NEW ISSUE BOOK-ENTRY ONLY

RATINGS: *Moody's: "Aaa" (Insured)/ "A2" (Underlying)*
S&P: "AAA" (Insured)/ "A-" (Underlying)
Fitch: "AAA" (Insured)/ "A" (Underlying)

In the opinion of Foley & Lardner LLP, Jacksonville, Florida, Bond Counsel, assuming compliance with certain provisions of the Bond Resolution, under existing law, interest on the Series 2006 Bonds is excluded from gross income for federal income tax purposes, except for the interest on any Series 2006 Bond during any period while such Series 2006 Bond is held by a "substantial user" of the facilities financed with the proceeds of the Series 2006 Bonds or a "related person," as such terms are used in Section 147 of the Internal Revenue Code of 1986, as amended. The Series 2006 Bonds are "private activity bonds," the interest on which is an item of tax preference for all taxpayers for purposes of the federal alternative minimum tax. In the opinion of Bond Counsel, under existing law, the Series 2006 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined in Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein for further discussion of the tax implications of ownership of the Series 2006 Bonds.

$129,190,000
JACKSONVILLE AVIATION AUTHORITY
REVENUE BONDS
SERIES 2006 (AMT)

Dated: Date of Delivery **Due:** October 1, as shown on the inside front cover

The Series 2006 Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof and will bear interest at the rates per annum, and mature on the dates and in the principal amounts, as set forth below. Interest on each Series 2006 Bond is payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2007, by check or draft mailed to the person in whose name such Series 2006 Bond is registered on the registration books maintained by The Bank of New York Trust Company, N.A., Jacksonville, Florida, as Paying Agent, or any successor thereto, on the fifteenth day of the calendar month next preceding the month in which such interest payment is due. The principal of the Series 2006 Bonds is payable upon presentation and surrender of the Series 2006 Bonds when due at the office of the Paying Agent. Upon initial issuance, the Series 2006 Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities in a clearinghouse for securities transactions. So long as DTC, or its nominee, is the registered owner of the Series 2006 Bonds, payment of the principal of, premium, if any, and interest on the Series 2006 Bonds will be provided directly to DTC or its nominee, which is to remit such payments to the DTC Participants (as defined herein), which in turn are to remit such payments to Beneficial Owners (as defined herein) of the Series 2006 Bonds. See "DESCRIPTION OF THE SERIES 2006 BONDS--Book-Entry Only System" herein.

The principal of, interest and premium, if any, on the Series 2006 Bonds shall be payable from (i) Net Operating Revenues of the Airport System and Transfers (including Available PFC Revenues), subject to the obligation of the Jacksonville Aviation Authority (the "Authority") to make payments into the Operation and Maintenance Fund and the Rebate Fund, and (ii) amounts on deposit in certain funds and accounts, all as more particularly described herein. The Series 2006 Bonds are secured equally and ratably with Parity Bonds previously issued under a Resolution of the Authority and any Parity Bonds which may be issued in the future.

The Series 2006 Bonds, together with other available funds, are being issued for the purpose of (i) financing or refinancing all or a portion of the costs of acquisition, construction and installation of certain capital improvements to Jacksonville International Airport, (ii) paying the cost of a municipal bond insurance policy for the Series 2006 Bonds, (iii) funding a portion of the Reserve Requirement and (iv) paying costs of issuing the Series 2006 Bonds.

The Series 2006 Bonds will be subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2006 BONDS -- Redemption of Series 2006 Bonds."

Payment of the principal of and interest on the Series 2006 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2006 Bonds. See "BOND INSURANCE" herein.

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

AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND INITIAL CUSIPS ARE SET FORTH ON THE INSIDE COVER PAGE

The Series 2006 Bonds are special and limited obligations of the Authority, and shall not be or constitute general obligations or indebtedness of the Authority, the City of Jacksonville, Florida (the "City") or the State of Florida (the "State") within the meaning of the Florida Constitution. Neither the faith and credit nor any taxing power of the Authority, the City or the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest or premium, if any, on the Series 2006 Bonds and the owners thereof shall not have any right to compel any exercise of the taxing power of the Authority, the City or the State or any political subdivision thereof, to enforce such payment. The Series 2006 Bonds are not, and will not be, secured by any lien upon the property of the Authority, the City or the State or any political subdivision thereof, except the sources specified in the Bond Resolution.

The Series 2006 Bonds are offered, subject to prior sale, when, as, and if issued and received by the Underwriters, and subject to the approving legal opinion of Foley & Lardner LLP, Jacksonville, Florida, as Bond Counsel. Certain legal matters will be passed upon for the Authority by the Office of General Counsel to the City of Jacksonville and the Authority, and for the Underwriters, Lawrence & Parker, P.A., Jacksonville, Florida. Public Financial Management, Inc., Orlando, Florida, is acting as financial advisor to the Authority. Foley & Lardner LLP is acting as disclosure counsel to the Authority. It is expected that the Series 2006 Bonds will be delivered in definitive form through the facilities of DTC in New York, New York on or about October 11, 2006.

UBS Investment Bank

RBC Capital Markets **Citigroup** **Loop Capital Markets**

Dated: September 29, 2006

$129,190,000
JACKSONVILLE AVIATION AUTHORITY
REVENUE BONDS, SERIES 2006 (AMT)

AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS AND INITIAL CUSIPS

$55,365,000 Serial Bonds

Maturity (October 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP#
2007	$1,815,000	5.00%	3.540%	46935MAD6
2008	2,000,000	5.00	3.700	46935MAE4
2009	2,055,000	5.00	3.740	46935MAF1
2010	2,225,000	5.00	3.770	46935MAG9
2011	2,300,000	5.00	3.820	46935MAH7
2012	2,440,000	5.00	3.860	46935MAJ3
2013	2,620,000	5.00	3.900	46935MAK0
2014	2,735,000	5.00	3.960	46935MAL8
2015	2,910,000	5.00	4.000	46935MAM6
2016	3,070,000	5.00	4.050	46935MAN4
2017	4,045,000	4.00	4.190	46935MAP9
2018	8,810,000	5.00	106.545*	46935MAQ7
2019	3,320,000	5.00	106.210*	46935MAR5
2020	3,485,000	5.00	105.876*	46935MAS3
2021	3,660,000	5.00	105.627*	46935MAT1
2022	3,840,000	5.00	105.378*	46935MAU8
2023	4,035,000	5.00	105.129*	46935MAV6

Term Bonds

$13,355,000	5.00%	Term Bonds due October 1, 2026	Price 104.964*	Initial CUSIP#	46935MAW4
$26,895,000	4.625%	Term Bonds due October 1, 2031	Yield 4.635%	Initial CUSIP#	46935MAX2
$12,560,000	4.40%	Term Bonds due October 1, 2033	Yield 4.650%	Initial CUSIP#	46935MAY0
$21,015,000	4.50%	Term Bonds due October 1, 2036	Yield 4.670%	Initial CUSIP#	46935MAZ7

* Priced to optional redemption date of October 1, 2016.

JACKSONVILLE AVIATION AUTHORITY

Jacksonville, Florida

Members of the Governing Body

Mary Burnett, Chairman

Jack Demetree, Vice Chairman	Charles Spencer
Cyrus Jollivette, Treasurer	Ronald M. Weaver, CLU
James McCollum, Secretary	John Falconetti

Executive Director and Chief Executive Officer
John D. Clark, III

Chief Financial Officer
Richard Rossi

Counsel to the Jacksonville Aviation Authority
Richard A. Mullaney, General Counsel to the City of Jacksonville
Cindy A. Laquidara, Deputy General Counsel to the City of Jacksonville

Bond Counsel
Foley & Lardner LLP
Jacksonville, Florida

Financial Advisor
Public Financial Management, Inc.
Orlando, Florida

Airport Consultant
Ricondo & Associates, Inc.
Cincinnati, Ohio

REGARDING USE OF THIS OFFICIAL STATEMENT

IN CONNECTION WITH THE OFFERING OF THE SERIES 2006 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2006 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information herein is subject to change without notice and neither the delivery hereof nor any sale hereunder at any time implies that information herein is correct as of any time subsequent to its date.

Any statements made in this Official Statement, including the Appendices involving estimates, assumptions or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact. This Official Statement contains certain forward-looking statements and information that are based on the Authority's beliefs as well as assumptions made by and information currently available to the Authority. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

The Series 2006 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Bond Resolution been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. The registration or qualification of the Series 2006 Bonds in accordance with applicable provisions of securities law of the states in which the Series 2006 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof.

