Bonds – 1998	3.90 – 5.00%	10,745,000	11,275,000
Airport Revenue Bonds – 2001	3.10 – 5.125%	3,650,000	3,935,000
Airport Revenue Bonds – 2006	3.60 - 5.00%	18,205,000	18,705,000
Airport Revenue Bonds – 2007	3.75 - 5.00%	26,650,000	26,765,000
Total Face Amount of Airport Revenue Bonds		\$ 59,250,000	\$ 62,605,000

The Series 1997, Series 1998, Series 2001, Series 2006 and Series 2007 nontaxable Airport Revenue Bonds will be payable solely out of the pledged revenues derived from operation of the airport remaining after payment of operating expenses as defined in the indenture. The indenture does not constitute a mortgage on any of the physical properties forming a part of the airport. None of the Bonds are general obligations of the Authority and do not constitute a personal charge against the general credit of the Authority.

The Series 2007 Bonds with a stated maturity in 2017 and thereafter are subject to redemption and payment, at the option of the Authority, on July 1, 2016, or any date thereafter at a redemption price of 100% of the principal amount, plus accrued interest. The Series 2006 Bonds are subject to redemption and payment, at the option of the authority on January 1, 2016, or thereafter for Bonds having a stated maturity on July 1, 2016 and thereafter. The Series 2001 Bonds are subject to redemption and payment, at the option of the Authority at any time at a redemption price of 100% of the principal amount, plus accrued interest. The Series 1998 Bonds are subject to redemption and payment, at the option of the Authority at any time at a redemption price of 100%.

The Series 1989 Trust Indenture, the Series 1997 Third Supplemental Trust Indenture, the Series 1998 Fourth Supplemental Trust Indenture, the Series 2001 Fifth Supplemental Trust Indenture, the Series 2006 Sixth Supplemental Trust Indenture and the Series 2007 Seventh Supplemental Trust Indenture created special trust funds. All pledged revenues are required to be deposited as received into the Revenue Fund, and moneys in such fund are required to be applied and allocated on a monthly basis in the manner and priority established by the Indentures. Funding requirements at June 30, 2010, have been met as set forth in the Indentures. The Indentures also require the Authority to maintain adequate rates and charges in a manner that produces Net Revenues (as described therein) in excess of 1.25 times the current Annual Debt Service (as described therein).

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Credit Rating and Bond Insurance

In previous years, Moody's Investor Service assigned an A2 rating to the \$27.21 Million Series 2007 Airport Revenue Bonds of the Huntsville-Madison County Airport Authority.

In connection with the sale of each General Airport Revenue Bond issue, an insurance policy has been purchased by the Authority to guarantee the payment of principal and interest when due. The 1998 issue is insured by MBIA Corporation, and the 2001, 2006 and 2007 Issues are insured by Financial Security Assurance, Inc. During the current year, MBIA Corporation was no longer rated strongly enough to provide insurance for the 1998 issue, which required funding of a debt service reserve fund by the Authority.

Passenger Facility Charges (PFC)

The Authority collected a PFC of \$4.50 per enplaned passenger. During the current year, the Authority collected a total of \$2.3 million in PFC's. Passengers pay PFCs on the first two and last two portions of any trip. No PFCs are collected from non-revenue passengers such as a passenger using a frequent flier award ticket. PFC's are used for expenditures approved by FAA based upon formal request by the Authority. For further details, see the Schedule of Passenger Facility Charges in the Compliance Section of this report.

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 (GASB). 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 (except land) are depreciated over their useful lives. Amounts are restricted for debt service, passenger facility charges, FAA expenditures and, where applicable, for construction activities. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Request for Information

This Management Discussion and Analysis is designed to provide detail information on the Authority's operations to all those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to the Director of Finance & Administration by e-mail @ pkelly@hsvairport.org

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
BALANCE SHEET
JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
Current Assets		
Cash and cash equivalents (Notes A & B)	\$ 19,226,231	\$ 22,325,996
Short-term investments (Note B)	27,623,936	30,000,000
Accounts receivable	1,770,586	2,281,577
Investment interest receivable	142,132	177,827
Grants receivable	641,340	2,461,165
Inventories	92,520	96,728
Prepaid expenses	217,275	234,157
Total Current Assets	49,714,020	57,577,450
Restricted Assets		
Cash in bank, trust funds (Notes B & C)	7,534,699	11,262,404
Cash in bank - FAA land (Note B)	3,380,804	3,368,993
Cash in bank - passenger facility charges (Note B)	5,261,964	6,683,335
Interest receivable	53	367
Total Restricted Assets	16,177,520	21,315,099
Property and Equipment (Note A)		
Land	36,576,340	31,042,916
Structures and improvements	271,211,890	243,189,890
Furniture and equipment	16,472,745	17,817,298
Construction in progress	16,167,640	27,084,732
Total	340,428,615	319,134,836
Accumulated depreciation	118,435,386	110,380,052
Total Property and Equipment	221,993,229	208,754,784
Other Assets and Long-Term Investments		
Amortizable costs, net (Notes C & D)	3,735,883	4,109,342
Other accounts receivable, less current portion (Note F)	213,389	248,922
Total Other Assets and Long-Term Investments	3,949,272	4,358,264
TOTAL ASSETS	\$ 291,834,041	\$ 292,005,597
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,464,175	\$ 6,141,106
Accrued vacations, sick leave, salaries and retiree benefits	1,252,838	1,240,731
Deferred income and deposits	89,138	89,138
Total Current Liabilities	2,806,151	7,470,975
Current Liabilities Payable From Restricted Assets (Note C)		
Accrued interest	1,406,852	1,486,457
Current portion of long-term debt	3,510,000	3,355,000
Total Current Liabilities Payable From Restricted Assets	4,916,852	4,841,457
Long-Term Debt, Net of Current Portion (Note C)		
Bonds payable	56,572,109	60,177,964
Total Long-Term Debt, Net of Current Portion	56,572,109	60,177,964
Total Liabilities	64,295,112	72,490,396
Net Assets		
Invested in capital assets, net of related debt	163,584,784	151,595,008
Restricted for:		
Debt service	4,454,236	3,403,126
Passenger facility charges	5,261,964	6,683,335
FAA Expenditures	3,129,371	3,129,371
Unrestricted	51,108,574	54,704,361
Total Net Assets	227,538,929	219,515,201
TOTAL LIABILITIES AND NET ASSETS	\$ 291,834,041	\$ 292,005,597

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating Revenue		
Airport	\$ 21,249,271	\$ 21,411,229
Industrial Park	113,263	209,300
Hotel	3,288,358	3,493,126
	<u>24,650,892</u>	<u>25,113,655</u>
Operating Expenses		
Airport	11,744,781	11,504,312
Industrial Park	707,828	761,833
Hotel	2,713,076	2,907,426
	<u>15,165,685</u>	<u>15,173,571</u>
Excess of Operating Revenue	9,485,207	9,940,084
Depreciation	<u>10,114,851</u>	<u>8,443,551</u>
Operating Income (Loss)	(629,644)	1,496,533
Other Revenue and Expenses		
Interest income - Airport Operations	255,342	806,082
Interest income - Industrial Park	357,274	609,630
Interest expense	(2,813,704)	(2,133,159)
Amortization of discount and bond issue costs (Note C)	(277,603)	(367,161)
Gain (loss) on sale of land and equipment	33,609	(99,646)
Federal grants (Note A)	10,787,301	20,504,670
Grant reimbursed to the Industrial Development Board	(2,000,000)	0
Passenger facility charges	2,292,992	2,457,092
Interest income on passenger facility charges	<u>18,161</u>	<u>70,348</u>
Change in Net Assets	<u>\$ 8,023,728</u>	<u>\$ 23,344,389</u>

See notes to financial statements.

**HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Net Assets, Beginning of Year	\$ 219,515,201	\$ 196,170,812
Change in Net Assets	<u>8,023,728</u>	<u>23,344,389</u>
Net Assets, End of Year	<u>\$ 227,538,929</u>	<u>\$ 219,515,201</u>

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities:		
Received from customers	\$ 25,197,416	\$ 24,850,413
Paid to suppliers for goods and services	(7,464,861)	(6,757,477)
Paid for employee services	(8,143,939)	(8,455,201)
Net Cash Provided (Used) by Operating Activities	9,588,616	9,637,735
 Cash Flows from Non-Capital Financing Activities:	 0	 0
 Cash Flows from Capital Financing Activities:		
Federal, state and local grants	12,607,126	20,945,617
Grant reimbursed to the Industrial Development Board	(2,000,000)	0
Passenger facility charges	2,292,992	2,457,092
Interest earned on passenger facility charges	18,161	70,348
Payment to bonds payable	(3,355,000)	(2,725,000)
Interest paid on long-term debt and expensed	(2,473,431)	(2,199,231)
Interest paid on long-term debt and capitalized	(419,878)	(839,755)
Proceeds from sale of equipment	5,464	41,165
Proceeds from sale of FAA-funded land	0	866,039
Proceeds from sale of land, other	30,000	0
Expenditures related to land sales	0	(513,306)
Cost of construction and equipment	(22,022,345)	(36,344,548)
Cost of land purchased	(5,533,424)	(62,858)
Net payment/(refund) of required deposits	0	161,770
Net Cash Provided (Used) by Capital Financing Activities	(20,850,335)	(18,142,667)
 Cash Flows from Investing Activities:		
Interest income	648,625	1,285,161
Proceeds from / (Purchase of) short term investments	2,376,064	(15,000,000)
Net (funding) receipt of restricted passenger facilities charges cash	1,421,371	89,705
Net (funding) receipt of restricted deposits	3,715,894	4,453,886
Net Cash Provided (Used) by Investing Activities	8,161,954	(9,171,248)
 Net change in cash and cash equivalents	 (3,099,765)	 (17,676,180)
Cash and cash equivalents at beginning of year	22,325,996	40,002,176
Cash and cash equivalents at end of year	\$ 19,226,231	\$ 22,325,996

See notes to financial statements.

**HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ (629,644)	\$ 1,496,533
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	10,114,851	8,443,551
Changes in assets and liabilities:		
Accounts receivable	546,524	(263,242)
Other current assets	21,090	30,880
Other current liabilities	(464,205)	(69,987)
	\$ 9,588,616	\$ 9,637,735
Net Cash Provided (Used) by Operating Activities	\$ 9,588,616	\$ 9,637,735

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity - The Huntsville-Madison County Airport Authority (the Authority), a public corporation, applied for and received permission to reincorporate on October 10, 1991, under Title 4 of the Code of Alabama, 1975 as amended in the 1991 session. The Authority consists of a five member Board of Directors, of which two are appointed by the City Council of Huntsville, Alabama, two by the Madison County Commission and one jointly by the City Council and County Commission. The Authority is considered an enterprise fund that has financial accountability over the Huntsville International Airport and is the primary government for reporting purposes. The Authority is not considered a component unit of any other governmental reporting entity. In addition, there are no component units over which the Authority exercises control.

The Authority has three operating categories for presentation purposes. Airport operations include all terminal and airport activity as it relates to the Authority's public airport operations. The Industrial Park includes investments and property that are leased or held for future development of industrial and commercial tenants engaged in activities unrelated to the Authority's public airport operations. As described in Note H, financing leases with the industrial park tenants are not recorded in the Authority's financial statements. The Four Points Hotel is owned by the Authority and operated by a managing agent as described in Note D.

The financial section of the financial statements now consists of five parts - *management's discussion and analysis*, the *independent auditors' report*, the *basic financial statements*, *required supplemental information* (not required for enterprise funds), and *other supplemental information*. Because the Authority is considered an enterprise fund and has no other funds or component units of the Airport Authority, many aspects of GASB 34 are not applicable to the financial statements. There is no required supplemental information for an enterprise fund.

Accounting Principles - The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Board has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Revenue - Revenue is recognized as billed to airport users based on usage rates or rental agreements adopted by the Authority's Board. Related expenditures are charged against revenue when incurred.

Passenger Facility Charges - Passenger Facility Charges (PFC) are recognized as collected. Accrual of PFC revenue is not reasonably measurable; therefore, no accrued PFC revenue will be recorded.

Governmental Grants - In compliance with GASB 33, grant proceeds are recognized as revenue in the current year. Grants from FAA and FTA are included in revenues. Most FAA and FTA grants are for capital project purposes and are recognized as additions to assets. FAA and FTA grants are accrued as partial completion of grant requirements are met, and grant proceeds receivable are credited directly as grant income in the accompanying financial statements.

Inventories - Inventories are stated at the lower of cost or market.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets – Net assets on the statement of net assets include the following:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Debt Service – The component of net assets that represents amounts required by debt covenants to be separated for debt service.

Restricted for Passenger Facility Charges – The component of net assets that represents passenger facility charge revenue in excess of expenditures.

Restricted for FAA expenditures – Land sales from land purchased with PFC, FAA noise or other federal funds are designated as restricted until proceeds are used in FAA-approved expenditures.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, Net Assets Restricted for Debt Service, Net Assets Restricted for Passenger Facility Charges, and Net Assets Restricted for FAA Expenditures.

Airport Property and Equipment- Property and equipment are stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of plant and equipment items range from 40 years for buildings, 20 to 40 years for roads and field improvements, and 3 to 10 years for furniture and equipment. Land is not depreciated.

Interest costs relating to airport construction are capitalized during the construction period. Costs related to development of property in the Industrial Park are capitalized as improvements to the property. No interest was capitalized during the current period.

Maintenance and repairs are charged to operations in the period incurred. The costs and accumulated depreciation of properties disposed of are removed from the related asset accounts and the difference is recorded as an expense in the period of disposition.

Reserve for Doubtful Accounts - A reserve for doubtful accounts is established for those accounts considered, by management, to be doubtful of collection. At June 30, 2010, \$94,831 has been reserved as doubtful.

Annual leave accruals – A liability is recorded at June 30 for accrued vacation, accrued salaries and a portion of accrued sick leave to be paid to employees at retirement. The liability is based on personnel policies for vacation and sick leave.

Investments - The Authority is legally authorized to invest in obligations of the U.S. Treasury and securities of federal agencies. The Authority had no investments at June 30, 2010, except deposits in bank accounts and certificates of deposit with local banks.

Estimates – Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires use of management's estimates. Management has made estimates related to accruals of revenues and expenses.

Statement of Cash Flows - For purposes of the statement of cash flows, the Board considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents, except restricted funds.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B - CASH AND RESTRICTED TRUST FUNDS

At June 30, 2010 and 2009, unrestricted deposits on hand at banks and in certificates of deposit were fully collateralized by banks qualifying under the Security for Alabama Funds Enhancement Act (SAFE) as qualified public depositories. Funds held by the banks' trust departments or agents are invested in U.S. Government securities or are secured by U.S. Government Securities.

The unrestricted funds may be invested at the discretion of the Authority in accordance with state law. The Authority has invested \$27,623,936 in certificates of deposit as of June 30, 2010 as follows:

<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 5,087,500	1.35%	4/30/11	\$ 5,000,000	1.25%	11/2/10
5,000,000	1.87%	9/19/10	5,036,436	1.70%	1/25/11
2,500,000	0.75%	6/23/11			
5,000,000	1.54%	12/9/10			

The certificate of deposit maturing June 23, 2011 has a one-time option to convert to cash at any time prior to maturity with no penalty.

The restricted funds may be invested at the discretion of the Authority in accordance with state law and the related trust indentures. As stated in note C, the restricted trust funds are invested by their respective trustees (as authorized by related trust indentures). Funds invested in the trustee's U.S. Government security money market accounts and other U.S. Government secured investments are part of the funds held by trustees.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<u>Unrestricted</u>		
Cash and short-term savings	\$ 19,226,231	\$ 22,325,996
Certificates of deposit	\$ 27,623,936	\$ 30,000,000
<u>Restricted</u>		
Trust funds, Airport Operations		
Cash and short-term savings	\$ 7,534,699	\$ 10,262,404
Certificates of deposit	0	1,000,000
	\$ 7,534,699	\$ 11,262,404
FAA land		
Cash and short-term savings	\$ 3,380,804	\$ 3,368,993
Passenger facility charges		
Cash and short-term savings	\$ 5,261,964	\$ 6,683,335

Market value equals carrying value for these unrestricted and restricted accounts. When the Authority incurs an expenditure for which it may use either restricted or unrestricted assets, restricted assets are used.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE C - LONG-TERM DEBT

A summary of the revenue bonds payable by the Authority and outstanding at June 30, 2010 and 2009 from airport operations are as follows:

Issue	June 30, 2009	Additions	Deletions and Reclassifications	June 30, 2010
Airport Revenue Bonds – 1997	\$ 1,925,000	\$ 0	\$ 1,925,000	\$ 0
Airport Revenue Bonds – 1998	11,275,000	0	530,000	10,745,000
Airport Revenue Bonds – 2001	3,935,000	0	285,000	3,650,000
Airport Revenue Bonds – 2006	18,705,000	0	500,000	18,205,000
Airport Revenue Bonds – 2007	26,765,000	0	115,000	26,650,000
 Total Face Amount of Airport Revenue Bonds	 62,605,000	 0	 3,355,000	 59,250,000
Plus Unamortized Premium	1,050,221	0	105,023	945,198
Less Unamortized Discount	(122,257)	0	(9,167)	(113,090)
 Total Long-Term Debt per Financial Statements	 63,532,964	 0	 3,450,856	 60,082,108
Less Current Portion	(3,355,000)	0	155,000	(3,510,000)
 Net Long-Term Debt	 \$ 60,177,964	 \$ 0	 \$ 3,605,856	 \$ 56,572,108

In March 2007, the Authority issued its Series 2007 Bonds for \$27,210,000 for the purpose of refunding certain outstanding indebtedness of the Authority, financing a portion of the costs of constructing improvements to the terminal building at the airport, paying the premium for a debt service reserve fund surety bond and paying the costs of issuance. The Series 2007 Bonds were issued under the Seventh Supplemental Trust Indenture, which states additional requirements regarding funding of special trust funds originally created under the 1989 Trust Indenture. The Series 2007 Bonds are insured as to payment of principal and interest by a municipal bond insurance policy issued by Financial Security Assurance Incorporated.

In April 2006, the Authority issued its Series 2006 Bonds for \$18,705,000 for the purpose of financing a portion of the costs of constructing a new public parking deck, improving public roadways and drainage at the Airport and payment of certain costs of issuance. The Series 2006 Bonds were issued under the Sixth Supplemental Trust Indenture, which states additional requirements regarding funding of special trust funds originally created under the 1989 Trust Indenture. The Series 2006 Bonds are insured as to payment of principal and interest by a municipal bond insurance policy issued by Financial Security Assurance Incorporated.

In August 2001, the Authority issued Series 2001 of its Airport Revenue Bonds for \$5,645,000. Proceeds of the Series 2001 Bonds were issued to refinance the Series 1991 bonds payable outstanding in the airport operations department and to pay certain costs of issuance. The Series 2001 Bonds were issued under the Fifth Supplemental Trust Indenture, which states additional requirements regarding funding of special trust funds originally created under the 1989 Trust Indenture. The Series 2001 Bonds are insured as to payment of principal and interest by a municipal bond insurance policy issued by Financial Security Assurance Incorporated.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - LONG -TERM DEBT (CONTINUED)

In September 1998, the Authority issued its Series 1998 Bonds for \$15,150,000 for the purpose of constructing the public parking deck at the Airport and payment of certain costs of issuance. The Series 1998 Bonds were issued under the Fourth Supplemental Trust Indenture, which states additional requirements regarding funding of special trust funds originally created under the 1989 Trust Indenture. The Series 1998 Bonds were previously insured as to payment of principal and interest by a municipal bond insurance policy; however, the Authority is now funding a Debt Service Reserve account at the amount specified in the 1998 bond indenture.

In April 1997, the Series 1997 Bonds were issued for \$42,345,000 for the purpose of refunding the outstanding balance of the Series 1989-A Bonds and paying certain costs of issuance. The Series 1997 Bonds were issued under the Third Supplemental Trust Indenture which states amended requirements regarding funding of special trust funds originally created under the 1989 Trust Indenture and termination of the replacement fund created thereby. On April 20, 2007, all Series 1997 Bonds maturing on July 1, 2010 and thereafter were redeemed using a portion of the proceeds of the Series 2007 Bonds. The remaining Series 1997 Bonds matured in the current year.

The Series 1998, Series 2001, Series 2006 and Series 2007 Airport Revenue Bonds will be payable solely out of the pledged revenues derived from operation of the airport remaining after payment of operating expenses as defined in the indenture. The indenture does not constitute a mortgage on any of the physical properties forming a part of the airport. None of the Bonds are general obligations of the Authority and do not constitute a personal charge against the general credit of the Authority.

The Series 2007 Bonds are nontaxable bonds with stated rates ranging from 3.75% to 5.0% and with maturities ranging from July 1, 2007 to July 1, 2019. The Series 2006 Bonds are nontaxable bonds with stated rates ranging from 3.60% to 5.0% and with maturities ranging from July 1, 2009 to July 1, 2031. The Series 2001 Bonds are nontaxable bonds with stated rates ranging from 3.10% to 5.125% and with maturities ranging from July 1, 2002 to July 1, 2019. The Series 1998 Bonds are nontaxable bonds with stated rates ranging from 3.9% to 5.0% and with maturities ranging from July 1, 2000 to July 1, 2023.

The Series 2007 Bonds with a stated maturity in 2017 and thereafter are subject to redemption and payment, at the option of the Authority, on July 1, 2016, or any date thereafter at a redemption price of 100% of the principal amount, plus accrued interest. The Series 2006 Bonds with a stated maturity on July 1, 2016 and thereafter are subject to redemption and payment, at the option of the Authority, on January 1, 2016, or any date thereafter at a redemption price of 100% of the principal amount, plus accrued interest. The Series 2001 Bonds and Series 1998 Bonds are subject to redemption and payment at any time at a redemption price of 100% plus accrued interest.

Issuance of the Series 2007 included certain bonds issued at a premium. The premium of \$1,295,273 was amortized \$105,023 in the current period with accumulated amortization of \$350,075. Issuance of the Series 2006 and 1998 Bonds included certain bonds issued at a discount. The discount of \$966,446 was amortized \$9,167 in the current period with accumulated amortization of \$853,356. The unamortized discount from extinct 1989-A Bonds was combined with the unamortized bond costs and the costs of issuance of the Series 1997 Bonds and Series 1998 Bonds. The unamortized discount from the refunded portion of 1997 Bonds was combined with the unamortized bond costs and the costs of issuance of the Series 2007 Bonds. The remaining discount reduces the carrying value of Bonds Payable.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C – LONG -TERM DEBT (CONTINUED)

Bond issuance costs were paid in connection with the extinct Series 1989 A, B, and C, and the Series 1991 Bonds. The costs were being amortized using the straight-line method over the average life of the bonds. These costs, net of the accumulated amortization, were combined with the costs of issuance of the 1997 debt and the remaining unamortized discount on the extinct 1989-A Bonds and will be amortized over the life of the Series 1997 debt. The unamortized bond issue costs for the refunded portion of the 1997 Bonds were combined with the unamortized bond costs and the costs of issuance of the Series 2007 Bonds. Governmental Accounting Standards required deferring the difference between the net carrying value of the defeased debt and the cost of the new debt. The total to be amortized related to the refunding costs, prior refunded bond costs, and the Series 1998, Series 2001, Series 2006 and Series 2007 bond costs is \$7,055,187. The bond issue costs were amortized \$373,459 in the current year, with accumulated amortization at June 30, 2010 of \$3,319,303.

The Series 1989 Trust Indenture, the Series 1998 Fourth Supplemental Trust Indenture, the Series 2001 Fifth Supplemental Trust Indenture, the Series 2006 Sixth Supplemental Trust Indenture and the 2007 Seventh Supplemental Trust Indenture created special trust funds. All pledged revenues are required to be deposited as received into the Revenue Fund, and moneys in such fund are required to be applied and allocated on a monthly basis in the manner and priority established by the Indentures. Funding requirements at June 30, 2010, have been met as set forth in the Indentures. The special funds and their balances are as follows:

	2010	2009
Rebate Fund	\$ 122,768	\$ 122,703
Bond Funds	4,917,057	4,841,462
Debt Service Reserve Fund	821,210	3
Construction Fund	1,673,664	6,298,236
Restricted Trust Funds (Airport Operations)	<u>\$ 7,534,699</u>	<u>\$ 11,262,404</u>
Operating Reserve Account (Considered Unrestricted)	<u>\$ 1,894,062</u>	<u>\$ 1,985,169</u>
Revenue Fund (Considered Unrestricted)	<u>\$ 6,350,868</u>	<u>\$ 5,684,208</u>

The Indentures also require the Authority to maintain adequate rates and charges in a manner that produces Net Revenues (as described therein) in excess of 1.25 times the current Annual Debt Service (as described therein).

Maturities for the Bonds due over the next five and succeeding fiscal years are as follows:

	1998	2001	2006	2007	Total
2011	\$ 550,000	\$ 300,000	\$ 515,000	\$ 2,145,000	\$ 3,510,000
2012	575,000	310,000	535,000	2,225,000	3,645,000
2013	605,000	325,000	555,000	2,330,000	3,815,000
2014	635,000	340,000	575,000	2,450,000	4,000,000
2015	665,000	360,000	600,000	2,570,000	4,195,000
Succeeding	7,715,000	2,015,000	15,425,000	14,930,000	40,085,000
	<u>\$ 10,745,000</u>	<u>\$ 3,650,000</u>	<u>\$ 18,205,000</u>	<u>\$ 26,650,000</u>	<u>\$ 59,250,000</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE C – LONG -TERM DEBT (CONTINUED)

Principal and interest payments for the Bonds due over their remaining lives are as follows:

Fiscal Year	Series 1998		Series 2001	
	Principal	Interest	Principal	Interest
2011	\$ 550,000	\$ 520,193	\$ 300,000	\$ 174,257
2012	575,000	493,749	310,000	160,224
2013	605,000	465,421	325,000	145,297
2014	635,000	434,875	340,000	129,333
2015	665,000	402,375	360,000	112,178
2016	700,000	368,250	375,000	93,659
2017	735,000	332,375	395,000	73,928
2018	770,000	294,750	415,000	53,172
2019	810,000	255,250	435,000	31,391
2020	850,000	213,750	395,000	10,122
2021	895,000	170,125	0	0
2022	935,000	124,375	0	0
2023	985,000	76,375	0	0
2024	1,035,000	25,875	0	0
Total	\$ 10,745,000	\$ 4,177,738	\$ 3,650,000	\$ 983,561

Fiscal Year	Series 2006		Series 2007	
	Principal	Interest	Principal	Interest
2011	\$ 515,000	\$ 812,421	\$ 2,145,000	\$ 1,237,668
2012	535,000	793,189	2,225,000	1,141,825
2013	555,000	772,608	2,330,000	1,027,950
2014	575,000	749,424	2,450,000	908,450
2015	600,000	724,924	2,570,000	782,950
2016	625,000	700,111	2,705,000	651,075
2017	650,000	673,893	2,835,000	512,575
2018	675,000	646,143	2,980,000	367,200
2019	705,000	616,818	3,130,000	214,450
2020	735,000	586,034	3,280,000	68,100
2021	765,000	553,497	0	0
2022	800,000	519,163	0	0
2023	835,000	480,687	0	0
2024	880,000	437,812	0	0
2025	920,000	392,812	0	0
2026	970,000	345,563	0	0
2027	1,015,000	295,937	0	0
2028	1,065,000	245,934	0	0
2029	1,115,000	195,522	0	0
2030	1,170,000	142,681	0	0
2031	1,220,000	87,412	0	0
2032	1,280,000	29,600	0	0
Total	\$ 18,205,000	\$ 10,802,185	\$ 26,650,000	\$ 6,912,243

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE D - OPERATING CONTRACTS AND LEASES

The Authority has issued a rate ordinance with the air carriers, which, among other provisions, requires the airline to pay landing fees based upon the total landing weight of all aircraft landed. The ordinance also sets rates for counter space, loading bridges, and fuel flowage required at the airport by the airline in its conduct of air transportation. Rates are determined based upon a formula that covers expenses, debt service, and capital expenditures.

The Authority has entered into lease agreements with rental car agencies that include charges based upon revenue and space requirements. Minimum annual lease payment requirements in the leases total \$1,128,024 per year. However, actual payments are based upon revenue of the lessee if it exceeds the minimum payment.

The Authority has entered into lease agreements with air cargo tenants for space in its air cargo storage facilities. Minimum annual lease payments provided in the lease agreements total \$1,590,150 per year. Lease agreements are from one to fifteen-year periods with certain leases containing options for further rental. The Authority has entered into lease agreements with intermodal center tenants for space in its intermodal office facilities. Minimum annual lease payments provided in the lease agreements total \$35,828 per year. Lease agreements are for various periods.

The Authority has entered into lease agreements with tenants for space in the terminal and concourse. The lease agreement for one space requires minimum lease payments of \$70,000 per year through 2011. Another tenant has a minimum annual lease requirement of \$81,000 through 2016. One lease also includes payment of a percentage of the revenue earned if the amount exceeds the minimum lease payment. The other lease requires a monthly payment based on the number of enplaned passengers. Smaller spaces in the terminal and concourse are leased at fixed monthly amounts.

The Authority has also entered into an agreement with a fixed base operator to operate fixed base air service from the Authority's fixed base facility located on the airport. The fixed based operator agreement states minimum annual lease payments, indexed for inflation with the current rate being \$308,196. The Authority has entered into separate operating and lease agreements with individuals related to use of hangars located at the airport based upon rate charges determined by the Authority.

The Authority has entered into an operating agreement with Norfolk Southern Railway Company. The agreement, among other requirements, provides for payment of a fee per lift to the Intermodal Center for items transported by railroad under a revenue weigh bill. The Intermodal Center also charges fees to air cargo carriers based upon landing weights.

The Authority has also entered into an agreement with a golf course operator to operate a golf course on the Authority's golf course facility located at the airport. The golf course operator agreement requires annual lease payments of \$60,000 per year through February 2012. At that time, the Authority may increase the annual rental amount by up to 10% at their discretion. The agreement allows, at the Authority's discretion, an additional increase of up to 10% at March 1, 2017. The agreement extends through February 22, 2022, subject to the operator meeting certain conditions.