Other than with respect to information concerning Ambac Assurance Corporation ("Ambac Assurance") contained under the caption "Bond Insurance" herein and in APPENDIX F attached hereto, none of the information in this Official Statement has been supplied or verified by Ambac Assurance and Ambac Assurance makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2006 Bonds; or (iii) the tax-exempt status of the interest on the Series 2006 Bonds.

The Series 2006 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement does not constitute an offer to sell the Series 2006 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, sales representative or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation other than that contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Underwriters or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

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APPENDICES

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OFFICIAL STATEMENT

Relating to

$129,190,000
JACKSONVILLE AVIATION AUTHORITY
REVENUE BONDS, SERIES 2006 (AMT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page and the Appendices hereto, is to furnish information concerning the Jacksonville Aviation Authority (the "Authority"), the airport system owned and operated by the Authority, which is comprised of Jacksonville International Airport (the "Airport"), Craig Airport, Herlong Airport and Cecil Field (collectively, the "Airport System"), and certain other information in connection with the sale of the Authority's $129,190,000 Revenue Bonds, Series 2006 (AMT) (the "Series 2006 Bonds").

The proceeds of the Series 2006 Bonds, together with other available funds of the Authority, will be used to (i) finance or refinance all or a portion of the acquisition, construction and installation of certain capital improvements at the Airport, (ii) pay the premium for a municipal bond insurance policy to secure the payment of the Series 2006 Bonds, (iii) fund a portion of the Reserve Requirement and (iv) pay the costs of issuance of the Series 2006 Bonds.

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Bond Resolution and the Airline Agreements (as such terms are hereinafter defined). See "Definitions of Certain Terms" in APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION and "Definitions of Certain Terms" in APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS hereto.

AUTHORIZATION

The Series 2006 Bonds will be issued pursuant to the authority contained in Chapter 2004-464, Laws of Florida, as amended (the "Act"), and pursuant to a resolution adopted by the Jacksonville Port Authority on July 30, 1987, as amended and supplemented by resolutions adopted by the Jacksonville Port Authority on June 16, 1988, May 25, 1993, May 26, 1998 and January 25, 2000, by the Jacksonville Airport Authority on April 21, 2003, May 19, 2003 and October 20, 2003 and by the Authority on July 18, 2005 (collectively, the "Bond Resolution"). The Authority assumed the obligations under the Bond Resolution pursuant to the Act.

JACKSONVILLE AVIATION AUTHORITY

The Authority is a public body corporate and politic, created by the Act as part of the restructuring of the Jacksonville Port Authority into two separate entities: The Jacksonville Seaport Authority and the Jacksonville Airport Authority. Formerly known as the Jacksonville Airport Authority, the Authority was created as an independent agency to operate, maintain and develop the Airport System.

The Governing Body of the Authority is composed of seven members. Four members are appointed by the Governor of the State of Florida (the "State") with confirmation by the State Senate, and three members are appointed by the Mayor of the City of Jacksonville, Florida (the "City") with confirmation by the Council of the City. Each member serves a term of four years. The Governing Body elects a chairman, a first vice chair, a second vice chair, a secretary and a treasurer from among its membership.

The members of the Governing Body of the Authority are listed below:

Name	Office	Occupation	Term Expires
Mary Burnett	Chairman	Attorney; Captain, American Airlines	September 30, 2007
Jack Demetree	Vice Chairman	Chairman, Demetree Brothers, Inc.	September 30, 2007
Cyrus Jollivette	Treasurer	Group Vice President Public Affairs, Blue Cross, Blue Shield of Florida	September 30, 2007
James McCollum	Secretary	Regional Director, Corporation and External Affairs, BellSouth	September 30, 2009
Charles Spencer	Member	Executive Vice President, International Longshoreman's Assoc.	September 30, 2007
Ronald M. Weaver, CLU	Member	Agent, AXA Advisors, L.L.C.	September 30, 2009
John Falconetti	Member	President, Drummond Press	September 30, 2007

The Executive Director of the Authority is appointed by the Governing Body. The Chief Financial Officer and other senior management are appointed by the Executive Director and are responsible for managing various aspects of the Authority's operations. The Authority recently announced its plan to streamline current senior level management by eliminating or substantially changing certain positions which report directly to the Executive Director in order to operate more efficiently and reduce operating expenses associated with salaries and benefits for those positions being eliminated. After such restructuring, the Chief Financial Officer and the Chief Administrative Officer continue to report directly to the Executive Director.

John D. Clark, III, Executive Director/Chief Executive Officer, age 46. Mr. Clark is responsible for the overall administration of the Authority and the Airport System. He has been with the Authority since 1995, having previously served as the Airport Director for the City of Detroit and Manager, Airport Properties, for the County of Sacramento. Mr. Clark holds a bachelor's degree in aviation administration from Embry-Riddle Aeronautical University and a master's degree in public administration from Golden Gate University.

Richard Rossi, Chief Financial Officer, age 58. Mr. Rossi is responsible for the Authority's financial operations. He has over thirty years of finance and legal experience. Prior to joining the Authority, Mr. Rossi was the Director of Properties and legal counsel for the Sarasota-Manatee Airport Authority (SMAA). Prior to working for SMAA, he was the Chief Financial Officer and in-house legal counsel for Ned Davis Research (NDR), a nationally recognized Registered Advisor firm in Venice, Florida. His prior work experience includes serving as an attorney in a private law firm, chief financial officer and in-house legal counsel for private corporations and Assistant State Attorney for the Third Judicial Circuit Court of Florida. Mr. Rossi holds a Bachelor of Science degree (BSBA) in accounting from the University of Florida, Gainesville, Florida and a Juris Doctorate (JD) from Stetson University College of Law, Gulfport, Florida. He has over thirty years of legal experience in tax, finance, corporate, contracts, real estate and litigation. Mr. Rossi is a member in good standing of the Florida Bar.

Ernestine Moody-Robinson, Chief Administrative Officer, age 45. Ms. Moody-Robinson is responsible for directing the activities of the Authority's Employee Relations, Payroll & Benefits Administration, Training & Development, Process Improvement & Compliance, Risk Management, Information Technology, Customer Service and Procurement departments. Ms. Moody-Robinson has worked at the Authority for two years, and she has approximately 15 years of experience in supporting and providing direction to organizations in both the private and public sectors in the areas of employee relations, organization development, customer service, training and development, diversity, process improvement and strategic alignment. Mrs. Moody-Robinson holds a Bachelor of Arts degree in Communications from State University of New York at Buffalo, and a Master of Arts Degree in Human Resources from Webster University. She is a member of the Society of Human Resources Management and American Society for Training and Development and certified as a Professional in Human Resources.

The Authority has approximately 251 full-time employees. The Authority's headquarters are located in a three-story building owned by the Authority at 14201 Pecan Park Road, Jacksonville, Florida 32218.

The employees of the Authority have the right to organize, be represented and bargain collectively for wages and conditions of employment under the provisions of the Public Employee Relations Act of Florida. Certain of the employees are represented by the United Brotherhood of Carpenters, Southern Council of Industrial Workers, Local 2081, or by local police organizations. The Authority considers that it and its employees have enjoyed excellent working relationships without any significant work stoppages. State law prohibits strikes and concerted work slowdowns by public employees.

The majority of the Authority's employees participate in the Florida State Retirement System. In addition, the Authority has five employees who participate in the City's General Employees' Pension Plan as of September 30, 2005. No additional employees of the Authority, either current or future, are eligible to participate in the City's plan.

PLAN OF FINANCE RELATING TO SERIES 2006 BONDS

General

The proceeds of the Series 2006 Bonds will be used to (i) finance or refinance all or a portion of the acquisition, construction and installation of certain capital improvements at the Airport (the "2006 Project"), (ii) pay the premium for a municipal bond insurance policy to secure the payment of the Series 2006 Bonds, (iii) fund a portion of the Reserve Requirement and (iv) pay the costs of issuing the Series 2006 Bonds. See the section herein entitled "SECURITY FOR THE SERIES 2006 BONDS—Reserve Account" for a definition of "Reserve Requirement."

2006 Project

The 2006 Project consists of certain capital improvements to the Airport, more particularly described as follows:

New Concourses. A portion of the 2006 Project consists of the replacement of the nearly forty-year old existing Concourses A and C at the Airport with the construction and installation of two new concourses, together with the acquisition and installation of fixtures, furniture and equipment for the new concourses, including a moving sidewalk people mover in each concourse, upgrades to the hold baggage screening and baggage conveyor system, modifications to the north and south curb front vestibules and twenty new loading bridges. The new concourses will contain approximately 254,000 square feet and 20 gates and to provide holdrooms, public circulation space, restrooms, concessionaires, building utility space, concessionaire court, and space for airport maintenance use, airline operations, ground service equipment, federal inspection services and mechanical equipment. The new concourses will provide approximately 40,000 additional square feet of space for larger gate hold rooms and concessions, and gate capacity will be increased to handle newer and larger aircraft.