The Authority has entered into a contract with a management company to manage the operations of the Authority's hotel facilities. The contract, among other requirements, provides for a monthly fee based upon the results of the hotel's monthly operations. The contract has options extending to December 31, 2010. The Authority has entered into a franchise agreement with Four Points Hotels. The agreement requires payments based on revenues.

The Authority has entered into a contract with the United States of America for Transportation Security Administration space through November 15, 2014, although the Government may cancel the lease at any time after November 11, 2011. The agreement provides for lease payments of \$178,655 per year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Authority. Employees of the Authority are required to contribute 5 to 6 percent of their salary to the Employees' Retirement System of Alabama. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. A pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Required Employer Contribution Rates for FY2010

Normal Costs	3.86%
Accrued liability	2.72
Pre-retirement death benefit	0.15
Administrative benefit	0.18
Total	<u>6.91%</u>

Schedule of Funding Progress for the System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) ---Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
9/30/09	11,642,727	14,079,542	2,436,815	82.7%	4,964,990	49.1%
9/30/08	11,220,804	12,920,189	1,699,385	86.8%	5,146,644	33.0%
9/30/07	10,458,459	11,842,236	1,383,777	88.3%	4,695,540	29.5%
9/30/06	9,367,815	11,058,924	1,691,109	84.7%	4,453,952	38.0%
9/30/05	8,612,761	10,028,566	1,415,805	85.9%	4,130,986	34.3%

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Valuation date	9/30/09
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.61 – 7.75%
Includes inflation at	4.50%
Cost-of-living adjustments	None

Fiscal Year Ending	Trend Information for the System		Net Pension Obligation (NPO)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/09	344,598	100%	0
9/30/08	364,256	100%	0
9/30/07	316,321	100%	0
9/30/06	300,124	100%	0
9/30/05	279,228	100%	0

NOTE F – OTHER RECEIVABLES

The Authority has notes receivable from tenants for leasehold improvements for \$248,907. The current portion of the receivable of \$35,518 is included in accounts receivable in the current classification. The notes are receivable in monthly payments totaling \$4,512. The notes bear an 8% interest rate and are payable in 202 equal installments beginning June 1, 1999. The notes are secured by the leasehold improvements.

NOTE G – CAPITAL ASSET ACTIVITY

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

	Balance July 1, 2009	Additions and Reclassifications	Retirements	Balance June 30, 2010
Land	\$ 31,042,916	\$ 5,533,424	\$ 0	\$ 36,576,340
Structures and improvements	243,189,890	28,318,301	296,301	271,211,890
Furniture and equipment	17,817,298	420,518	1,765,071	16,472,745
Construction in progress	27,084,732	(10,917,092)	0	16,167,640
Total at historic cost:	<u>\$ 319,134,836</u>	<u>\$ 23,355,151</u>	<u>\$ 2,061,372</u>	<u>\$ 340,428,615</u>
Less Accumulated Depreciation for:				
Structures and improvements	\$ 98,443,289	\$ 9,093,465	\$ 296,301	\$ 107,240,453
Furniture and equipment	11,936,763	1,021,386	1,763,216	11,194,933
Total accum. depreciation	<u>110,380,052</u>	<u>10,114,851</u>	<u>2,059,517</u>	<u>118,435,386</u>
Capital Assets, Net	<u>\$ 208,754,784</u>	<u>\$ 13,240,300</u>	<u>\$ 1,855</u>	<u>\$ 221,993,229</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE H - INDUSTRIAL PARK LEASES

The Authority has constructed facilities known as the “Industrial Park” for the benefit of certain industrial tenants and has leased the various facilities under direct financing leases. Revenue bonds were issued under various trust indentures which provide, among other things, that the revenues received from the leased “Industrial Park” facilities be pledged for payment of the principal and interest of the applicable issue. The current annual rents are sufficient to cover the annual retirement and interest payments. The Industrial Park financing leases have not been presented on the face of the financial statements. The GASB has determined that footnote disclosure of these leases is more appropriate, and presentation in the financial statements is not required. The financing leases are monitored by trustees of the lease agreement and the Authority’s management and legal counsel and require no further disclosure at this time.

NOTE I - COMMITMENTS AND CONTINGENCIES

At June 30, 2010, the Authority has signed contracts for a number of construction projects. The Baggage Claim project includes an owner/architect agreement of \$2 million, of which \$1.5 million has been paid and is included in construction in progress at year end. Ramp Enhancement construction has begun, a contract of \$2.5 million, with \$.5 million remaining. Certain of these costs are funded with grants from the Federal Aviation Administration (FAA), Federal Transportation Administration (FTA) and the remainder from Authority funds, including PFCs for approved projects.

The Authority is a party to certain legal actions arising in the ordinary course of the business. In management’s opinion, the Authority has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially affect the Authority’s operations or financial position.

NOTE J – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Authority has insurance for its buildings and contents through commercial insurance. Settled claims in the past three years, if any, have not exceeded the commercial insurance coverage.

NOTE K – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Authority contributes to the Huntsville-Madison County Airport Authority Post-Employment Benefits Trust Fund, which was created in June 2009 as an investment and administrative agent for the Authority’s Retiree Medical Benefit plan. The Authority will provide retired employees who are covered under the State’s retirement system the opportunity to purchase family health insurance coverage through the Authority’s then current group plan provider.

An employee who elects to retire under the State’s retirement system may elect to continue health insurance for himself or herself and any eligible dependent through the current group plan provider. The employee must make this election of coverage prior to his or her retirement. The retired employee and his or her dependent’s coverage will end upon the occurrence of any of the following events (1) The employee dies, or (2) The retired employee no longer elects or is no longer eligible to continue coverage for him or herself or his or her dependents. The retired employee will be required to pay a minimum monthly premium for each covered individual not eligible for Medicare benefits in an amount equal to the then current Blue Cross/Blue Shield Supplement Plan “C” policy. In addition to the minimum premium, the employee will be required to pay any additional premium stated in the then current fiscal year budget. The Authority is responsible for the remainder of the monthly premium. Upon reaching age 65, the retiree may continue health insurance coverage, but the retiree bears the entire cost of the premiums.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE K – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - CONTINUED

GASB 43 and 45 define plan assets as resources, usually in the form of stocks, bonds and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan. As stated above, the trust was created in June 2009 and has been funded for 2009 and 2010. At June 30, 2010, the Trust Fund balance was \$261,934 and the expense for the year was \$160,630 on the Authority's books.

Assets of the plan and its financial statements are available by contacting The Authority.

Required Employer Contribution Rates for FY2011

Normal Costs	1.19%
Accrued liability	<u>0.82</u>
Total	2.01%

Schedule of Funding Progress for the System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) ---Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
6/30/06	0	\$1,271,635	1,271,635	0%	3,868,698	32.9%
9/30/08	0	\$1,175,346	1,175,436	0%	5,109,721	23.0%

Valuation date	09/30/08
Actuarial cost method	Percentage unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return	5.00%
Medical cost trend rate	11.00%
Ultimate trend rate	5.00%
Year of ultimate trend rate	2016

Trend Information for the System

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
6/30/09	135,572	100%	0
6/30/10	160,630	100%	0

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Huntsville-Madison County Airport Authority
Huntsville, Alabama

Our report on our audit of the basic financial statements of the Huntsville-Madison County Airport Authority for June 30, 2010, appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 28 through 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules on pages 28 through 36 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of insurance policies and fidelity bonds in force, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and we express no opinion on it.

Mercer & Associates, PC

September 14, 2010

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

Statement of Pledged Revenues and Operating Expenses
FOR THE YEAR ENDED JUNE 30, 2010

	GAAP Statement of Revenues and Expenses	Include Interest Income	Remove Discretionary	Pledged Revenue & Operating Expenses
Pledged Revenues				
Airfield	\$ 1,877,237	\$ 239,482	\$ 0	\$ 2,116,719
Public Safety	1,417,031	0	0	1,417,031
Landside	7,457,191	0	0	7,457,191
Terminal	5,225,251	0	0	5,225,251
General Aviation	586,546	0	0	586,546
Intermodal	2,096,552	0	0	2,096,552
Air Cargo	1,747,249	0	0	1,747,249
Loading Bridges	410,748	0	0	410,748
Fuel Farm	371,466	0	0	371,466
Other (Discretionary)	60,000	15,860	(75,860)	0
Total Pledged Revenues	21,249,271	255,342	(75,860)	21,428,753
Transfers	0	0	0	0
Operating Expenses				
Airfield	2,001,092	0	0	2,001,092
Public Safety	1,439,955	0	0	1,439,955
Landside	1,948,555	0	0	1,948,555
Terminal	3,039,820	0	0	3,039,820
General Aviation	144,267	0	0	144,267
Intermodal	1,633,628	0	0	1,633,628
Air Cargo	401,028	0	0	401,028
Loading Bridges	152,080	0	0	152,080
Fuel Farm	132,893	0	0	132,893
Other (Discretionary)	851,463	0	(851,463)	0
Total Operating Expenses	11,744,781	0	(851,463)	10,893,318
Revenue in Excess of Operating Expenses	9,504,490	255,342	775,603	10,535,435
Capitalized Interest as per the Indenture	0	0	0	0
Total	\$ 9,504,490	\$ 255,342	\$ 775,603	\$ 10,535,435

See notes to additional information.

AUDITED

**HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
 ADDITIONAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2010**

AIRPORT OPERATIONS

<u>Name of Insured</u>	<u>Limits</u>	<u>Property Covered</u>	<u>Policy Period</u>
Huntsville-Madison County Airport Authority	\$ 100,000,000	General Liability	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	500,000	Workmen's Compensation	02/01/10-01/31/11
Huntsville-Madison County Airport Authority	8,090,343	Buildings & Contents	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	2,496,960	Loading Bridges	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	6,603,355	Hangars	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	1,000,000	Vehicles Liability	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	5,000,000	Public Officials	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	66,240,102	Terminal Building	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	32,219,925	Terminal Garage	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	500,000	Employee Dishonesty	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	624,488	Monument Signs	10/01/09-10/01/10

INTERMODAL CENTER

<u>Name of Insured</u>	<u>Limits</u>	<u>Property Covered</u>	<u>Policy Period</u>
Huntsville-Madison County Airport Authority	\$ 2,500,000	Terminal Operators Liability	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	6,787,725	Equipment	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	10,000,000	Railroad Liability	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	2,645,969	Buildings & Contents	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	18,739,368	Air Cargo Building	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	100,000,000	General Liability	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	1,000,000	Vehicles Liability	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	500,000	Workmen's Compensation	02/01/10-01/31/11
Huntsville-Madison County Airport Authority	312,244	Monument Sign	10/01/09-10/01/10

GOLF COURSE & SHERATON

<u>Name of Insured</u>	<u>Limits</u>	<u>Property Covered</u>	<u>Policy Period</u>
Huntsville-Madison County Airport Authority	\$ 638,911	Golf Clubhouse and Pavillion	10/01/09-10/01/10
Huntsville-Madison County Airport Authority	89,228	Storage Bldg	10/01/09-10/01/10

UNAUDITED

**HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

DEBT SERVICE RESERVE

Balance, July 1, 2009	\$	3
Deposits		821,135
Deposits of interest income		<u>72</u>
Balance, June 30, 2010	\$	<u><u>821,210</u></u>

AUDITED

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

REBATE FUND

Balance, July 1, 2009	\$ 122,703
Deposits	0
Deposits of interest income	<u>65</u>
Balance, June 30, 2010	<u>\$ 122,768</u>

AUDITED

**HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

SERIES 1997 BOND FUND

Balance, July 1, 2009	\$ 1,975,050
Deposits	0
Payment of matured bonds and interest	(1,975,278)
Deposits of interest income	<u>228</u>
Balance, June 30, 2010	<u><u>\$ 0</u></u>

SERIES 1998 BOND FUND

Balance, July 1, 2009	\$ 808,550
Deposits	1,082,831
Payments of matured bonds and interest	(1,075,038)
Deposits of interest income	<u>220</u>
Balance, June 30, 2010	<u><u>\$ 816,563</u></u>

AUDITED

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

SERIES 2001 BOND FUND

Balance, July 1, 2009	\$ 381,882
Deposits	481,074
Payments of matured bonds and interest	(472,422)
Deposits of interest income	<u>20</u>
Balance, June 30, 2010	<u>\$ 390,554</u>

SERIES 2006 BOND FUND

Balance, July 1, 2009	\$ 919,879
Deposits	1,336,734
Payments of matured bonds and interest	(1,330,755)
Deposits of interest income	<u>51</u>
Balance, June 30, 2010	<u>\$ 925,909</u>

AUDITED

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

SERIES 2006 CONSTRUCTION FUND

Balance, July 1, 2009	\$ 3,556,406
Disbursements	(2,731,817)
Deposits of interest income	<u>6,409</u>
Balance, June 30, 2010	<u>\$ 830,998</u>

AUDITED

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

SERIES 2007 BOND FUND

Balance, July 1, 2009	\$ 756,101
Deposits	3,422,849
Payments of matured bonds and interest	(1,395,044)
Deposits of interest income	<u>125</u>
Balance, June 30, 2010	<u>\$ 2,784,031</u>

SERIES 2007 CONSTRUCTION FUND

Balance, July 1, 2009	\$ 2,816,781
Deposits	0
Disbursements	(1,982,222)
Transfer from Debt Service Fund	0
Deposits of interest income	<u>8,107</u>
Balance, June 30, 2010	<u>\$ 842,666</u>

AUDITED

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010
Notes to the Schedules Included in
Additional Information

NOTE A - PLEDGED REVENUES

Pledged revenues are defined in the trust indenture to include all revenues from the operation, leasing, or sale of the airport. This definition includes certain interest income from various trusts. However, all revenue associated with the Sheraton Hotel and Industrial Park is specifically excluded.

NOTE B - OPERATING EXPENSES

Operating expenses are defined in the trust indenture to include costs incurred in operating, maintaining, administering, and repairing the airport. The term excludes from its definition depreciation, cost of capital projects, cash revenues, payment of bonds, and all expenses associated with the Sheraton Hotel and Industrial Park.

APPENDIX C
SUMMARY OF CERTAIN PROVISIONS
OF THE INDENTURE

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture. This summary should be qualified by reference to other provisions of the Indenture referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Indenture in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Authority. All references herein to the "Bonds" means the outstanding Series 2006 Bonds, the Series 2007, the Series 2010 Bonds and any additional parity bonds ("Additional Bonds") hereafter issued under the Indenture.