New Apron. The 2006 Project includes construction and installation of a new apron at the Airport, consisting of approximately 221,000 square yards of new Portland cement concrete pavement, including pavement demolition, drainage and taxi lane edge lighting.

For additional information regarding the 2006 Project and funding for the 2006 Project, see "Section 3.2– The 2006 Project," "Table 4.1 – Funding for the 2006 Project," and "Table 4.2 – Estimated Sources and Uses of Funds" in APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

Construction of the 2006 Project

Construction of the 2006 Project commenced in April 2006. It is currently anticipated that the 2006 Project will be completed over a four-year construction period.

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ESTIMATED SOURCES AND USES OF FUNDS FOR SERIES 2006 BONDS

The following table sets forth the estimated sources and uses of funds for proceeds of the Series 2006 Bonds:

SOURCES OF FUNDS:	
Principal Amount of Series 2006 Bonds	$129,190,000.00
Net Original Issue Premium	2,446,159.35
Total Sources of Funds	$131,636,159.35
USES OF FUNDS:	
Series 2006 Construction Account	$125,617,362.41
Series 2006 Capitalized Interest Subaccount	831,412.42
Reserve Account	3,624,433.48
Issuance Costs[1]	1,562,951.04
Total Uses of Funds	$131,636,159.35

[1] Includes bond insurance premium, legal fees, accountant's fees, underwriters' discount, airport consultant's fees and other fees associated with the issuance of the Series 2006 Bonds.

For a breakdown of all sources of uses and funds for the 2006 Project, see "Table 4.1—Funding for the 2006 Project" in APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

DESCRIPTION OF THE SERIES 2006 BONDS

General Terms

The Series 2006 Bonds will be dated the date of delivery, will bear interest at the rates set forth on the inside cover page hereof, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2007, and will mature on October 1 in the years and in the principal amounts set forth on the inside cover page hereof.

The principal of and premium, if any, on the Series 2006 Bonds will be payable to each owner on the date when due upon presentation and surrender of such Series 2006 Bonds at the office of The Bank of New York Trust Company, N.A., Jacksonville, Florida, as Paying Agent, or any successor thereto (in such capacity, the "Paying Agent"). The Bank of New York Trust Company, N.A. shall also act as registrar with respect to the Series 2006 Bonds (in such capacity, the "Registrar"). Interest on the Series 2006 Bonds will be paid by check or draft mailed by the Paying Agent to each owner in whose name any Series 2006 Bond is registered on the registration books maintained by the Paying Agent at the close of business on the fifteenth day of the calendar month next preceding the month in which such interest payment is due.

Redemption of Series 2006 Bonds

Optional Redemption. The Series 2006 Bonds maturing on and after October 1, 2017 through and including October 1, 2026 are subject to redemption by the Authority from any source, in whole or in part, at any time, at the discretion of the Authority, in such order as the Authority may determine and by lot within a maturity on or after October 1, 2016 at a redemption price equal to the principal amount of the Series 2006 Bonds to be redeemed plus interest accrued thereon to the date of redemption without premium.

The Series 2006 Bonds maturing on and after October 1, 2031, are subject to redemption by the Authority from any source, in whole or in part, at any time, at the discretion of the Authority may determine and by lot within a maturity on or after October 1, 2011 at a redemption price equal to the principal amount of the Series 2006 Bonds to be redeemed plus interest accrued thereon to the date of redemption without premium.

Mandatory Redemption.

Sinking Fund Redemption. The Series 2006 Bonds maturing on October 1, 2026 are subject to mandatory redemption prior to maturity, by lot, at the redemption price equal to 100% of the principal amount of such Series 2006 Bonds to be redeemed, plus accrued interest to the date of redemption, on October 1 in each of the years and in the amounts set forth below.

Series 2006 Bond
maturing October 1, 2026

Year	Principal Amount
2024	$4,235,000
2025	4,450,000
2026*	4,670,000

*Final Maturity

The Series 2006 Bonds maturing on October 1, 2031 are subject to mandatory redemption prior to maturity, by lot, at the redemption price equal to 100% of the principal amount of such Series 2006 Bonds to be redeemed, plus accrued interest to the date of redemption, on October 1 in each of the years and in the amounts set forth below.

Series 2006 Bond
maturing October 1, 2031

Year	Principal Amount
2027	$4,905,000
2028	5,130,000
2029	5,370,000
2030	5,615,000
2031*	5,875,000

*Final Maturity

The Series 2006 Bonds maturing on October 1, 2033 are subject to mandatory redemption prior to maturity, by lot, at the redemption price equal to 100% of the principal amount of such Series 2006 Bonds to be redeemed, plus accrued interest to the date of redemption, on October 1 in each of the years and in the amounts set forth below.

Series 2006 Bond maturing October 1, 2033	
Year	Principal Amount
2032	$6,145,000
2033*	6,415,000

*Final Maturity

The Series 2006 Bonds maturing on October 1, 2036 are subject to mandatory redemption prior to maturity, by lot, at the redemption price equal to 100% of the principal amount of such Series 2006 Bonds to be redeemed, plus accrued interest to the date of redemption, on October 1 in each of the years and in the amounts set forth below.

Series 2006 Bond maturing October 1, 2036	
Year	Principal Amount
2034	$6,700,000
2035	7,000,000
2036*	7,315,000

*Final Maturity

Redemption from Excess Series 2006 Bond Proceeds. The Series 2006 Bonds are subject to mandatory redemption prior to maturity in part, in inverse order of maturity and by lot within a maturity, within 60 days after completion of the 2006 Project, to the extent any proceeds of the Series 2006 Bonds remain in the Series 2006 Construction Fund after the payment of all costs of the Series 2006A Project, in integral multiples of $5,000, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Notice of Redemption

Official notice of redemption shall be given by publication in *The Bond Buyer* or a financial journal published and of general circulation in the Borough of Manhattan, City of New York, New York, at least 30 and not more than 60 days prior to the redemption date, and by deposit in the U.S. mails, by registered or certified mail, of a copy of the redemption notice, postage prepaid, at least 30 and not more than 60 days prior to the redemption date to all registered owners of Series 2006 Bonds whose bonds or portions thereof are to be redeemed; provided however, that if all Series 2006 Bonds to be redeemed are in registered form, no published notice of redemption is required. Any notice given in accordance with the provisions of the Bond Resolution is conclusively presumed to have been duly given, whether or not the owner of such Series 2006 Bond receives such notice or otherwise has actual notice of such call for redemption. Failure to mail or publish such notice, or any defect therein, will not affect the validity of the proceedings for redemption of any Series 2006 Bond or portion thereof, with respect to which no failure or defect occurred.

Transfer and Exchange of Series 2006 Bonds; Persons Treated as Owners

The person in whose name any 2006 Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, except as provided in the next caption, and payment of principal of or interest thereon will be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon that Bond to the extent of the sum or sums so paid.

So long as the Series 2006 Bonds are held in book-entry form, transfers of the Series 2006 Bonds by Beneficial Owners of such Series 2006 Bonds may only be made as described under "Book-Entry Only System". At any other time, any 2006 Bond may be transferred or exchanged only upon the books kept for the registration and transfer of Series 2006 Bonds as provided in the Bond Resolution.

Bond Insurer Deemed Owner of Series 2006 Bonds; Direction of Remedies

Ambac Assurance Corporation**,** the Bond Insurer for the Series 2006 Bonds ("Ambac Assurance"), shall be deemed to be the sole registered owner of the Series 2006 Bonds for purposes of any right of such registered owner under the Bond Resolution to consent to the execution of any supplement or amendment to the Bond Resolution and any right of such registered owner under such documents to direct or consent to any action or remedy to be undertaken by the Paying Agent or any other party under the Bond Resolution. Ambac Assurance acting alone shall have the right to control and direct all remedies upon default and to waive Events of Default relating to the Series 2006 Bonds. The foregoing rights of Ambac Assurance are subject to certain conditions, including that Ambac Assurance is not insolvent and is not in default of any of the payment obligations under its bond insurance policy.

See the sections entitled "Definitions of Certain Terms– Ambac Assurance Deemed to be Owner of Series 2006 Bonds," and "Rights of Bond Insurer" in APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION hereto.

Book-Entry Only System

The Depository Trust Company ("DTC") will act as securities depository for the Series 2006 Bonds. The Series 2006 Bonds will be issued or remarketed, as the case may be, as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2006 Bond certificate for each series will be issued for each maturity, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct

Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2006 Bonds, except in the event that use of the book-entry system for the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2006 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2006 Bond documents. For example, Beneficial Owners of Series 2006 Bonds may wish to ascertain that the nominee holding the Series 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2006 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct

Participants to whose accounts Series 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2006 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the Authority, subject to any statutory or regulatory requirements as maybe in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC MAY DISCONTINUE PROVIDING ITS SERVICES AS DEPOSITORY WITH RESPECT TO THE SERIES 2006 BONDS AT ANY TIME BY GIVING REASONABLE NOTICE TO THE AUTHORITY OR THE PAYING AGENT. IF DTC DISCONTINUES PROVIDING ITS SERVICE, SERIES 2006 BOND CERTIFICATES SHALL BE ISSUED ONLY UPON SURRENDER TO THE REGISTRAR OF THE SERIES 2006 BOND OF EACH MATURITY BY DTC OR ITS NOMINEE, ACCOMPANIED BY REGISTRATION INSTRUCTIONS FOR THE DEFINITIVE REPLACEMENT BONDS FOR SUCH MATURITY FROM DTC OR ITS NOMINEE. NEITHER THE AUTHORITY NOR THE REGISTRAR SHALL BE LIABLE FOR ANY DELAY IN DELIVERY OF SUCH INSTRUCTIONS AND CONCLUSIVELY MAY RELY ON, AND SHALL BE PROTECTED IN RELYING ON, SUCH INSTRUCTIONS.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

NEITHER THE AUTHORITY NOR THE PAYING AGENT NOR THE REGISTRAR SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE PARTICIPANTS OR THE PERSON FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2006 BONDS. THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2006 BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT OR FOR THE SELECTION BY DTC OR ANY PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2006 BONDS; OR ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES 2006 BONDS, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE SERIES 2006 BONDS (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION" HEREIN)

SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2006 BONDS.

For every transfer of ownership interests in the Series 2006 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

SECURITY FOR THE SERIES 2006 BONDS

Source of Payment

The principal of, interest on, sinking fund requirements for the payment of, and any premium paid upon the redemption of the Series 2006 Bonds and the principal of and interest payments due on any Payment Obligations shall be equally and ratably secured by (i) Operating Revenues and Transfers, subject to the Authority's obligation to make payments into the Operation and Maintenance Fund and the Rebate Fund and (ii) all cash and Investment Obligations in: (A) the Operating Revenue Fund (subject to the Authority's obligation to make payments into the Operation and Maintenance Fund and the Rebate Fund), (B) the Renewal and Replacement Fund, (C) the Surplus Fund and (D) the Capital Recovery Fund (collectively, the "Parity Security"). See "Application of Operating Revenues" in this section for a description of required deposits into the Operation and Maintenance Fund and the Rebate Fund.

The Authority has further irrevocably pledged solely to the payment of the Series 2006 Bonds, all amounts on deposit in the Series 2006 Account of the Bond Proceeds Fund and the Debt Service Fund, any amounts to be deposited in any Special Bond Retirement Account established for the Series 2006 Bonds in the Debt Service Fund and amounts in the Reserve Account described below. In addition, the Authority has irrevocably pledged solely to the payment of the Series 2006 Bonds all amounts on deposit in the Series 2006 Construction Account of the Construction Fund.

Passenger Facility Charges

In 1990, Congress passed the Aviation Safety and Capacity Expansion Act (the "PFC Act") which allows public agencies controlling commercial service airports to charge enplaning eligible passengers a passenger facility charge ("PFC") to be used for projects which preserve or enhance safety, security or capacity; mitigate noise impacts; or enhance competition among air carriers. PFC applications for specific projects are approved by the FAA in specific total amounts and the Authority may impose the designated PFC only until it collects the authorized total amount. Interest earnings on the collections are treated as collections for purposes of the authorized total. These PFCs may be used by public agencies, subject to applicable regulations, either to pay debt service on bonds secured by PFCs or to pay for eligible capital improvements on a year-to-year basis, as specified in the applicable approval.

Under the Bond Resolution, "PFC Revenues" means amounts derived by the Authority from the imposition of PFCs, exclusive of the amounts retained by the air carriers collecting the PFCs pursuant to regulations of the Federal Aviation Administration, and "PFC Projects" means projects for which the Authority is authorized to impose and use PFCs, as confirmed by an opinion of legal counsel. As further described in "SECURITY FOR THE SERIES 2006 BONDS – Available PFC Revenues" and "THE AIRPORT SYSTEM – Management's Discussion of Historical Operating Results – *Passenger Facility Charges*," PFC Revenues are included in the definition of Transfers for purposes of the Bond Resolution, but only to the extent that PFC Revenues constitute Available PFC Revenues and are transferred into the Operating Revenue Fund.

The FAA may terminate the Authority's ability to impose PFCs subject to informal and formal procedural safeguards, if (a) the Authority fails to use its PFC Revenues as approved by the FAA, the PFC Act or the implementing regulations, or (b) the Authority otherwise violates the PFC Act or regulations. The Authority's ability to impose PFCs may also be terminated if the Authority violates certain provisions of the Airport Noise and Capacity Act of 1990 and its implementing regulations. In the Bond Resolution, the Authority has covenanted to file such applications, submit such reports and take any and all such actions as shall be necessary or desirable to preserve its rights to impose and collect PFCs from which Available PFC Revenues are derived and to use the proceeds of such Available PFC Revenues and amounts required to be deposited in the PFC Fund in the manner provided in the Bond Resolution.

There is no assurance that the legislation authorizing the imposition of PFCs or the implementing regulations will not be amended or repealed so as to adversely affect the ability of the Authority to collect PFCs or to apply them as described herein.

Available PFC Revenues

The Authority has covenanted to make Transfers of all Available PFC Revenues from the PFC Fund into the Operating Revenue Fund no later than the 25th day of each month. "Available PFC Revenues" means PFC Revenues received by the Authority in an amount for each relevant period not to exceed 1.25 times the Bond Service Charges accruing during such period with respect to that portion of Bonds issued to finance PFC Projects, as allocated by a certificate of an authorized officer of the Authority. This permits the Authority to satisfy debt service and coverage requirements with respect to portions of the Bonds allocated to financing PFC Projects with PFC Revenues in the relevant period.

For additional information regarding PFCs currently imposed by the Authority, see the section entitled "FINANCIAL SECTION—Management's Discussion of Historical Operating Results – *Passenger Facility Charges*" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto.

Transfers of Available PFC Revenues will be deposited monthly by the Authority into the Operating Revenue Fund. To the extent such transferred Available PFC Revenues exceed the allocable portion of the Bond Service Charges for a particular period, the excess will be transferred to the PFC Fund to finance PFC Projects of the Authority. The PFC Fund is currently pledged to the payment of principal and interest due on the Series 2003B-1 Bonds, the payment of principal due on the Series 2003B-2 Bonds and the payment of a portion of principal and interest due on the Series 2006 Bonds. The PFC Fund will also be pledged to the payment of interest due on the Series 2003B-2 Bonds commencing in fiscal year 2007. See "Section 4.7—PFC Revenues" in APPENDIX C—REPORT OF THE AIRPORT CONSULTANT" hereto and the sections entitled "Definitions of Certain Terms" and "Covenants of the Authority – *Covenants with Respect to PFCs*" in APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION hereto.

Special and Limited Obligations

The Bond Service Charges and all other payments and deposits to be made with respect thereto shall be payable solely from the sources provided in the Bond Resolution. The Series 2006 Bonds are special and limited obligations of the Authority, and shall not be or constitute general obligations or indebtedness of the Authority, or the City of Jacksonville, within the meaning of the Florida Constitution. Neither the faith and credit nor any taxing power of the Authority, the City of or the State of Florida or any political subdivision thereof, is pledged to the payment of the principal of or the interest or premium, if any, on the Series 2006 Bonds and the owners thereof shall not have any right to compel any exercise of the taxing power of the Authority, the City of Jacksonville or the State of Florida or of any political subdivision thereof, to enforce such payment. The Series 2006 Bonds are not, and will not be, secured by any lien upon the property of the Authority, the City of Jacksonville or the State of Florida or of any political subdivision thereof, except the sources specified in the Bond Resolution.