Selected Definitions

For purposes of this summary, words and phrases used but not otherwise defined herein shall have the meanings respectively ascribed to them elsewhere in the Official Statement, and the following words and phrases shall be given the following respective interpretations herein (notwithstanding that they may be defined and used otherwise in other portions of the Official Statement):

"Air Cargo Terminal" means that certain facility to receive, transfer and distribute cargo by air and situated at the Airport, including all property (real, personal or mixed) forming or to form a part thereof

"Airport" means the Huntsville-Madison County Airport (now known as Huntsville International Airport) that is located on U. S. Highway No. 72 (Alt.) and Alabama Highway No. 20 and that is owned and operated by the Authority, including, without limitation, the Intermodal Facility, the Air Cargo Terminal, the General Aviation Facilities, any other airport facilities which the Authority hereafter designates as constituting a part of the "Airport" under the Indenture, and all property (real, personal or mixed) forming or to form a part of any of the foregoing; provided, however, that the term "Airport" shall not include (a) the Airport Hotel, (b) the Industrial Properties, (c) the Special Purpose Facilities and (d) the Golf Course.

"Airport Consultant" means an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports and not employed full time by the Authority.

"Airport Hotel" means that certain hotel located in the airport terminal building, originally known as the SkyCenter Hotel (and now known as The Sheraton Four Points Hotel), including restaurants, meeting rooms, catering and banquet facilities, any gift shop operated as a part of the said hotel, and any other services provided by the said hotel, as the said hotel now exists or as it may hereafter be extended, enlarged, improved or otherwise altered.

"Annual Budget" means the annual budget of the Authority, as amended and supplemented, adopted or in effect for a particular Fiscal Year.

"Annual Debt Service Requirement" means, as of any time, (a) the amount of principal and interest maturing or Maturity Amount due with respect to the then outstanding Bonds in a Bond Year, plus (b) the amount, if any, required to be deposited in the Sinking Fund during such Bond Year, less (c) the principal and interest maturing during such Bond Year on Sinking Fund Investments held or to be held in the Sinking Fund and required to be transferred to the Bond Fund during such Bond Year, provided, however,

(i) that the principal amount or Compounded Amount of any Bonds subject to a Mandatory Redemption Requirement during such Bond Year shall, for purposes of this definition, be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs;

(ii) that, for purposes of this definition, Bonds that are deemed paid under the provisions of Section 16.1 of the 1989 Indenture shall not be deemed to be outstanding;

(iii) that, except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Bonds outstanding at the time of such calculation shall be deemed to be the lesser of (A) the then current per annum rate of interest borne by such Variable Rate Bonds, or (B) the average per annum rate of interest borne by such Variable Rate Bonds during the then immediately preceding twelve-month period;

(iv) that, except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Bonds then proposed to be issued shall be deemed to be the average for the then immediately preceding five years of the Kenny Index, plus 20 basis points; and

(v) that, except as hereinafter provided in this subparagraph, the principal of Balloon Bonds shall be deemed to mature in annual installments over a period equal to the greater of (A) twenty years or (B) the number of years (rounded to the next lowest number in the case of a part of a year) between the date with respect to which such calculation is made and the date of maturity of such Balloon Bonds, so as to result, in either case, in approximately equal payments of principal and interest.

"Appropriate Portion" means (a) with respect to the principal of any series of Bonds, the principal maturing, or subject to redemption pursuant to a Mandatory Redemption Requirement, on the then next succeeding Principal Payment Date (if such Principal Payment Date is not more than twelve months in the future) divided by the number of months intervening between such Principal Payment Date and the then preceding Principal Payment Date, (b) with respect to the interest on any series of Bonds other than Variable Rate Bonds, the interest maturing on the then next succeeding Interest Payment Date divided by the number of months intervening between such Interest Payment Date and the then next preceding Interest Payment Date, and (c) with respect to the interest on any Variable Rate Bond, the actual interest accrued on such Bond from the first day of the month in question to the first day of the then next succeeding month. With respect to the Series 2010 Bonds, the Appropriate Portion is, in the case of interest, one-sixth (1/6) of the interest maturing on the then next succeeding Interest Payment Date and, in the case of principal, one-twelfth (1/12) of the principal maturing, or subject to redemption pursuant to a Mandatory Redemption Requirement, on the then next succeeding Principal Payment Date.

"Assured Guaranty" means Assured Guaranty Municipal Corp., a New York domiciled insurance company, and its successors and assigns.

"Authorized Collateral" means any of the following that are in bearer form or are registered in the name of the Major Bank (or its nominee) with whom deposited and pledged: (a) Federal Securities and (b) obligations or securities of the type described in clauses (c)(iii), (c)(iv), (c)(v) or (c)(vi) of the definition of the term "Eligible Investments."

"Balloon Bonds" means Current Interest Paying Bonds of a series, twenty-five percent (25%) or more of the original principal of which matures during any one Fiscal Year, if such maturing principal amount is not required to be amortized below such percentage by (a) a

Mandatory Redemption Requirement prior to such Fiscal Year, or (b) deposits into the Sinking Fund which are required to be applied to the payment of such principal. Tender Option Bonds shall not be treated as Balloon Bonds solely by virtue of the option on the part of the holders thereof to have such Bonds purchased prior to their respective maturities.

"Bank" means (a) a banking institution whose senior long-term debt obligations are rated by a Credit Rating Agency, at the time of the delivery of a Letter of Credit, in one of its two highest rating categories, or (b) a banking institution owned or controlled by a bank holding company whose senior long-term debt obligations are rated by a Credit Rating Agency, at the time of the delivery of a Letter of Credit, in one of its two highest rating categories.

"Base Rate" means the per annum rate of interest established from time to time by Regions Bank (formerly First Alabama Bank) as its Base Rate, such rate of interest to change with each change in the Base Rate.

"Bond Counsel" means independent counsel whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"Bond Insurer" means any insurance company insuring payment of municipal bonds and other similar obligations if such bond or obligations so insured by it are eligible for a rating by a Credit Rating Agency, at the time of the delivery of a Municipal Bond Insurance Policy, in one of its two highest rating categories.

"Bond Year" means the period beginning on July 2 in one calendar year and ending on July 1 in the next succeeding calendar year.

"Business Day" means any day other than a Saturday, a Sunday or a day on which the principal corporate trust office of the Trustee is authorized by law to remain closed and is closed.

"Capital Appreciation Bonds" means any of the Bonds that provide for the addition to the principal due thereon of all or any part of the accrued and unpaid interest thereon.

"Capital Improvements" means improvements, extensions and additions to the Airport that are properly chargeable to capital account by generally accepted accounting practice and includes, without limitation, equipment and rolling stock so chargeable and real estate (and easements and other interests therein) on, under or over which any such improvements, extensions or additions are, or are proposed to be, located, but excluding Special Purpose Facilities.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor code thereto.

"Compounded Amount" means, for any date with respect to a Capital Appreciation Bond, the amount set forth in the Supplemental Indenture pursuant to which such Capital Appreciation Bond is issued as the Compounded Amount for such Bond on such date.

"Credit Facility" means a Letter of Credit or Municipal Bond Insurance Policy guaranteeing or providing (a) for the payment of all or any portion of the principal of or the interest on any Bonds, (b) for the payment of all or any portion of the redemption price of any Bonds or (c) for the purchase price of any Tender Option Bonds or a portion thereof.

"Credit Facility Fees" means the initial, annual, semi-Annual or quarterly fees and expenses charged to the Authority by a Credit Facility Obligor for issuing and maintaining in effect a Credit Facility or a Reserve Fund Credit Facility; provided, however, that the term "Credit

Facility Fees" shall not include any fees or expenses paid out of the proceeds from the issuance of any of the Bonds.

"Credit Facility Obligor" means (a) a Bank or a Bond Insurer issuing a Credit Facility, or (b) a Bank or a Bond Insurer issuing a Reserve Fund Credit Facility.

"Credit Rating Agency" means (a) Moody's, (b) Standard & Poor's and (c) any successor to either of the foregoing by merger, consolidation or otherwise.

"Current Interest Paying Bonds" means those of the Bonds that are not Capital Appreciation Bonds.

"Eligible Certificates" means interest bearing certificates of deposit that are issued by the Trustee or by any bank or trust company organized under the laws of the United States of America or any state thereof that are collaterally secured by a pledge of Federal Securities (a) having at any date of calculation a market value (taking account of any accrued interest thereon) not less than the principal of and the accrued interest on the certificates of deposit secured thereby, (b) deposited and pledged with any Federal Reserve Bank or with any bank or trust company organized under the laws of the United States of America or any state thereof, and having combined capital, surplus and undivided profits of not less than \$15,000,000, and (c) for which a receipt signed by the bank or trust company having custody of such collateral securities and containing a sufficient description thereof has been furnished to the Trustee.

"Eligible Deposits" means time deposits in, and certificates of deposit issued by, any bank which is organized under the laws of the United States of America or any state thereof, which has combined capital, surplus and undivided profits of not less than \$10,000,000 and the deposits in which are insured by the Federal Deposit Insurance Corporation or any department, agency or instrumentality of the United States of America that may succeed to its functions, but if and only if

(a) the bank in which such deposit is made or by which such certificate was issued secures such deposit or certificate by depositing and pledging with a Major Bank (other than itself) Authorized Collateral having at all times a market value (exclusive of accrued interest) not less than the then outstanding face amount of such deposit or certificate (as the case may be) plus the interest accrued thereon, and

(b) such bank furnishes, or causes to be furnished, to the Authority and the Trustee an appropriate receipt signed on behalf of the Major Bank having custody of such Authorized Collateral and containing a sufficient description thereof;

provided, however, such deposit or certificate not be secured as specified in the preceding clauses (a) and (b) if and to the extent payment of the principal thereof and the interest thereon is insured by the Federal Deposit Insurance Corporation or other agency of the United States of America that may succeed to its functions, nor need any such deposit or certificate be so secured if the bank in which such deposit is made or by which such certificate is issued, at the time of such deposit or at the time of the acquisition of such certificate for the account of the Authority (as the case may be), either (i) has an unsecured, uninsured and unguaranteed outstanding debt obligation rated "Prime-1" or "A3" (or better) by Moody's or "A-1" or "A-" (or better) by Standard & Poor's or (ii) is the lead bank of a parent bank holding company that has an unsecured, uninsured and unguaranteed outstanding debt obligation rated "Prime-1" or A3" (or better) by Moody's or "A-1" or "A-" (or better) by Standard & Poor's.

"Eligible Escrow Investments" means (a) Federal Securities and (b) to the extent at the time legal investments for the Authority, bonds or other obligations issued by or on behalf of a state, territory or political subdivision of the United States of America

(i) that are not callable at the option of the issuer thereof (or successor obligor, if any) or otherwise prior to maturity, or

(ii) as to which irrevocable notice has been given by the issuer thereof (or successor obligor, if any) to call such bonds or other obligations on the redemption date or dates specified in the notice,

that are rated "AAA" by Standard & Poor's or "Aaa" by Moody's, and that are fully secured as to payment of principal and interest (and premium, if any) by a trust agreement between the issuer of such bonds or other obligations (or successor obligor, if any) and an Eligible Fiduciary making provision for the payment and retirement thereof (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable) by creating for that purpose an irrevocable trust fund sufficient to provide for, and dedicated solely to, such payment and retirement (either by redemption prior to their respective maturities, by payment at their respective maturities, or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities), which said trust fund shall consist of (1) Federal Securities that are not subject to redemption prior to their respective maturities at the option of the issuer and that, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of such bonds or other obligations at their respective maturities or earlier redemption date or dates specified in the irrevocable notice referred to in the preceding clause (ii), or (2) both cash and Federal Securities that together will produce funds sufficient for such purpose, or (3) cash sufficient for such purpose.

"Eligible Fiduciary" means with respect to bonds or other obligations issued by or on behalf of a state, territory or political subdivision of the United States of America, (a) the trustee under any trust indenture, bond indenture, mortgage indenture or other similar document under which such bonds or other obligations were issued or by which they are secured, or (b) any Major Bank authorized to accept and administer trusts.

"Eligible Investments" means (a) Federal Securities, (b) any money market fund whose investments are restricted to Federal Securities, and (c) to the extent to which they are at the time legal investments for the Authority, any of the following:

(i) Eligible Certificates;

(ii) Eligible Deposits.

(iii) any of the following: (1) any fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States and any bonds, notes or other evidences of indebtedness that are issued by and are direct obligations of the Export-Import Bank of the United States, (2) senior debt obligations of the Federal Home Loan Bank, (3) debentures of the Federal Housing Administration, (4) guaranteed mortgage-Backed bonds and guaranteed pass-through obligations of the Government National Mortgage Corporation, (5) notes or bonds of the U S. Maritime Administration guaranteed under Title XI of the United States Code, (6) mortgaged-Backed securities and senior debt obligations of the Federal National Mortgage Association, and (7) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation;

(iv) debt securities that are issued by and are direct obligations of any state of the United States of America, or any political subdivision or agency thereof, whose unsecured general obligation debt is rated by a Credit Rating Agency in one of its three highest rating categories, as well as any debt securities whose payment is fully and unconditionally guaranteed by any state, subdivision or agency the unsecured general obligation debt of which is rated by a Credit Rating Agency in one of its three highest rating categories.

(v) commercial paper of a corporation incorporated under the laws of any state of the United States of America, but if and only if, at the time of the acquisition thereof such commercial paper is rated by a Credit Rating Agency in one of its three highest rating categories;

(vi) investments in a money market fund or other similar fund that is rated "Am" or "Am-G" (or better) by Standard & Poor's;

(vii) repurchase agreements collateralized by Federal Securities or Eligible Investments described in clause (iii) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A-" or better by Standard & Poor's, provided, in the case of any such repurchase agreement, that

(1) a master repurchase agreement or specific written, repurchase agreement governs the transaction,

(2) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (A) a Federal Reserve Bank, (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, or (C) a bank approved in writing for such purpose by each Credit Facility Obligor and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as such agent for the Trustee,

(3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee,

(4) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation,

(5) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the next Interest Payment Date, and

(6) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%;

(viii) investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's and "A-" or better by Standard & Poor's, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided, in the case of any such investment agreement, that

(1) interest is paid at least semiannually at a fixed rate during the entire term of the agreement, consistent with Interest Payment Dates,

(2) moneys invested thereunder may be withdrawn without penalty, premium or charge upon not more than one days' notice (provided such notice may be amended or canceled at any time prior to the withdrawal date),

(3) the agreement is not subordinated to any other obligations of such insurance company or bank,

(4) the same guaranteed interest rate will be paid on any future deposits made to restore the reserve to its required amount, and

(5) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank;

(ix) written agreements (including funding agreements) under which (1) the Authority deposits funds with an insurance company that, at the time of such deposit, is subject to the supervision of a state agency, is rated "A+ (Excellent)" by Best's Insurance Reports-Life/Health and is a member of the Life Insurance Guaranty Corporation established by Section 224 of the New York State Insurance Law and (2) the amount deposited, at any one time, does not exceed, in the aggregate, 10% of the reserves and surplus funds of such insurance company, but if and only if any such agreement is (A) secured by the deposit with the Trustee (or with a Major Bank satisfactory to the Trustee) of Federal Securities or obligations or securities of the type described in clauses (iii) and (iv) above, or (b) unsecured except as a claim against the general account of the insurance company in a priority at least equal to that of policyholders; and

(x) Eligible Escrow Investments (other than Federal Securities).

"Federal Securities" means any securities that are direct obligations of the United States of America, and (b) any securities with respect to which payment of the principal thereof and the interest thereon is unconditionally guaranteed by the United States of America.