Reserve Account

The Bond Resolution provides that the Account in the Reserve Fund (the "Reserve Account") originally established for the Jacksonville Port Authority's Airport Revenue Refunding Bonds, Series 1998 (the "Series 1998 Bonds") shall be held for the benefit of and be secured on a parity basis with any Parity Bonds issued in the future for which a reserve requirement is established on a parity with the Series 1998 Bonds ("Parity Reserve Bonds"). The Series 1998 Bonds have been defeased and are no longer outstanding, but the Reserve Account currently secures the Jacksonville Port Authority Airport Revenue Bonds, Series 2000B (the "Series 2000B Bonds"), the Jacksonville Airport Authority Revenue Refunding Bonds, Series 2003A-1 and Series 2003A-2 (collectively, the "Series 2003A Bonds"), the Jacksonville Airport Authority Revenue Bonds, Series 2003B-1 and Series 2003B-2 (collectively, the "Series 2003B Bonds") and the Jacksonville Aviation Authority Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds"), each of which have been designated as Parity Reserve Bonds with respect to the Reserve Account.

The Series 2006 Bonds also will be designated as Parity Reserve Bonds with respect to the Reserve Account. At the time of the issuance of the Series 2006 Bonds, a portion of the proceeds thereof will be deposited into the Reserve Account to meet, together with moneys and any credit facilities on deposit therein, the reserve requirement for all Parity Reserve Bonds (the "Reserve Requirement"). During any period when the Series 2006 Bonds are outstanding, the Reserve Account shall be maintained at the Reserve Requirement. The Reserve Requirement is the lesser of (i) 10 percent of the lesser of (a) the sales proceeds of the Parity Reserve Bonds, determined in accordance with Section 148 of the Internal Revenue Code of 1986, as amended, or (b) the face amount of the Parity Reserve Bonds; (ii) the maximum annual debt service on the Parity Reserve Bonds, determined as if the Parity Reserve Bonds were a single series of Bonds; or (iii) 125 percent of average annual debt service on the Parity Reserve Bonds determined as if the Parity Reserve Bonds were a single series of Bonds.

On the date of issuance of the Series 2006 Bonds, the Reserve Requirement will equal \$18,065,925.52 and the Authority will deposit proceeds of the Series 2006 Bonds in the amount of \$3,624,433.48 into the Reserve Account, which, together with cash in the amount of \$10,966,492.04 and a surety bond in the amount of \$3,475,000.00 on deposit therein, will equal the Reserve Requirement. The dollar amount of the Reserve Requirement may decline as a result of the application of the formula described above. Amounts in excess of the Reserve Requirement may be withdrawn by the Authority from time to time for use for any lawful purpose.

Separate Accounts in the Reserve Fund may in the future be created for the benefit of a particular Series of Bonds and amounts therein would not be available to make any payments related to the any of the Series 2006 Bonds, unless specifically designated as Parity Reserve Bonds with respect to the Reserve Account.

Rate Covenant

The Authority has covenanted to take such action as shall be necessary to cause it to receive Net Operating Revenues plus Transfers in each Fiscal Year at least equal to the greater of (i) 1.25 times the aggregate Bond Service Requirement for all Series of Bonds for the Bond Year ending on the day following the close of such Fiscal Year or (ii) the sum of the amounts required to be deposited in the Debt

Service Fund, the Rebate Fund, the Reserve Fund and the Renewal and Replacement Fund in such Bond Year, plus amounts necessary to pay debt service on Junior Obligations due in such Bond Year (the "Rate Covenant").

The Authority has further covenanted that, from time to time and as often as shall be necessary, it will (to the extent permitted by law and subject to any limitations contained in leases and other agreements to which the Authority is a party) increase its rates, fees and charges for the use of the products, services and properties of the Airport System or reduce Operation and Maintenance Expenses or modify the Airport Operations as may be necessary so that Net Operating Revenues plus Transfers in each Fiscal Year will not be less than the amount necessary to satisfy the requirements described in the previous paragraph.

If the annual audit report for any Fiscal Year indicates that the Authority has failed to satisfy the Rate Covenant, the Authority shall promptly cause the Airport Consultant to review rates, fees and charges, Operation and Maintenance Expenses and the conduct of its Airport Operations, and to make written recommendations to cause the Authority to satisfy the covenant contained in the preceding paragraphs. The Authority shall forthwith implement such recommendations to the extent required to satisfy such covenant, provided, however, failure to meet the coverage test specified in clause (i) of the Rate Covenant shall not constitute an Event of Default so long as (A) Net Operating Revenues plus Transfers are equal to an amount not less than the sum of amounts sufficient to satisfy the coverage test specified in clause (ii) of the Rate Covenant and (B) the Airport Consultant shall file a written opinion with the Authority, stating that the Airport Operations are being conducted in a financially sound manner.

Budgetary, Audit and Operating Procedures

The Bond Resolution requires the Authority to annually prepare and adopt a budget as required by law. In addition, the Authority shall require that an annual audit of the Airport System books and records and accompanying financial statements be prepared by an independent certified public accountant within six months after the end of each Fiscal Year.

The Authority has also covenanted that it shall operate the Airport System as a revenue producing enterprise under the provisions of the Act and shall maintain and keep the Airport System, and every part thereof, in good condition, repair and working order.

Application of Operating Revenues

The Bond Resolution creates the Operating Revenue Fund into which the Authority is required to set aside and deposit all Operating Revenues upon receipt thereof. The Authority also has the option of making Transfers into the Operating Revenue Fund. The Bond Resolution requires that moneys on deposit in the Operating Revenue Fund shall be applied solely at such times and in accordance with the priorities established by the Bond Resolution.

In addition to the Operating Revenue Fund, the Bond Resolution creates the following Funds and Accounts:

-Operation and Maintenance Fund
-Debt Service Fund
  Series 2000B Debt Service Account
  Series 2003A Debt Service Account
  Series 2003B Debt Service Account
  Series 2005 Debt Service Account
  Series 2006 Debt Service Account

-Renewal and Replacement Fund
-Reserve Fund
  Series 1998 Reserve Account (see "Reserve Account" above)
-Series 2006 Costs of Issuance Account
-Surplus Fund
-Capital Recovery Fund

-Rebate Fund
- Series 2000B Rebate Account
- Series 2003A Rebate Account
- Series 2003B Rebate Account
- Series 2005 Rebate Account
- Series 2006 Rebate Account

-Payment Fund

-PFC Fund

-Construction Fund
- Series 2006 Construction Account (and Series 2006 Capitalized Interest Subaccount therein)

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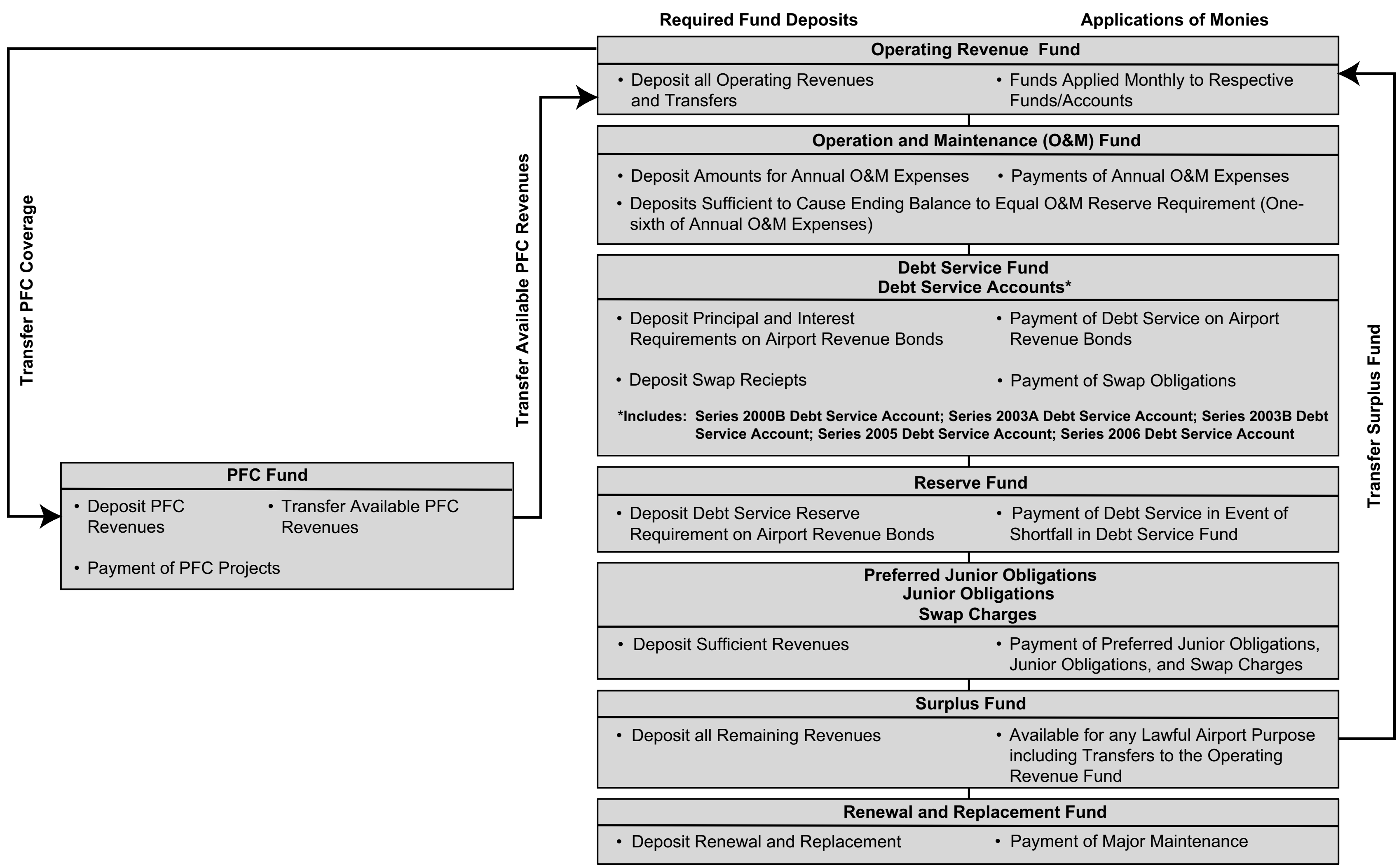
The following is a chart which provides an overview of the Bond Resolution flow of funds. For additional information regarding the flow of funds, see the narrative which follows the chart, the sections entitled “Security” and “Funds and Accounts” in APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION hereto and the sections entitled “Signatory Airline Capital Account” and “Airport System Capital Account” in APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS hereto.

Bond Resolution Flow of Funds



Moneys in the Operating Revenue Fund are required by the Bond Resolution to be transferred and credited to the following Funds and Accounts at the following times and in the following order of priority:

(i) Monthly, to the Operation and Maintenance Fund, an amount sufficient to cause the balance therein to equal the Operation and Maintenance Reserve Requirement;

(ii) Monthly, to each of the Series 2000B, Series 2003A, Series 2003B, Series 2005 and Series 2006 Debt Service Accounts, and the Debt Service Account established for any Swap Obligations, an amount which is equal to one-sixth of the next maturing interest installment (except that accrued interest shall be credited to any interest installment to the extent of amounts then being transferred into or then on deposit in such Account and to the extent not previously allowed as a credit) and one-twelfth of the next maturing principal installment on the respective Series 2000B Bonds, Series 2003A Bonds, Series 2003B Bonds, Series 2005 Bonds and Series 2006 Bonds (with Term Bonds subject to mandatory redemption from Amortization Installments on a specified date being deemed to mature on such date) and, monthly, to any other Accounts in the Debt Service Fund established for other Series of Bonds or other Qualified Derivative Agreements, such amounts as shall be required to pay annual Bond Service Charges or Payment Obligations in approximately equal installments on such Bonds, and Swap Obligations on such Qualified Derivative Agreements (if any), and, from time to time, such amounts as shall be necessary to make timely payment of Bond Service Charges which shall become due and payable on account of redemption (other than redemptions provided for by Amortization Installments);

(iii) Monthly, to any Account of the Reserve Fund, in the event that there is not on deposit therein an amount equal to the Reserve Requirement therefor, an amount equal to one-twelfth of any valuation deficit caused by a decline in value of the investments in such Account and then, any amount required to restore (to the extent possible) amounts withdrawn from such Account to pay Bond Service Charges on the Series of Bonds for which such account was created and then, any amounts necessary for the periodic initial funding of any Account;

(iv) Monthly, to the PFC Fund, an amount equal to the excess, if any, of (a) the amount of the aggregate Available PFC Revenues transferred and deposited by the Authority into the Operating Revenue Fund over (b) the amount of the accrued aggregate Bond Service Charges with respect to that portion of Bonds issued to finance PFC Projects, as allocated by a certificate of an authorized officer of the Authority;

(v) Monthly, to pay Preferred Junior Obligations and then Junior Obligations (other than Swap Charges);

(vi) As necessary, to pay any Swap Charges due and payable to a Counterparty pursuant to a Qualified Derivative Agreement, but only if and to the extent that after payment of Swap Charges, the Authority expects that it will have (together with amounts on deposit in the Bond Service Fund for such purpose) sufficient funds to make principal and interest payments and Amortization Installments on all Senior Obligations for the next six months; provided that if such condition is not met, non-payment of the Swap Charges shall not constitute an Event of Default; and

(vii) Monthly, to the Surplus Fund, any amounts remaining on deposit in the Operating Revenue Fund after each of the foregoing deposits have been made.

The Bond Resolution provides that amounts on deposit in the Surplus Fund may be used (to the extent available and necessary): to (i) make up deficiencies in required deposits to certain Funds and Accounts established under the Bond Resolution; (ii) cure any Event of Default; (iii) make deposits to any Special Capital Improvements Accounts or Special Bond Retirement Accounts as required by the terms of the Bond Resolution and (iv) pay Preferred Junior Obligations and Junior Obligations to the extent moneys in any debt service account or trust fund established therefor are insufficient. On the first business day of each Fiscal Year, the Authority is required to use funds remaining in the Surplus Fund after the payments described above, first to make any Transfers the Authority is obligated to make to the Operating Revenue Fund pursuant to the Airline Agreements; second, to transfer any remaining amounts on deposit in the Surplus Fund to the Renewal and Replacement Fund to the extent necessary to cause the amount on deposit in the Renewal and Replacement Fund to equal $1,000,000; and third, to transfer any balance to one or more Unpledged Receipts Funds.

The Bond Resolution establishes the Rebate Fund and Accounts therein called the Series 2000B Rebate Account, Series 2003A Rebate Account, Series 2003B Rebate Account, the Series 2005 Rebate Account and the Series 2006 Rebate Account. At the times and in the manner required by Section 148(f) of the Code and applicable regulations, the Authority shall make payments from the Operation and Maintenance Fund, the Operating Revenue Fund, the Surplus Fund, the Renewal and Replacement Fund or other lawful sources into the appropriate Account in the Rebate Fund in an amount equal to the accrued but unpaid liability on any Series of Bonds in order to satisfy the Rebate Requirement.

The Bond Resolution also establishes the PFC Fund. All PFC Revenues are deposited as received into the PFC Fund. The Authority has covenanted to make Transfers of all Available PFC Revenues from the PFC Fund into the Operating Revenue Fund no later than the 25th day of each month. Other amounts on deposit in the PFC Fund are to be applied by the Authority, at its discretion, to allocable costs of PFC Projects in accordance with the applicable approvals and authorizations of the Federal Aviation Administration (the "FAA"). The PFC Fund constitutes an Unpledged Receipts Fund and is not subject to the lien of the Bond Resolution.

All investment income earned on amounts on deposit in any of the Funds and Accounts established under the Bond Resolution and any losses on investments shall be credited and charged to the Operating Revenue Fund, except as follows:

(i) moneys in the Payment Fund shall be deemed to have been expended to pay Bond Service Charges and shall not be invested;

(ii) investment income on amounts on deposit in the Accounts in the Rebate Fund shall be credited to such Accounts;

(iii) investment income on amounts on deposit in any Unpledged Receipts Fund shall be credited to such Fund, or otherwise, as the Authority shall elect;

(iv) investment income on amounts on deposit in any Special Bond Retirement Account or any Special Capital Improvements Account shall be credited to such Accounts or to the Operating Revenue Fund, as the Authority shall elect;

(v) investment income earned on the Accounts created for the Series 2006 Bonds in the Debt Service Fund, shall be credited to such Accounts and subaccounts; and

(vi) investment income earned on the Reserve Account shall be credited to such Account if the balance therein is less than the Reserve Requirement, and if such Account is fully funded, shall be credited pro rata to the Debt Service Accounts for the Parity Reserve Bonds.

As to any Series of Bonds, the resolution authorizing such Series may provide for a different use of the investment earnings for such Series in the Debt Service Fund and the Reserve Fund.