"Financial Security" means Financial Security Assurance Inc., or any successor thereto or assignee thereof.

"Fiscal Year" means the period beginning on July 1 of one calendar year and ending on June 30 of the next succeeding calendar year.

"General Aviation Facilities" means the fixed-Based operation servicing aircraft at the Airport and all general aviation services situated at the Airport, including all property (real, personal or mixed) forming or to form a part thereof.

"Golf Course" means the golf course located on certain real property situated in the vicinity of the Airport which is owned by the Authority.

"Indenture" means the 1989 Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, and as further supplemented by the Eighth Supplemental Indenture.

"Independent Auditor" means a certified public accountant, or firm thereof, not employed full time by the Authority and regularly engaged in the auditing of financial records.

"Industrial Properties" means (a) the real and personal properties situated at and around the Airport which are owned by the Authority and (i) leased to industrial or commercial tenants engaged in activities which are unrelated to the Authority's public airport operations, or (ii) held by the Authority for future industrial and commercial development and (b) any other real or personal property now owned or hereafter acquired by the Authority which is unrelated to the Authority's public airport operations.

"Interest Payment Date" means (a) with respect to the Outstanding Bonds and the Series 2010 Bonds, each January 1 and July 1, commencing July 1, 2011, and (b) with respect to any series of Additional Bonds, any date specified in the Supplemental Indenture pursuant to which such series of Additional Bonds is issued as a date on which interest is to be paid on such series of Additional Bonds.

"Intermodal Facility" means that certain facility to receive, transfer and distribute cargo (including intermodal containers and piggybacks) by and among air, rail and truck modes of transportation at one terminal location at the Airport, including all property (real, personal or mixed) forming or to form a part thereof.

"Kenny Index" means the "high grade" seven (7) day index made available by Kenny Information Systems, Inc. of New York, New York, or any successor thereto based upon, 30-day yield evaluation at par of bonds, the interest income on which is excludable from gross income of the recipients thereof for Federal income tax purposes. In the event that neither Kenny Information Systems, Inc. nor any successor thereto makes available an index conforming to the requirements of the preceding sentence, the term "Kenny Index" shall mean an index determined by Merrill Lynch Capital Markets based upon the rate for bonds rated in the highest short-term rating category by Moody's and Standard & Poor's the interest income on which is excludable from gross income of the recipients thereof for Federal income tax purposes, in respect of issuers most closely resembling the "high grade" component issuers selected by Kenny Information Systems, Inc.

"Letter of Credit" means an irrevocable letter of credit issued by a Bank with respect to (a) the payment of principal, interest or premium on any series of Additional Bonds, or (b) the payment to the Trustee of a sum of money to be deposited into the Reserve Fund.

"Major Bank" means (a) any Federal Reserve Bank or branch thereof, (b) the Trustee and (c) any bank or trust company organized under the laws of the United States of America or any state thereof and having combined capital, surplus and undivided profits of not less than \$50,000,000.

"Mandatory Redemption Requirement" means (a) the provisions for mandatory redemption of the Outstanding Bonds at a redemption price equal to the principal amount thereof, (b) the provisions of the Indenture with respect to the mandatory redemption of the Series 2010 Bonds at a redemption price equal to the principal amount thereof, and (c) any similar provisions that may be set forth in a Supplemental Indenture for mandatory redemption of any Additional Bonds at a Redemption Price equal to the principal amount thereof.

"Maturity Amount" means the aggregate principal and interest due and payable at maturity with respect to a Capital Appreciation Bond.

"Maximum Required Reserve Fund Deposit" means (a) as of any time prior to the issuance of any Additional Bonds, the lesser of (1) the maximum Annual Debt Service Requirement due in the then current or any succeeding Bond Year with respect to the Outstanding Bonds and the Series 2010 Bonds, or (2) one hundred twenty-five percent (125%) of the average Annual Debt Service Requirement due in the then current or any succeeding Bond Year with respect to the Outstanding Bonds and the Series 2010 Bonds, or (b) as of any time subsequent to the issuance of any series of Additional Bonds, the lesser of (i) the maximum Annual Debt Service Requirement due in the then current or any then succeeding Bond Year with respect to the Bonds outstanding under the Indenture, or (ii) one hundred twenty-five percent (125%) of the average Annual Debt Service Requirement due in the then current or any then succeeding Bond Year with respect to the Bonds outstanding under the Indenture.

"Moody's" means Moody's Investors Service, Inc.

"Municipal Bond Insurance Policy" means a policy of municipal bond insurance issued by a Bond Insurer with respect to (a) the payment of principal, interest or premium on any series of Additional Bonds, or (b) the payment to the Trustee of a sum of money to be deposited into the Reserve Fund.

"Net Investment Income" means the income derived from the investment of moneys in the special fund or account in question, and the gain and income from the sale or other conversion into cash of any investments forming a part of the special fund or account in question.

"Net Revenues" means, for the period in question, Pledged Revenues plus interest on the Bonds paid during such period with moneys derived from the issuance of any of the Bonds (whether or not such Bonds are issued during the period in question), less Operating Expenses and the amount required to be deposited into the Rebate Fund with respect to such period to be applied to the payment of any Required Rebates.

"Operating Expenses" means the reasonable and necessary current expenses of the Authority paid or incurred in operating, maintaining, administering and repairing the Airport. Without limiting the generality of the foregoing, the term "Operating Expenses" shall include the following items:

- (a) the costs of collecting the Pledged Revenues and making any refunds therefrom lawfully due others;
- (b) engineering, financial management, audit reports, legal and other overhead expenses directly related to the administration, operation, maintenance and repair of the Airport;
- (c) salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing;

(d) the costs of routine repairs, replacements, renewals and alterations occurring in the usual course of business;

(e) taxes, assessments and other governmental charges, or payments in lieu thereof, imposed on the Airport or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airport or otherwise imposed on the Airport or the operation thereof or income therefrom;

(f) the costs of utility services;

(g) amounts paid pursuant to a judgment rendered against the Authority by any court or other governmental or administrative agency in connection with the Authority's public airport operations and amounts paid pursuant to a settlement agreement with respect to pending or threatened litigation in connection with the Authority's public airport operations, to the extent, in either such case, such amounts are not covered by insurance;

(h) the costs and expenses of general administrative overhead of the Authority allocable to the Airport;

(i) the costs of material and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property;

(j) the costs of contractual services and professional services, including but not limited to, legal services, accounting services and services of financial consultants and airport consultants;

(k) the costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport or the Pledged Revenues or any other moneys held hereunder or required hereby to be held or deposited hereunder;

(l) the costs of carrying out the provisions of the Indenture, including Trustee's and paying agents' fees and expenses; the fees of any remarketing agent for remarketing Bonds; the costs of insurance required thereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport or the Pledged Revenues; and any costs of recording, mailing and publication;

(m) Credit Facility Fees;

(n) all other costs and expenses of operating, maintaining and repairing the Airport arising in the routine and normal course of business,

provided, however, that (i) for the purpose of the definition of the term "Net Revenues", the term "Operating Expenses" shall not include: (A) any allowance for depreciation or any amounts for capital replacements or reserve therefor; (B) the costs of extensions, enlargements, betterments and improvements or reserves therefor; (C) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (D) the payment of the Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; and (ii) for all purposes of the Indenture, the term "Operating Expenses" shall not include any operation and maintenance costs and expenses pertaining to (A) Special Purpose Facilities or expenses incurred

by any lessee of a Special Purpose Facility, (B) the Airport Hotel, (C) the Industrial Properties, or (D) the Golf Course.

"Outstanding Bonds" means the outstanding Series 2006 Bonds and the outstanding Series 2007 Bonds.

"Permitted Encumbrances" means as of any particular time

- (a) the lien of the Indenture;
- (b) liens for ad valorem taxes, public improvement assessments or other governmental charges not then delinquent;
- (c) zoning restrictions, easements, licenses and restrictions that do not, in the opinion of the Authority, interfere with or materially impair the operation of the Airport;
- (d) inchoate materialmen's, mechanics', suppliers', vendors' or other similar liens if payment is not delinquent under the contract giving rise to such lien, or deposits to obtain the release of any such liens;
- (e) leases made or existing on property acquired, in the ordinary course of business;
- (f) leases with respect to any Special Purpose Facilities to the extent not contrary to the provisions hereof;
- (g) leases the rentals under which constitute Pledged Revenues and which are in existence on the date of delivery of the Indenture;
- (h) liens resulting from any litigation, legal proceeding or judgment that is currently being contested in good faith by appropriate proceedings (provided that execution thereon is effectively superseded or stayed), and pledges or deposits to secure, or in lieu of, any surety, stay or appeal bond with respect to any such litigation, legal proceeding or judgment; and
- (i) minor clouds, encumbrances, defects and restrictions of the type that customarily exist with respect to properties of a size and character similar to those comprising the Airport and that do not, in the opinion of the Authority, materially impair, in the aggregate, the use of such properties in the operation of the Airport.

"Pledged Revenues" means the revenues, receipts and funds derived by the Authority from the operation, leasing or sale of the Airport, including, without limitation, (a) all income, receipts and moneys derived from the rates, rentals, fees and charges fixed, imposed and collected by the Authority for the use and services of the Airport or otherwise derived from or arising through the ownership, use, operation and management of the Airport by the Authority or derived from the rental by the Authority of all or any part of the Airport, or derived by the Authority from the sale or rental by the Authority of any commodities or goods in connection with the Airport, (b) proceeds of insurance or condemnation awards with respect to the Airport, (c) grants, gifts and subsidies, to the extent the same may be applied to the payment of Operating Expenses or to the payment of the principal of and the interest (and premium, if any) on the Bonds, (d) passenger facility charges or other similar charges to the extent permitted by law and (e) the Net Investment Income from the Revenue Fund, the Bond Fund, the Sinking Fund and the Reserve Fund;

provided, however, that for the purpose of the definition of the "Net Revenues," the term "Pledged Revenues" shall not include (i) proceeds from the sale of the Airport or any part thereof, (ii) insurance or condemnation awards with respect to the Airport (except the proceeds of business interruption insurance), (iii) grants, gifts and subsidies or (iv) the Net Investment Income from any of the Special Funds (except to the extent that such Net Investment Income is deposited into the Revenue Fund).

"Principal Payment Date" means (a) with respect to the Outstanding Bonds and the Series 2010 Bonds, any date specified in the Indenture for the payment of principal on such Bonds, and (b) with respect to any series of Additional Bonds, any date specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds.

"Reimbursement Obligation" means (a) an obligation on the part of the Authority to reimburse a Credit Facility Obligor for amounts paid by such Credit Facility Obligor with respect to the principal of or the interest or premium, if any, on the Bonds under the terms of a Credit Facility, together with interest thereon, or (b) an obligation on the part of the Authority to reimburse a Credit Facility Obligor for amounts paid by such Credit Facility Obligor with respect to a payment to the Trustee of a sum of money to be deposited into the Reserve Fund under the terms of a Reserve Fund Credit Facility, together with interest thereon; provided, however, that Credit Facility Fees shall not be included in calculating the amount of a Reimbursement Obligation.

"Required Rebate" means any amount that is required, by the provisions of Section 148(f) of the Code and any applicable regulations, to be paid by the Authority to the United States of America in order that any of the Bonds shall not be treated as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code and any applicable regulations promulgated thereunder.

"Reserve Fund Credit Facility" means (a) a Letter of Credit, or (b) a Municipal Bond Insurance Policy, providing, in either case for the payment to the Trustee of a sum of money to be deposited into the Reserve Fund.

"Series 1998 Bonds" means the Authority's Airport Revenue Bonds, Series 1998, which were originally issued in the aggregate principal amount of \$15,150,000.

"Series 2001 Bonds" means the Authority's Airport Revenue Bonds, Series 2001, which were originally issued in the aggregate principal amount of \$5,645,000.

"Series 2006 Bonds" means the Authority's Airport Revenue Bonds, Series 2006, which were originally issued in the aggregate principal amount of \$18,705,000.

"Series 2006 Reserve Fund Credit Facility" means a Debt Service Reserve Surety Bond issued by Financial Security at the time of the issuance of the Series 2006 Bonds, in accordance with the requirements of the Indenture, and providing for the payment to the Trustee, under certain circumstances, of a portion of the Maximum Required Reserve Fund Deposit.

"Series 2007 Bonds" means the Authority's Airport Revenue Bonds, Series 2007, which were originally issue in the aggregate principal amount of \$27,210,000.

"Series 2007 Reserve Fund Credit Facility" means a Debt Service Reserve Surety Bond to be issued by Financial Security at the time of the issuance of the Series 2007 Bonds, in accordance with the requirements of the Indenture, and providing for the payment to the Trustee, under certain circumstances, of a portion of the Maximum Required Reserve Fund Deposit.

"Series 2010 Bond Insurance Policy" means the municipal bond insurance policy issued by Assured Guaranty guaranteeing the payment when due of the principal of and the interest on this Series 2010 Bonds as provided therein.

"Series 2010 Bond Year" means (a) the period beginning on the date the Series 2010 Bonds are initially authenticated and delivered and ending on the day that is not more than one year thereafter that is selected by the Authority in accordance with Treasury Regulations § 1.148-3(e) or other applicable regulations, and (b) each period of one year beginning on the day after the expiration of the preceding such bond year.

"Series 2010 Bonds" means the Series 2010-A Bonds and the Series 2010-B Bonds.

"Series 2010-A Bonds" means those of the Bonds bearing the description "Series 2010-A."

"Series 2010-B Bonds" means those of the Bonds bearing the description "Series 2010-B."

"Sinking Fund Investments" means any investments that are required by the provisions of a Supplemental Indenture to be made with moneys on deposit in the Sinking Fund.

"Special Funds" means the Revenue Fund (including the Operating Reserve Account), the Rebate Fund, the Bond Fund, the Sinking Fund, the Reserve Fund, the Subordinate Securities Fund and the Discretionary Fund.

"Special Purpose Facilities" means any capital improvements or facilities hereafter acquired or constructed by the Authority from the proceeds of obligations issued by the Authority in accordance with the provisions of the Indenture summarized below in this summary under "Particular Covenants of the Authority" - "Special Purpose Facilities", but only for so long as any of such obligations remains outstanding.

"Standard & Poor's" means Standard & Poor's, a division of The McGraw-Hill Companies.

"Subordinate Securities" means any indebtedness of the Authority secured by a lien on Pledged Revenues and permitted by the Indenture other than the Bonds.

"Supplemental Indenture" means an agreement supplemental to the Indenture.

"Tax-Exempt Bonds" means any of the Bonds issued by the Authority the interest on which is excludable, in the opinion of Bond Counsel the time such Bonds are issued, from gross income of the recipients thereof for Federal income tax purposes.

"Tender Option Bonds" means Bonds that are required to be purchased on behalf of the Authority, at the option of the holders thereof, prior to their respective maturities; provided, however, that if no such option is thereafter exercisable, such Bond shall no longer be considered a "Tender Option Bond".

"Transfer" means moneys transferred to the Revenue Fund by the Authority which (a) are not Pledged Revenues in the Fiscal Year during which such transfer is made and (b) are not proceeds from the issuance of Bonds or any other securities of the Authority.

"Variable Rate Bonds" means Bonds that bear interest at a rate per annum which is subject to adjustment so that the actual rate of interest is not ascertainable at the time such Bonds are issued; provided, however, that upon the conversion of the rate of interest on a Variable Rate

Bond to a fixed rate of interest (whether or not the interest rate on such Bond is subject to conversion back to a variable rate of interest), such Bond shall be considered a "Fixed Rate Bond" and not a "Variable Rate Bond" for so long as such Bond bears interest at a fixed rate.

Security Provided

In the Indenture the Board has pledged the Pledged Revenues for payment of all Bonds issued thereunder, subject to Permitted Encumbrances. THE INDENTURE DOES NOT CONSTITUTE A MORTGAGE ON ANY OF THE PHYSICAL PROPERTIES FORMING A PART OF THE AIRPORT OR CREATE ANY LIEN THEREON OR SECURITY INTEREST THEREIN IN FAVOR OF THE TRUSTEE OR THE HOLDERS OF THE BONDS.

Flow of Funds

Flow of Funds Generally. The Indenture creates the following seven special funds: the Revenue Fund, the Rebate Fund, the Bond Fund, the Sinking Fund, the Reserve Fund, the Subordinate Securities Fund and the Discretionary Fund. The Trustee is designated as the depository, custodian and disbursing agent for the Rebate Fund, the Bond Fund, the Sinking Fund and the Reserve Fund. The Authority may designate any banking institution or institutions as depository or depositories for the Revenue Fund, the Subordinate Securities Fund and the Discretionary Fund.

Revenue Fund. The Authority is required to deposit in the Revenue Fund, as received by it, all Pledged Revenues. On or before the last day of each month, after making provision for the payment of any amounts required to be paid out of the Pledged Revenues during such month with respect to Operating Expenses, the Authority is required to transfer moneys on deposit in the Revenue Fund into the Rebate Fund, the Bond Fund the Sinking Fund, the Reserve Fund, the Subordinate Securities Fund and the Discretionary Fund, in the order named Rebate Fund.

Rebate Fund. The Authority is required to deposit into the Rebate Fund, within one hundred twenty (120) days following the end of each Series 2010 Bond Year, the amount of any Required Rebate, as evidenced by a certificate or opinion of an Independent Auditor, with respect to the Series 2010 Bonds for the immediately preceding Series 2010 Bond Year. Out of the moneys on deposit in the Rebate Fund (and, to the extent provided in the Indenture, out of certain other funds of the Authority), the Authority shall pay all Required Rebates with respect to the Series 2010 Bonds. The Indenture contains similar provisions with respect to the Outstanding Bonds. In the event of the issuance by the Authority of any Additional Bonds which are Tax-Exempt Bonds, the Supplemental Indenture under which such Additional Bonds are issued may contain such provisions relating to the payment and computation of Required Rebates with respect to such Additional Bonds as in the judgment of the Authority are necessary, desirable or appropriate to preserve and assure the continued exclusion of the interest on such Tax-Exempt Bonds from gross income of the recipients thereof for Federal income tax purposes, including, without limitation, the transfer of moneys from the Revenue Fund to the Rebate Fund for the payment of any Required Rebates with respect to such Additional Bonds and the payment of any such Required Rebates with moneys on deposit in the Rebate Fund (and, to the extent provided in the Indenture, out of certain other funds of the Authority).

Bond Fund. The Authority is generally required to deposit in the Bond Fund, on or before the last day of each month, an amount equal to the Appropriate Portion of the interest payable with respect to the Bonds on the next succeeding Interest Payment Date and the Appropriate Portion of the principal payable or required to be redeemed pursuant to a Mandatory Redemption Requirement with respect to the Bonds on the next succeeding Principal Payment Date. Moneys on deposit in the Bond Fund are required to be applied for payment of the principal and interest on the Bonds and the redemption price of Bonds subject to a Mandatory Redemption Requirement, all as the same become due and payable; provided, however, that in the event the principal, interest or premium due on any of the Bonds is paid to the Trustee on behalf of the holders of such Bonds or directly to such holders, out of the proceeds of a Credit Facility, and funds for the payment of all or a portion of such principal, interest or premium shall have been transferred to the Bond Fund, the Trustee shall pay the amount so deposited, to the extent of any such payment pursuant to a Credit Facility, to the Credit Facility Obligor issuing such Credit Facility in satisfaction of any Reimbursement Obligation with respect thereto.

Sinking Fund. In the event the Authority issues any series of Additional Bonds, it is required to make such payments, if any, into the Sinking Fund as may be required in the Supplemental indenture pursuant to which such Additional Bonds are issued, and such moneys (and the Net Investment Income thereon) shall be used solely for the retirement of the Bonds of such series even though at the time there may be outstanding Bonds of one or more other series.

Reserve Fund. There will be on deposit in the Reserve Fund on the date of issuance of the Series 2010 Bonds the Maximum Required Reserve Fund Deposit. In the event Additional Bonds are issued, the Authority will, on or before the last day of each successive month beginning with the month next succeeding that during which any of the Additional Bonds are issued and continuing for fifty-nine (59) months thereafter, also pay into the Reserve Fund, after first making the payments required to be made for such month into the Rebate Fund, the Bond Fund and the Sinking Fund, an amount equal to one-sixtieth (1/60th) of the difference between the Maximum Required Reserve Fund Deposit immediately prior to and immediately following the issuance of such Additional Bonds. Moneys forming a part of the Reserve Fund are to be transferred (a) to the Bond Fund if needed to prevent a default in the payment of the principal of or interest on the Bonds or the payment of the redemption price of any Bonds subject to a Mandatory Redemption Requirement, or (b) to the Sinking Fund if needed to prevent a default in (i) the payment of the principal of or the interest on the Bonds or the payment of the redemption price of any Bonds subject to a Mandatory Redemption Requirement, or (ii) the payment of the purchase price of any Sinking Fund Investments which are required in the Supplemental Indenture pursuant to which any of the Additional Bonds are issued, to be purchased and the principal of and the interest on which are to be applied to the payment of the principal of and the interest on any of the Bonds or the redemption price of any of the Bonds subject to a Mandatory Redemption Requirement.

In the event moneys are so transferred to the Bond Fund or the Sinking Fund from the Reserve Fund, the Authority is required to restore the same, from the moneys on deposit in the Revenue Fund, over a period of twelve months in equal monthly payments.

The Trustee is required to make a semiannual valuation as of the 15th day of June and December of each year of the Reserve Fund, and if, according to such valuation, the amount on deposit in the Reserve Fund is less than the amount then required to be on deposit therein, the Authority is required to transfer on or before the end of the sixth month following the month during which such valuation was made an amount equal to such deficiency. If, according to such valuation, the amount on deposit in the Reserve Fund is greater than the amount then required to be on deposit therein, the Trustee is required to transfer such excess to the Authority.

The amount payable to the Trustee pursuant to a Reserve Fund Credit Facility meeting certain conditions set forth in the Indenture shall be deemed to be on deposit in the Reserve Fund. Before making any draw or demand on a Reserve Fund Credit Facility to obtain moneys for any transfer to the Bond Fund or the Sinking Fund, the Trustee is required to first exhaust all moneys and securities on deposit in, or held as a part of, the Reserve Fund. In the event that, as a result of a draw or demand on a Reserve Fund Credit Facility, moneys paid pursuant to a Reserve Fund Credit Facility are transferred to the Bond Fund or the Sinking Fund, the Authority is required to pay, out of the moneys on deposit in the Revenue Fund, after first paying Operating Expenses and making the monthly payments required to be made into the Rebate Fund, the Bond Fund, the Sinking Fund and the Reserve Fund, any Reimbursement Obligation to the Credit Obligor issuing such Reserve Fund Credit Facility over a period of twelve months in equal monthly installments; provided, however, if, as a result of the payment of a Reimbursement Obligation to the issuer of a Reserve Fund Credit Facility, such Reserve Fund Credit Facility is reinstated, in whole or in part, and such Reserve Fund Credit Facility then qualifies as a Reserve Fund Credit Facility under the Indenture, the obligation of the Authority to make a deposit into the Reserve Fund shall be deemed satisfied to the extent of such reinstatement.

A portion of the Maximum Required Reserve Fund Deposit is currently funded with the Series 2006 Reserve Fund Credit Facility and the Series 2007 Reserve Fund Credit Facility.

Operating Reserve Account. If on the last day of any month, there is on deposit in the Operating Reserve Account an amount less than one-sixth (1/6th) of the estimated total Operating Expenses for the then current Fiscal Year as set forth in the then current Annual Budget, the Authority is required to deposit into the Operating Reserve Account, out of the moneys in the Revenue Account after paying Operating Expenses and making the required

payments for such month into the Rebate Fund, the Bond Fund, the Sinking Fund and the Reserve Fund, an amount equal to one-twelfth (1/12th) of the difference between one-sixth (1/6) of the estimated total Operating Expenses for the said Fiscal Year as set forth in the then current Annual Budget and the amount then on deposit in the Operating Reserve Account. Moneys on deposit in the Operating Reserve Account are required to be applied to (a) the payment of Operating Expenses to the extent that sufficient funds are not otherwise available in the Revenue Fund to pay all Operating Expenses then due, or (b) the payment of the principal of or the interest then due on the Bonds or the redemption price then due with respect to any of the Bonds subject to a Mandatory Redemption Requirement, but only to the extent that moneys on deposit in the Bond Fund, the Sinking Fund and the Reserve Fund, in the order named, shall not be sufficient to pay such principal, interest or redemption price.

Subordinate Securities Fund. The Authority is required to deposit in the Subordinate Securities Fund, on or before the last day of each month, the amount of any payment required to be made during such month or the immediately next succeeding month with respect to any Subordinate Securities. Moneys on deposit in the Subordinate Securities Fund are required to be applied (a) to the payment of (i) the principal and interest payment with respect to any Subordinate Securities, (ii) the amount of any monthly payment required to be made with respect to the principal of and the interest on any Subordinate Securities, or (iii) the amount of required deposits into any special fund created in the proceedings pursuant to which any Subordinate Securities were issued, and (b) to the payment of the principal of and the interest on the Bonds and the redemption price of any of the Bonds subject to a Mandatory Redemption Requirement, but only to the extent that moneys on deposit in the Bond Fund, the Sinking Fund, the Reserve Fund and the Operating Reserve Account, in the order named, shall not be sufficient to make such payment.

Discretionary Fund. There will be deposited into the Discretionary Fund, on the last day of each month, the entire amount remaining the Revenue Fund (other than the amount required to be retained in the Operating Reserve Account) after the payments required to be made for such month into the Rebate Fund, the Operating Fund, the Bond Fund, the Sinking Fund, the Reserve Fund, the Operating Reserve Account and the Subordinate Securities Fund. The Authority may use and apply moneys on deposit in the Discretionary Fund for any lawful purpose.

Investment of Special Funds

The Trustee shall, to the extent practicable, (a) cause all moneys on deposit in the Bond Fund and the Sinking Fund to be kept continuously invested in Eligible Investments having stated maturities, or being redeemable at the option of the holder at a stated price and time, not later than the date that such moneys shall, under the terms of the Indenture, be needed to pay the principal and interest maturing with respect to the Bonds or the Redemption Price of Bonds subject to a Mandatory Redemption Requirement on such date, (b) cause all moneys on deposit in the Rebate Fund to be kept continuously invested in Eligible Investments having stated maturities, or being redeemable at the option of the holder, at a stated price and time, not later than the date that such moneys shall be needed to make any Required Rebates, and (c) cause all moneys on deposit in the Reserve Fund to be kept continuously invested in Eligible Investments having stated maturities, or redeemable at the option of the holder at a stated price and time, not later than three years after the date of investment therein or the date of last maturity of the Bonds then outstanding, whichever date is earlier. Such securities, together with all income therefrom, shall become a part of the fund which moneys were used to make such investment to the same extent as if they were moneys on deposit therein; provided, however, that the Trustee shall pay to the Authority for deposit into the Revenue Fund the Net Investment Income from any such securities held in the Reserve Fund. The Trustee may at any time and from time to time, as in its sole discretion it deems desirable, cause any such securities to be sold or otherwise converted into cash and shall cause such securities to be sold or converted into cash if and to the extent that such sale or conversion is necessary to obtain moneys to prevent a default in payment of the principal of and the interest on the Bonds or the redemption price of Bonds subject to a Mandatory Redemption Requirement. The net proceeds from the sale or other conversion into cash of any securities forming a part of the Rebate Fund, the Bond Fund, the Sinking Fund and the Reserve Fund shall be paid into and become a part of the fund of which such securities formed a part. In making any investment provided for in this paragraph, the Trustee shall, to the extent practicable, follow the written instructions of the Authority as to the selection and terms of such investment. The Trustee shall have no liability for any loss resulting from investments made under the Indenture except liability for its own gross negligence.

The Authority may, at any time and from time to time while it is not in default under the Indenture, withdraw all or any part of the moneys on deposit in the Revenue Fund, the Subordinate Securities Fund and the Discretionary Fund for the purpose of causing such moneys to be invested in any securities in which the Authority is authorized to invest its funds and having stated maturities, or being redeemable at the option of the holder at a stated price and time, prior to the date when it is anticipated by the Authority that such funds will be needed any such securities, together with all income therefrom, shall become a part of the fund (or account therein) from which moneys were withdrawn to make such investment and shall be held by the depository therefor to the same extent as if they were moneys on deposit in such fund. The Authority may at any time and from time to time cause any such securities forming a part of such fund or account to be sold or converted into cash, whereupon the net proceeds derived therefrom shall become a part of such fund or account.

In any determination of the amount of moneys at any time forming a part of any Special Fund, all such securities in which any portion thereof is at the time so invested shall be included in the fund from which moneys were used to make such investment at market value; provided, however, that if there is on deposit in any Special Fund an Eligible Investment which is at the time redeemable at the option of the holder thereof, such Eligible Investment shall be included or valued at the then current redemption price thereof.

Additional Parity Bonds

In the Indenture the Authority has reserved the privilege of issuing Additional Bonds under the Indenture, on a parity with the Outstanding Bonds and the Series 2010 Bonds, at any time, upon compliance with the conditions hereinafter referred to but otherwise without limit as to principal amount for any one or more of the following purposes:

- (a) to refund or retire all or any portion of one or more series of Bonds then outstanding,
- (b) to refund or retire all or any portion of the Subordinated Securities,
- (c) to acquire, by construction or otherwise, Capital Improvements, or
- (d) to provide funds for any other lawful corporate functions.

Among the conditions prerequisite to the issuance of Additional Bonds are the following:

(a) **Certificate as to Historical Revenues.** A certificate by an Independent Auditor certifying that the Net Revenues during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued were not less than 125% of the average Annual Debt Service Requirement with respect to the then current and each then succeeding Bond Year immediately preceding the issuance of such Additional Bonds;

(b) **Certificate of Independent Engineer.** If any portion of the Additional Bonds proposed to be issued is for the purpose of acquiring Capital Improvements, a certificate of an independent engineer setting forth (i) the estimated dates of completion of such Capital Improvements and (ii) an estimate of the costs of such Capital Improvements, and

(c) **Report as to Projected Revenues.** A report of an Airport Consultant setting forth estimates of Net Revenues for each of the three Fiscal Years following the Fiscal Year in which the independent engineer estimates (in the certificate provided for in the preceding clause (b)) such Capital Improvements will be completed (or, if such Additional Bonds are not being issued for the purpose of acquiring Capital Improvements, during the three Fiscal Years following the Fiscal Year during which such Additional Bonds are to be issued), accompanied by a certificate of the Chairman of the Authority certifying that the Net Revenues during each of such three Fiscal Years, as estimated as aforesaid by such Airport Consultant, are projected to be not less than 125% of the average Annual Debt Service Requirement with respect to the then current and each

then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds.