All moneys on deposit in the Funds pledged for the security of the Series 2006 Bonds shall be invested in Investment Obligations.

Moneys held in the Funds and Accounts created by the Bond Resolution (other than the Payment Fund) shall be administered by the Authority or its designated agent; provided that the Authority may appoint a Funds Paying Agent to hold any Fund or Account pursuant to a supplemental resolution. Amounts in such Funds and Accounts may be deposited into a single bank account and invested in a common investment pool; provided, that adequate accounting records shall be maintained to reflect the control and restricted application of the cash and investments on deposit therein in accordance with the Bond Resolution. With respect to the Series 2006 Bonds, The Bank of New York Trust Company, N.A., Jacksonville, Florida, has been appointed Funds Paying Agent to hold the Accounts established therefor in the Bond Proceeds Fund, the Debt Service Fund and the Costs of Issuance Account.

Parity Bonds

The Authority may issue at one or more times additional Series of Bonds on a parity with the Series 2000B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2005 Bonds and the Series 2006 Bonds with respect to the Parity Security ("Parity Bonds") (i) for the purpose of completing any capital project relating to the Airport System if the principal amount of all such Parity Bonds does not exceed 15 percent of the principal amount of the Series of Bonds initially issued to pay Costs of such capital project or (ii) if immediately after the issuance of such Parity Bonds, the Cumulative Maximum Bond Service Requirement for all Outstanding Bonds will be less than said Cumulative Maximum Bond Service Requirement immediately prior to the issuance thereof. Parity Bonds may, or may not, be Parity Reserve Bonds. See "SECURITY FOR THE SERIES 2006 BONDS – Reserve Account" herein.

In addition, the Authority may issue Parity Bonds if one of the following conditions is met:

(A) During the most recent Fiscal Year for which an annual audit report is available (the "Test Period") preceding the issuance of said Series of Parity Bonds, as verified by an independent certified public accountant, Net Operating Revenues and Transfers were equal to at least 125 percent of the Cumulative Maximum Bond Service Requirement on the Bonds which would be outstanding immediately after the issuance of such Parity Bonds (including Bonds previously issued which would not be defeased prior to or would not be paid or defeased simultaneously with the issuance of such proposed Parity Bonds and the proposed Parity Bonds); or

(B) There is delivered to the Authority a report of an Airport Consultant stating that, taking into account all Bonds then Outstanding (but not the Parity Bonds then to be issued) for the Test Period, the Rate Covenant has been satisfied and that such Airport Consultant has projected (taking into account Bonds which would be outstanding after such Parity Bonds are issued), that the Rate Covenant would be satisfied (x) in the case of an issue which is a new money issue, in each of the first three full Fiscal Years succeeding the date on which the project to be financed with such new money issue is expected to be substantially completed and placed in operation or in each of the first five full Fiscal Years succeeding the date on which such Parity Bonds are to be issued, whichever period is concluded later, or (y) in the case of an issue which is wholly a refunding issue, in each of the first five full Fiscal Years succeeding the date on which such Parity Bonds are issued. For the purposes of this paragraph, any Series of Bonds, or portion thereof, which is issued to finance the Cost of any capital project, shall be a "new money" issue. To the extent that the Airport Consultant includes in such projections any Available PFC Revenues, the Authority, in any supplemental resolution providing for the issuance of the Series of Parity Bonds, shall covenant to make Transfers of Available PFC Revenues in amounts not less than the Available PFC Revenues included in such projections for the period tested.

Payment Obligations and Preferred Junior Obligations

The Bond Resolution permits Bonds to be additionally secured by certain types of credit enhancement, which give rise to an obligation on the part of the Authority to reimburse the provider of such credit enhancement for draws thereon plus interest. Obligations to make such reimbursement, with interest, are Payment Obligations which are secured by the Parity Security on a parity with the Bonds. Other obligations to make payment to credit enhancers on account of utilization of such credit enhancement are Preferred Junior Obligations, which have a claim subordinate to that of the Bonds with respect to the Parity Security. The Authority currently has no Preferred Junior Obligations.

Junior Obligations

The Authority has issued, and may issue in the future, Junior Obligations that are junior and subordinate to all Bonds as to the lien on and payment from Operating Revenues. The Authority's obligations under the Master Equipment Lease/Purchase Agreement dated as of June 26, 2002, between the Authority and Banc of America Leasing & Capital LLC, which provides for up to $15 million of lease-purchase financing of equipment, are Junior Obligations. The Authority's obligations under the Loan Agreement dated as of March 14, 2002, between the Authority and Bank of America, N.A., which provided up to $8 million of financing for the construction of the Authority's administration building, are Junior Obligations. The Authority's obligations under the Loan Agreement dated as of October 31, 2002 (the "Line of Credit"), between the Authority and Bank of America, N.A., as amended and supplemented, which provides up to $25 million of financing for certain capital projects throughout the Airport System, are Junior Obligations. The Authority may borrow funds under the Line of Credit to finance certain costs of the 2006 Project. See "THE AIRPORT SYSTEM – Capital Financing and Debt Management" herein and the section entitled "FINANCIAL SECTION—Management's Discussion and Analysis—Debt Activity" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto.

The right of the owners of Junior Obligations to receive payment from Pledged Funds is limited to amounts which, under the terms of the Bond Resolution, may be used for such purpose. The Bond Resolution imposes no financial test for the issuance of Junior Obligations.

Special Purpose Bonds

The Authority may issue Special Purpose Bonds to finance the cost of Special Purpose Facilities. No Special Purpose Bonds shall be issued unless the Airport Consultant shall have filed with the Authority a written opinion stating that the estimated fees, rentals or other payments or charges (other than payments which constitute Operating Revenues) to be derived by the Authority under and pursuant to the lease or agreement relating to the Special Purpose Facility then being financed with such Special Purpose Bonds and moneys available to the Authority which are not Pledged Funds which are to be available for the payment of such Special Purpose Bonds will be at least sufficient to pay (i) principal of and interest on such Special Purpose Bonds as the same become due, (ii) all costs of operating and maintaining such Special Purpose Facility not paid for by users thereof (other than the Authority or paid by the Authority from sources other than Pledged Funds) and (iii) all sinking fund, reserve or other payments required by the resolution authorizing the issuance of such Special Purpose Bonds as the same become due, and further stating that the construction, acquisition, operation and financing of such Special Purpose Facility will not cause a material decrease in Net Operating Revenues. The Authority currently has one issue of Special Purpose Bonds outstanding.

Special Provisions

The Bond Resolution sets forth certain provisions for the sole benefit of Ambac Assurance Corporation as the issuer of a municipal bond insurance policy securing the Series 2006 Bonds. Upon the occurrence of an Event of Default with respect to the Series 2006 Bonds, Ambac Assurance Corporation, in lieu of the owners of the Series 2006 Bonds, shall be entitled to vote the Series 2006 Bonds in connection with the election of a trustee and the exercise by the trustee of remedies. See the section entitled "Municipal Bond Insurance" in APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION hereto.

HISTORICAL BOND SERVICE COVERAGE †
(dollars in thousands)

	Fiscal Years Ended September 30				
	2005	2004	2003	2002	2001
Operating and Non-operating Revenues	$59,325	$53,042	$44,447	$42,129	$40,204
Transfers-					
-- Signatory Airline Agreements	--	2,143	3,616	3,194	5,086
-- PFC Series 2003B-1 Bonds	2,302	2,210	--	--	--
Total Revenues and Transfers	61,627	57,395	48,063	45,323	45,190
Less: Operating & Maintenance Expenses (excluding depreciation and expenses associated with payments from other governments)	36,246	33,764	28,472	24,125	27,443
Net Operating Revenues and Transfers	25,381	23,631	19,591	21,198	17,747
Total Bond Service	$13,610	$12,737	$6,287	$11,387	$11,403
Bond Service Coverage	1.86	1.86	3.12	1.86	1.56
Required Bond Service Coverage	1.25	1.25	1.25	1.25	1.25

† Determined in accordance with Bond Service Coverage and Rate Covenant requirements set forth in the Bond Resolution. For debt service coverage for the last ten fiscal years, see "STATISTICAL SECTION (UNAUDITED)—Debt Service Coverage Last Ten Fiscal Years" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto.

Source: Authority.

BOND INSURANCE

Ambac Assurance Corporation ("Ambac Assurance") has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority or the Underwriters as to the accuracy or completeness of this information.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2006 Bonds effective as of the date of issuance of the Series 2006 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2006 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Funds Trustee. The insurance will extend for the term of the Series 2006 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2006 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2006 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2006 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2006 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Funds Trustee has notice that any payment of principal of or interest on a Series 2006 Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. Payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. Payment of any redemption, prepayment or acceleration premium.