The foregoing requirements are subject to the following exceptions:

(1) The report and certificates provided for in the foregoing clauses (a), (b) and (c) shall not be required in the case of Additional Bonds issued for the purpose of (A) making any deposit into the Reserve Fund required as a result of the issuance of any of the Bonds or (B) paying the expenses of issuing any of the Bonds.

(2) The report and certificates referred to in the foregoing clauses (a), (b) and (c) shall not be required in the case of the issuance of Additional Bonds for the purpose of refunding outstanding Bonds if there is delivered to the Trustee a certificate of the Chairman of the Authority certifying that the average Annual Debt Service Requirement with respect to then current and each then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds will not exceed the average Annual Debt Service Requirement with respect to the then current and each then succeeding Bond Year immediately prior to such issuance and

(3) The report and certificate referred to in the foregoing clauses (b) and (c) shall not be required in the case of the issuance of Additional Bonds for any purpose if there is delivered to the Trustee a certificate of an Independent Auditor certifying that the Net Revenues during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued were not less than 125% of the maximum Annual Debt Service Requirement with respect to the then current and each then succeeding Bond Year immediately following the issuance of such Additional Bonds.

Bonds for the payment of which a trust fund of the type referred to in the paragraph entitled "Satisfaction of the Indenture" in this Appendix C are not deemed to be outstanding for purposes of the foregoing computation.

The Authority may, in connection with the issuance of any series of Additional Bonds,

- (a) provide a Credit Facility therefor,
- (b) enter into such agreements as are necessary and appropriate with a Credit Facility Obligor providing, inter alia, for (i) the payment of the fees and expenses of such Credit Facility Obligor, which fees and expenses shall be payable out of the proceeds from the sale of such Additional Bonds or as an Operating Expense, as appropriate and (ii) the terms and conditions of such Credit Facility and any security to be provided for such Credit Facility and for the payment of the obligations of the Authority with respect thereto,
- (c) secure any of its obligations with respect to such Credit Facility by an agreement providing for the purchase of any Bonds secured thereby, with such adjustments as to interest rates, methods of determination of interest, maturities or redemption provisions as shall be specified by the Authority in the applicable Supplemental Indenture,
- (d) incur a Reimbursement Obligation which may be secured by a lien or charge on Pledged Revenues subordinate to the lien or charge on Pledged Revenues created hereby for the benefit of the Bonds, and
- (e) provide, in any such agreement and in the appropriate Supplemental Indenture, that for the purpose of giving consents, receiving notices and certain specified other purposes, such Credit Facility Obligor shall be deemed to be the holder of all Bonds secured by such Credit Facility.

Particular Covenants of the Authority

The Indenture will contain the following covenants of the Authority, among others:

Maintenance of Books and Records. The Authority will maintain complete books and records pertaining to the Airport and all receipts and disbursements with respect thereto.

Annual Budget. Not less than five days prior to the beginning of each Fiscal Year, the Authority will adopt and file with the Trustee and each Credit Facility Obligor an Annual Budget for the Airport (which may be included in the Authority's general annual budget) for the ensuing Fiscal Year. Such budget is required to contain, among other items the following: estimated Pledged Revenues and Operating Expenses for such Fiscal Year; the estimated amounts to be deposited during such Fiscal Year in each of the Special Funds; and the estimated expenditures during such Fiscal Year for the replacement of capital assets or other Capital Improvements.

Annual Audits. The Authority will within ninety days following the close of each Fiscal Year cause an audit of its books with respect to the Airport (which may be included in the Authority's general annual audit) for such Fiscal Year to be made by an Independent Auditor acceptable to the Trustee. Within ten days following the receipt of such audit, the Authority will furnish a copy thereof to the Trustee, to the original purchasers of each series of Bonds from the Authority, to Moody's, to Standard & Poor's, to any Credit Facility Obligor, and to the holder of any of the Bonds who makes written request therefor. In the event the audit required is not furnished within 120 days following the close of any Fiscal Year, the Trustee may, at the expiration of such period, employ an Independent Auditor satisfactory to it to make the audit for such Fiscal Year.

Maintenance of Rates. The Authority will make and maintain such rates and charges for the use of the Airport and will make collections from the users thereof in such manner as shall produce Net Revenues during each Fiscal Year in an amount which, when added to all Transfers during the same Fiscal Year, will equal (a) not less than 1.25 times the Annual Debt Service Requirement with respect to the Bond Year ending on the day following the end of such Fiscal Year, plus (b) an amount sufficient to make any required payments to: (i) Financial Security with respect to the Series 2006 Reserve Fund Credit Facility; and (ii) Financial Security with respect to the Series 2007 Reserve Fund Credit Facility. The Authority will from time to time make such increases and other changes in such rates and charges as may be necessary to produce said amounts.

Freedom of Airport From Liens. The Authority will not create, permit to be created or suffer to exist any liens or encumbrances on the Airport, or any part thereof, other than Permitted Encumbrances.

Priority of Pledge. The pledge of Pledged Revenues shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued or any contract hereafter made by the Authority other than any of the Additional Bonds.

Not To Sell or Lease Airport or Enter Into Management or Other Similar Operating Agreements With Respect to the Airport Except Under Certain Conditions to Keep Airport in Repair. Subject to the exceptions stated below, the Authority will not hereafter sell or lease the whole or any part of the Airport or enter into any management or other similar operating agreement with respect to any part of the Airport until all of the Bonds have been paid in full or unless and until provision for such payment has been made. The Authority will continuously operate the Airport or cause the same to be operated so long as any of the Bonds remain unpaid, and it will keep the same in good repair and in efficient operating condition, making from time to time all needful repairs and replacements thereto and thereof. If the laws of Alabama at the time shall permit such action to be taken, nothing shall prevent the consolidation of the Authority with, or merger of the Authority into, any municipal or public corporation having corporate authority to carry on the business of operating the Airport, or the transfer by the Authority of the Airport as an entirety to another municipal or public corporation whose properties and income are not subject to taxation; provided that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of and the interest and premium (if any) on the Bonds according to their tenor and the due and punctual performance and observance of all the agreements and conditions of the Indenture to be kept and performed by the Authority shall be expressly assumed in writing by the corporation resulting from such consolidation or surviving such merger or to which the Airport shall be transferred as an entirety, and provided, further, that such consolidation, merger or transfer shall not cause or result in any lien or charge being affixed to or

imposed on the Pledged Revenues that will be prior to or on a parity with the lien and the pledge made in the Indenture for the benefit of the Bonds or in any lien being imposed on the Airport other than Permitted Encumbrances or, in the opinion of Bond Counsel, in the interest income on the Tax-Exempt Bonds becoming subject to federal or Alabama income taxation. The Authority will not itself subject the Airport to the lien of a foreclosable mortgage until the principal of and the interest (and premium, if any) on all the Bonds are paid in full or unless and until provision for such payment shall have been made.

The Authority may lease or sell portions of the Airport under and subject to the following conditions:

(a) It may, in the ordinary course of business, for reasonable consideration and in accordance with practices customary in the operation of public airport facilities, lease, enter into management or other similar operating agreements with respect to the operation of, or grant other rights to the use of, those portions of the Airport necessary or useful in the Authority's public airport operations.

(b) It may, subject to the provisions summarized below under the caption "Special Purpose Facilities", lease Special Purpose Facilities.

(c) It may sell for fair and reasonable value (as evidenced by separate appraisals by at least two independent appraisers, which appraisals and independent appraisers shall be acceptable to the Trustee), or lease for a reasonable rental, any portion of the Airport not constituting Special Purpose Facilities if, prior to such lease or sale, there is filed with the Trustee a report of an Airport Consultant expressing the opinion that such sale or lease will not result in a decrease in Pledged Revenues and that the property in question is not necessary in connection with the public airport operations at the Airport.

(d) The proceeds of any sale effected pursuant to the provisions of the foregoing subsection (c) shall be applied as follows: (i) if the Board of Directors of the Authority shall so determine prior to such sale, such proceeds shall be applied within 180 days after such sale to the acquisition, by purchase or otherwise, at a price not to exceed the reasonable value (as evidenced by separate appraisals by at least two independent appraisers, which appraisals and independent appraisers shall be acceptable to the Trustee) of property or facilities chargeable to capital account, such property or facilities to constitute, upon acquisition, a part of the Airport and to be subjected by the Authority to the lien of the Indenture by appropriate instruments and the revenues (if any) therefrom, in their entirety, to constitute Pledged Revenues, or (ii) in the case of any such proceeds not expended within 180 days after such sale, such proceeds shall be deposited into the Bond Fund.

The preceding provisions to the contrary notwithstanding, the Authority will not enter into any lease of, or sell or otherwise dispose of, any part of the Airport or enter into any management or other similar operating agreement for the operation of any part of the Airport if, as a result of such lease, sale or other disposition, the interest income on any of the Tax-Exempt Bonds would become includable in gross income of the recipients thereof for Federal income tax purposes. Without limiting the generality of the foregoing, the Authority (A) will not take any action that would cause any part of the Airport to cease to be "owned by" the Authority (as the term "owned by" is used in Section 142(b)(1)(A) of the Code), (B) will require, as a condition to the leasing of any part of the Airport, or the entering into of any management or other similar operating agreement for the operation of any part of the Airport that the lessee or the other party to such management or other similar operating agreement, as the case may be, make an irrevocable election, in accordance with the provisions of Section 142(b)(1)(B) of the Code and the Treasury Regulations issued thereunder, not to claim depreciation or an investment credit with respect to the property leased to it by the Authority, or in the case of a management or other similar operating agreement, the property managed or operated by it, (C) will not enter into any lease, management or other similar operating agreement with respect to any portion of the Airport if such lease, management contract or other operating agreement has a term of eighty percent (80%) or more of the reasonably expected economic life of the property subject to such lease, management or other similar operating agreement within the meaning of Section 142(b)(1)(B)(ii) of the Code, and (D) will not enter into any lease, management or other similar operating agreement if the lessee or other party to a management or other similar operating agreement has an option to purchase any

portion of the Airport for a price other than the fair market value of such property at the time such option is exercised.

Special Covenants of the Authority Relating to Exclusion of the Interest on the Series 2010 Bonds from Gross Income for Federal Income Tax Purposes. The Authority will (a) in a timely manner, make all Required Rebates and take such other action as shall be necessary under the provisions of Section 103 of the Code (as it now exists) and any applicable regulations, to preserve the exclusion of the interest on the Series 2010 Bonds from gross income of the recipients thereof for Federal income tax purposes, and (b) refrain from taking any action that would, under the provisions of the Code (as it now exists) and any applicable regulations, result in the interest on any of the Series 2010 Bonds being or becoming subject to gross income of the recipients thereof for Federal income tax purposes. Further, and without in any way limiting the generality of the foregoing, the Authority will not apply the proceeds from the Series 2010-A Bonds in a manner that would cause any of the Series 2010-A Bonds to be a "private activity bond" within the meaning of Section 141(a) of the Code.

Any provision of the Indenture to the contrary notwithstanding, the Trustee will not make, and the Authority will not request, any investment of moneys held by the Trustee, and the Authority will not make any investment of the proceeds of any of the Series 2010 Bonds, that would result in any of the Series 2010 Bonds being considered "arbitrage bonds" within the meaning of Section 148 of the Code. In the event the Authority is of the opinion that it is necessary to restrict the yield on the investment of any moneys paid to or held by the Trustee in order to avoid any of the Series 2010 Bonds being considered "arbitrage bonds" within the meaning of said Section 148, the Authority may issue to the Trustee a written certificate to such effect together with written instructions respecting investment of such moneys, in which event the Trustee shall follow such written directions.

Special Purpose Facilities. The Authority may finance Special Purpose Facilities from the proceeds of obligations issued by the Authority without regard to any requirements of the Indenture with respect to the issuance of Additional Bonds, subject, however, to the following conditions:

(a) Such obligations shall be payable solely from rentals derived by the Authority under a lease entered into between the Authority and the person, firm or corporation which will be utilizing the Special Purpose Facilities to be financed;

(b) There shall be filed with the Trustee prior to the issuance of such obligations a certificate of a representative of the Authority certifying that the estimated rentals to be derived by the Authority from the lease with respect to the Special Purpose Facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such Special Purpose Facilities and all sinking fund, reserve or other payments required by the resolution or indenture securing such obligations;

(c) There shall be filed with the Trustee prior to the issuance of such obligations a report of an Airport Consultant, estimating or expressing the opinion that the construction and operation of such Special Purpose Facilities either (i) will not decrease the Pledged Revenues or (ii) will not cause Net Revenues during any Fiscal Year covered by such report (which shall cover a period extending at least through the three Fiscal Years following the Fiscal Year during which such Special Purpose Facilities will be completed) to be less than 1.25 times the average Annual Debt Service Requirement during the then current and each then succeeding Bond Year; and

(d) In addition to all rentals with respect to the Special Purpose Facilities to be financed, a fair and reasonable rental for the land upon which said Special Purpose Facilities are to be constructed shall be charged by the Authority, and said ground rent shall be deemed Pledged Revenues not available for the payment of such obligations.

Subordinated Securities. The Authority may, at any time and from time to time, issue evidences of indebtedness payable out of and secured by a pledge of moneys on deposit in the Subordinate Securities Fund as may from time to time be available for the purpose of payment thereof, but said pledge shall be subordinate in all respects to the pledge of the Pledged Revenues contained in the Indenture. Such indebtedness may also be made payable from and secured by a pledge of any revenues of the Authority other than Pledged Revenues.

Insurance

Insurance Required. Except as hereinafter provided, the Authority will keep those portions of the Airport (other than Special Purpose Facilities) that are of the character and type customarily insured by organizations operating a business similar to those conducted on the Airport insured against loss by fire, including extended coverage, hurricane, tornado and windstorm, to the extent of the full insurable value thereof. Except as hereinafter provided, the Authority will also carry workmen's compensation insurance and public liability insurance in such amounts and to such extent as is customarily carried by like organizations engaged in like businesses of comparable size. Notwithstanding the provisions of the preceding two sentences, in the event the Authority determines that any policy of insurance required by the Indenture to be maintained by the Authority is not reasonably available, the Authority may elect to be self-insured in whole or in part against the risk or loss that would otherwise be covered by such policy in which case the Authority will establish a reserve for such risk or loss in such amount as the Authority deems appropriate.

Disposition of Insurance Proceeds. Proceeds of insurance on physical properties constituting a portion of the Airport shall be applied by the Authority for one of the following purposes: (a) the purchase or construction of additional property which the Board of Directors of the Authority shall deem to have utility in the operation of the Airport equal to that damaged or destroyed, or (b) the repairing or the renewing of the property damaged or destroyed.

Events of Default and Remedies

Events of Default. The following constitute default under the Indenture:

- (a) Failure by the Authority to pay the principal of and interest or premium (if any) on any of the Bonds when the same respectively become due and payable, whether by maturity or otherwise;
- (b) Failure by the Authority to commence the repair or replacement of any property forming a part of the Airport that may be damaged or destroyed and that is necessary to the continued and efficient operation of the Airport, within one hundred twenty days after the occurrence of such damage or destruction;
- (c) The sale, lease or other disposition by the Authority of the Airport or any part thereof in violation of any provisions of the Indenture;
- (d) Failure by the Authority to perform any of the agreements on its part contained in the Indenture (other than as provided in (a), (b) and (c) above) after sixty days' written notice to it of such failure made by the Trustee or by the holders of not less than 25% in principal amount or Compounded Amount of the Bonds; or
- (e) Determination by a court having jurisdiction that the Authority is insolvent or bankrupt, or appointment by a court having jurisdiction of a receiver for the Airport or a substantial part thereof, or approval by a court of competent jurisdiction of any petition for reorganization of the Airport or rearrangement or readjustment of its obligations under any provisions of the bankruptcy laws of the United States

Remedies of Default. Upon the occurrence of default, the Trustee shall have the following right and remedies:

- (a) **Acceleration.** The Trustee may, by written notice to the Authority, declare the principal of all the Bonds forthwith due and payable. If, however, the Authority shall thereafter make good that default and every other default under the Indenture (except payment of the principal amount so declared payable), with interest on all overdue principal amount, and make reimbursement of all reasonable expenses of the Trustee, then the Trustee may (and, if requested

by the holders of a majority in principal amount or Compounded Amount of the Bonds then outstanding by written notice to the Trustee, shall) waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) **Suits at Law or in Equity.** The Trustee is empowered (i) to sue on the Bonds, (ii) by mandamus, suit or other proceedings to enforce and compel performance of all agreements of the Authority in the Indenture, including the fixing of rates and the collection, proper segregation and proper application of the revenues from the Airport, (iii) by action or suit in equity, to require the Authority to account as if it were the trustee of an express trust for the holders of the Bonds, and (iv) by action or suit in equity, to enjoy any act or things which may be unlawful or in violation of the rights of the holders of the Bonds.

(c) **Receivership.** The Trustee shall be entitled to and shall have, regardless of the sufficiency of any security or the availability of any other remedy, the appointment of a receiver to administer and operate the Airport and perform the covenants on the part of the Authority contained in the Indenture.

Remedies Vested in Trustee for Benefit of Bondholders. All remedies under the Indenture are vested exclusively in the Trustee for the equal and pro rata benefit of all holders of the Bonds, unless the Trustee refuses or neglects to act within a reasonable time after written request so to act addressed to the Trustee by the holders of a majority in principal amount or Compounded Amount of the Bonds then outstanding, accompanied by indemnity satisfactory to the Trustee, in which event the holder of any of the Bonds may thereupon so act in the name and behalf of the Trustee or may so act in his own name and behalf in lieu of action by or in the name and behalf of the Trustee. Except as provided in the preceding sentence, no holder of any of the Bonds shall have the right to enforce any remedy under the Indenture, and then only for the equal and pro rata benefit of the holders of all the Bonds.

Concerning the Trustee

Limitation of Liability. The Trustee shall not be liable under the Indenture except for its noncompliance with the provisions thereof, its willful misconduct or its gross negligence.

Notice of Defaults. The Trustee need not notice any default under the Indenture except a default in the payment of the principal of and the interest on the Bonds, unless requested so to do by the holders of 25% in aggregate principal amount or Compounded Amount of the Bonds then outstanding.

Institution of Suit. The Trustee may, in its own name and at any time institute or intervene in any suit for the enforcement of all rights under the Indenture without the necessity of joining as parties to such suit or proceedings any holders of the Bonds. The holders of the Bonds appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of enforcing all such rights of action, but such appointment does not include the power to agree to accept new securities of any nature in lieu of the Bonds or to alter or amend the terms of the Indenture except as therein provided.

Payment of Prior Charges. The Trustee may pay any charge which the failure of the Authority to pay has made or will make an encumbrance or lien or charge on the Pledged Revenues prior to or on a parity with the charge on said revenues contained in the Indenture. Any sum so expended by the Trustee shall be secured by the Indenture, shall bear interest at a rate equal to the Base Rate plus two percent from the date of payment thereof, and shall be entitled to priority of payment over any of the Bonds or interest thereon.

Resignation and Discharge. The Trustee may resign and be discharged by written notice given to the Authority, the holders of the Bonds and each Credit Facility Obligor. The Trustee may at any time be removed by a written instrument signed by the holders of a majority in principal amount or Compounded Amount of the Bonds then outstanding. If at the time of the resignation or removal of the Trustee, a Credit Facility is then in effect in favor of the Trustee with respect to an issue of Bonds or a Reserve Fund Credit Facility is then in effect, such resignation or removal shall not become effective until (a) a successor Trustee is appointed and (b) such Credit Facility, or such Reserve Fund Credit Facility, as the case may be, has been reissued in favor of such successor

Trustee or an endorsement has been added thereto to the effect that such Credit Facility or such Reserve Fund Credit Facility, as the case may be, may thereafter be drawn upon by, and paid to, such successor Trustee.

Appointment of Successor Trustee. If the Trustee resigns, is removed or is otherwise incapable of acting, a successor may be appointed by written instrument signed by the holders of a majority in principal amount or Compounded Amount of the Bonds then outstanding, and in the interim by an instrument executed by the Authority, such interim successor Trustee to be immediately and ipso facto superseded by the one appointed as above by the said holders. Any successor Trustee shall be a bank or trust company authorized to administer trusts and having, at the time of its acceptance of such appointment, combined capital surplus and undivided profits of at least \$100,000,000.

Modification of the Indenture

Without the consent of the holders of any Bonds, the Authority and the Trustee may amend the Indenture for any of the following purposes: (a) to add to the covenants and agreements of the Authority; (b) to cure any ambiguity, defect or inconsistent provision' or (c) to subject to the lien and pledge of the Indenture the revenues from additional properties forming a part of the Airport.

With the consent of the holders of 66-2/3% in principal amount or Compounded Amount of the Bonds then outstanding, the Authority and the Trustee may enter into Supplemental Indentures as they deem necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions of the Indenture or any Supplemental Indenture; provided, that, without the written consent of the holder of each Bond affected, no reduction in the principal amount or Compounded Amount of, rate of interest on, or the premium payable upon redemption of, any Bond shall be made; and provided further, that, without the written consent of the holders of all the Bonds, none of the following shall be permitted:

- (a) An extension of the maturity of any installment of principal of or interest on any Bond;
- (b) any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds;
- (c) the creation of a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of Additional Bonds) on a parity with, the lien and charge thereon contained in the Indenture;
- (d) the establishment of preferences or priorities as between Bonds; or
- (e) a reduction in the principal amount or Compounded Amount of Bonds the holders of which are required to consent to such Supplemental Indenture.

Satisfaction of the Indenture

Whenever the entire indebtedness by the Indenture (including, without limitation, any unpaid Reimbursement Obligation), including all proper charges of the Trustee thereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the Indenture. For purposes of the Indenture any of the Bonds shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal, interest and premium, if any) due or to be due thereon until and at maturity, and, further, any of the callable Bonds shall also be deemed to have been paid when the Authority shall have deposited with the Trustee the applicable redemption price of such callable Bond, and evidence that such callable Bond has been called for redemption in accordance with the Indenture.

In addition, any Bonds shall for all purposes of the Indenture be deemed fully paid if there shall be filed with the Trustee each of the following:

(a) a trust agreement between the Authority and the Trustee making provision for the retirement of such Bonds by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Bonds (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by payment of the redemption price prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (i) Federal Securities which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of such Bonds, or (ii) both cash and such securities which together will produce funds sufficient for such purpose, or (C) cash sufficient for such purpose;

(b) a certified copy of a resolution calling for redemption those of such Bonds that according to said trust agreement, are to be redeemed prior to their respective maturities;

(c) an opinion of Bond Counsel to the effect that the execution and effectuation of the trust agreement referred to in the preceding subparagraph (a) will not result in the interest income on any of such Bonds which constitute Tax-Exempt Bonds being includable in gross income of the recipients thereof for Federal income tax purposes;

(d) a verification report prepared by an Independent Auditor of national reputation expressing the opinion that the cash and Federal Securities deposited into the trust fund referred to in the preceding subparagraph (a) will produce funds sufficient to provide for the payment and retirement of such Bonds in accordance with the provisions of such trust agreement; and

(e) evidence satisfactory to the Trustee that a notice briefly describing said trust agreement and its consequences has been sent to the holders of the Bonds, each registered bond depository, each Credit Rating Agency and the CUSIP Service Bureau.

For purpose of the Indenture

(A) interest on Variable Rate Bonds shall not be deemed paid unless the amount deposited in respect thereof is computed at the maximum rate such Bonds may bear; provided, however, that if, as a result of the interest actually borne by a Variable Rate Bond being less than such maximum, the amount on deposit in such trust fund in respect of such interest is in excess of the amount actually required therefor, the Trustee shall (upon the written request of the Authority) pay and transfer such excess to the Authority; and

(B) Tender Option Bonds shall not be deemed paid unless the amount deposited in respect thereof shall be sufficient to pay the maximum principal and interest that could become due and payable thereof upon the exercise of any options exercisable by the holders thereof; provided, however, that if, as a result of any such Bond thereafter ceasing to be a Tender Option Bond or other changed condition, the amount on deposit in such trust fund in respect of such Tender Option Bonds is in excess of the amount actually required therefor, the Trustee shall (upon the written request of the Authority) pay and transfer such excess to the Authority.

No principal or interest paid by a Credit Facility Obligor with respect to the Bonds under a Credit Facility shall be deemed paid, and any such principal and interest shall continue to be due and owing until paid by the Authority in accordance with the Indenture.

**Special Provisions Concerning Series
2010 Bond Insurance Policy**

The Eighth Supplemental Indenture provides that Assured Guaranty shall be subrogated to the rights of the Holders of the Series 2010 Bonds to the extent of all payments made by it under the Series 2010 Bond Insurance Policy. The Eighth Supplemental Indenture also provides as follows with respect to the rights of Assured Guaranty under the Indenture:

(a) Whenever any consent or approval of the Holders of a requisite percentage of Series 2010 Bonds is required under the Indenture, Assured Guaranty shall be deemed to be the Holder of all the Outstanding Series 2010 Bonds for the purpose of giving or refusing to give such consent or approval.

(b) Upon the occurrence of an event of default under the Indenture, Assured Guaranty shall be deemed to be the Holder of all the Series 2010 Bonds for the purpose of exercising the rights of the Holders of the Series 2010 Bonds to direct the enforcement of the rights and remedies granted to the Holders of Bonds under the Indenture, to accelerate the maturities of the principal of Bonds and to waive any such event of default or acceleration.

(c) Any Series 2010 Bonds paid with funds provided by Assured Guaranty under the Series 2010 Bond Insurance Policy shall be deemed to be unpaid and outstanding for purposes of the Indenture, and Assured Guaranty shall be subrogated to the rights of the Holders of the Series 2010 Bonds to the extent of all payments made by it.

(d) For purposes of determining whether any action proposed to be taken under the Indenture may be adverse to the Holders of the Bonds, the Trustee shall consider the rights and interests of the Holders of the Series 2010 Bonds without regard to the existence of the Series 2010 Bond Insurance Policy.

APPENDIX D

**SUMMARY OF THE CONTINUING
DISCLOSURE AGREEMENT**

APPENDIX D

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of the Continuing Disclosure Agreement (the "Agreement") entered into by the Authority for the benefit of the holders of the Series 2010 Bonds, in order to assist the Underwriter in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities and Exchange Act of 1934. Except where otherwise defined in this Appendix, all capitalized terms have the meaning assigned in the front portion of this Official Statement.

Annual Report of the Authority. The Authority agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to each nationally recognized municipal securities repository ("NRMSIR") as designated by the Commission in accordance with the Rule (i) in the case of audited financial statements referred to in clause (a) below, when available and (ii) in all other cases, within 180 days after the close of each fiscal year of the Authority (July 1 — June 30) commencing after June 30, 2010, the following annual financial information and operating data relating to the Airport (the "Authority's Annual Report"):

- (a) the audited financial statements of the Authority and notes thereto, prepared on a basis comparable to that set forth in Appendix B to the Official Statement; and
- (b) unless included in the audited financial statements referred to in clause (a) above the annual financial and operating data for the last completed fiscal year set forth in the numbered tables under the captions "The Airport" in the Official Statement.

The Authority reserves the right to modify from time to time the specific types of information provided or the format of the presentation of the Authority's Annual Report, to the extent necessary or appropriate in the judgment of the Authority; provided that, the Authority agrees that any such modification will be done in a manner consistent with the Rule. Effective July 1, 2009, the only NRMSIR certified by the Commission is the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") site at <http://emma.msrb.org>.

Notice of Certain Events. The Authority agrees to provide or cause to be provided, notice to each NRMSIR, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Series 2010 Bonds:

- (a) delinquency in payment when due of any principal of or interest on the Series 2010 Bonds;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2010 Bonds, or other material events affecting the tax-exempt status of the Series 2010 Bonds;
- (g) modifications to rights of bondholders, if material;
- (h) Bond calls, if material, and tender offers;

- (i) defeasances of the Series 2010 Bonds or any portion thereof;
- (j) release, substitution or sale of property securing repayment of the Series 2010 Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event with respect to the Authority;
- (m) consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of the name of a trustee, if material; or
- (o) notice of a failure of the Board to provide required Annual Report, on or before the date specified in the Continuing Disclosure Agreement.

The Authority may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Authority such other event is material with respect to the Series 2010 Bonds, but the Authority does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Notice of Noncompliance. The Authority agrees to provide or cause to be provided, in a timely manner, to each NRMSIR, notice of any failure by the Authority to provide the annual financial information described in Sections 1 and 2 hereof on or prior to the dates respectively set forth in said sections.

Beneficiaries and Enforcement. The Authority agrees that its undertakings pursuant to the Rule set forth in the Agreement are intended to be for the benefit of the holders of the Series 2010 Bonds and shall be enforceable by such holders; provided, that the right of the holders of the Series 2010 Bonds to enforce the provisions of the Agreement shall be limited to a right to obtain specific enforcement of the respective obligations of the Authority under the Agreement. No failure by the Authority to comply with its obligations under the Agreement shall constitute an event of default under the Indenture.

Amendment. The Agreement may be amended without consent of any holders of the Series 2010 Bonds if

- (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority.
- (b) the Agreement, as so amended, would have complied with the requirements of the Rule at the time of the execution thereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the Authority receives an opinion of nationally-recognized bond counsel that such amendment does not materially impair the interests of any of the holders of the Series 2010 Bonds.

APPENDIX E
SPECIMEN MUNICIPAL
BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL
SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

Form 500NY (5/90)