3. Nonpayment of principal or interest caused by the insolvency or negligence of any Funds Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2006 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2006 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2006 Bond and will be fully subrogated to the surrendering Holder's rights to payment.

The insurance provided by the Financial Guaranty Insurance Policy is not covered by the Florida Insurance Guaranty Association.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $9,599,000,000 (unaudited) and statutory capital of $6,000,000,000 (unaudited) as of June 30, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Authority of the Series 2006 Bonds.

Ambac Assurance makes no representation regarding the Series 2006 Bonds or the advisability of investing in the Series 2006 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Bond Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;

4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006;

5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006; and

6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2006 and filed on August 9, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in **"Available Information".**

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ESTIMATED DEBT SERVICE REQUIREMENTS

The following table sets forth the estimated Bond Service Charges on the Series 2006 Bonds expected to be Outstanding upon the issuance of the Series 2006 Bonds.

Year Ending Sept. 30[1]	Series 2006 Bonds Principal	Interest[2]	Total	Other Bonds Outstanding Debt Service[3]	Total
2006				$13,485,900	$13,485,900
2007	$1,815,000	$5,967,265	$7,782,265	13,552,166	21,334,432
2008	2,000,000	6,047,009	8,047,009	13,450,863	21,497,872
2009	2,055,000	5,947,009	8,002,009	13,506,794	21,508,803
2010	2,225,000	5,844,259	8,069,259	13,431,535	21,500,794
2011	2,300,000	5,733,009	8,033,009	13,470,789	21,503,797
2012	2,440,000	5,618,009	8,058,009	13,440,983	21,498,992
2013	2,620,000	5,496,009	8,116,009	13,381,613	21,497,622
2014	2,735,000	5,365,009	8,100,009	13,397,912	21,497,921
2015	2,910,000	5,228,259	8,138,259	13,357,169	21,495,427
2016	3,070,000	5,082,759	8,152,759	13,347,290	21,500,049
2017	4,045,000	4,929,259	8,974,259	12,528,230	21,502,489
2018	8,810,000	4,767,459	13,577,459	7,923,275	21,500,733
2019	3,320,000	4,326,959	7,646,959	7,079,319	14,726,277
2020	3,485,000	4,160,959	7,645,959	7,064,772	14,710,730
2021	3,660,000	3,986,709	7,646,709	7,054,547	14,701,255
2022	3,840,000	3,803,709	7,643,709	7,034,671	14,678,379
2023	4,035,000	3,611,709	7,646,709	7,044,134	14,690,843
2024	4,235,000	3,409,959	7,644,959	5,097,404	12,742,363
2025	4,450,000	3,198,209	7,648,209	-	7,648,209
2026	4,670,000	2,975,709	7,645,709	-	7,645,709
2027	4,905,000	2,742,209	7,647,209	-	7,647,209
2028	5,130,000	2,515,353	7,645,353	-	7,645,353
2029	5,370,000	2,278,090	7,648,090	-	7,648,090
2030	5,615,000	2,029,728	7,644,728	-	7,644,728
2031	5,875,000	1,770,034	7,645,034	-	7,645,034
2032	6,145,000	1,498,315	7,643,315	-	7,643,315
2033	6,415,000	1,227,935	7,642,935	-	7,642,935
2034	6,700,000	945,675	7,645,675	-	7,645,675
2035	7,000,000	644,175	7,644,175	-	7,644,175
2036	7,315,000	329,175	7,644,175	-	7,644,175
Total	$129,190,000	$111,479,919	$240,669,919	$208,649,364	$449,319,283

[1] Debt service shown is for the period for which debt service accrues.

[2] Represents total interest paid on Series 2006 Bonds. A portion of the interest due on the Series 2006 Bonds during construction of the Project has been capitalized. See "ESTIMATED SOURCES AND USES OF FUNDS FOR THE SERIES 2006 BONDS" herein.

[3] Interest on the Series 2003B Bonds is based on an estimated interest rate of 4.00% per annum. Interest on the Series 2005 Bonds is based on a fixed interest rate of 4.455% per annum, which rate equals the amount of interest payable by the Authority pursuant to the 2005 Swap plus 5 basis points for alternative minimum tax. Pursuant to the 2005 Swap (described below), the Authority receives a variable rate based on the Bond Market Association Municipal Swap Index (the "BMA Index") provided by Municipal Market Data, a Thompson Financial Company. There can be no assurance that the amounts received by the Authority pursuant to the 2005 Swap will match the amounts of interest payable by the Authority on the Series 2005 Bonds. See "2005 SWAP" herein.

2005 SWAP

Pursuant to a swap agreement entered into with UBS AG ("UBS"), the Authority synthetically fixed its Series 2005 Weekly Rate Bonds (as defined in the Bond Resolution) by amortizing the notional amount of $41,815,000 (the principal amount of the Series 2005 Bonds) for which the Authority pays UBS a fixed rate of 4.405% per annum and receives from UBS a variable rate based on the Bond Market Association Municipal Swap Index (the "BMA Index") provided by Municipal Market Data, a Thompson Financial Company. The 2005 Swap commenced on August 26, 2005 and terminates on October 1, 2024.

There can be no assurance that the amounts received by the Authority pursuant to the 2005 Swap will match the amounts of interest payable by the Authority on the Series 2005 Bonds. The Series 2005 Bond principal is not exchanged; it is only the basis on which interest payments are calculated. The Authority will pay interest to the Series 2005 Bondholders at the rate provided by the Series 2005 Bonds; however, during the term of the 2005 Swap, the Authority effectively pays a fixed rate on the debt.

The 2005 Swap also contains early termination and cash settlement provisions at the election of the Authority. UBS also has the right to terminate the 2005 Swap upon the occurrence of certain insolvency events with respect to Financial Guaranty Insurance Company ("FGIC"), the insurer of the payments due from the Authority under the 2005 Swap, or the occurrence of certain credit downgrades in FGIC, provided that, among other things, FGIC does not provide sufficient credit support or collateral to UBS. Such an early termination would result in a cash settlement based upon market conditions at the time of termination. Early termination payments made by the Authority shall be made in accordance with the terms of the Bond Resolution and are subordinate to debt service payments due on the Bonds, Preferred Junior Obligations and Junior Obligations (as such terms are defined in the Bond Resolution).

AIRPORT SYSTEM

Jacksonville International Airport

General. The Airport is a modern and growing medium hub airport serving Northeast Florida and Southeast Georgia. The approximately 7,800-acre Airport is located in the northern portion of the City, approximately 18 miles north of the City's downtown area, and is situated just west of Interstate 95 and north of Interstate 295. It is served directly by Interstate 95 and Airport Road, a principal arterial route, which links the Interstate and the Terminal facilities. The Airport is also served directly by Interstate 295 via International Airport Boulevard and indirectly via Lem Turner Road, Terrell Road and Pecan Park Road.

Air Trade Area. The Jacksonville Metropolitan Statistical Area ("MSA"), as defined by the U.S. Bureau of Economic Analysis, consists of the northeast Florida counties of Baker, Clay, Duval (in which the Airport System is located), Nassau and St. Johns. The economic strength of the Jacksonville MSA provides the primary base for supporting local air transportation at the Airport. Thus, the Jacksonville MSA is considered the Authority's primary air trade area (the "Air Trade Area"). The City is the primary population center in the MSA.

Airfield Facilities. The Airfield facilities at the Airport (the "Airfield") consist of two precision instrument runways, 13/31 and 7/25, together with associated taxiways, aircraft parking aprons and an air traffic control tower. Runway 13/31 is 7,700 feet long and runway 7/25, the primary runway, is 10,000 feet long. In addition, the Airfield has eight 75-foot wide and two 50-foot wide taxiways and 200,000 square yards of apron space.

Terminal Facilities. The passenger terminal (the "Terminal") is an approximately 618,000 square foot facility. The Terminal consists of a 210,000 square foot landside baggage and ticketing area; an 81,300 square foot central concourse that houses the various concessions and the central passenger screening facility; and three airside concourses (Concourses A, B and C) that provide 22 full service loading bridge gates, one international/charter loading bridge gate, one regional jet loading bridge gate and eight ground loaded gates. All three of the concourses and associated gate areas are over 40 years old and have outlived their useful lives. Nineteen of the aircraft gates are leased for exclusive use pursuant to Airline Agreements with Signatory Airlines. Three of the gates are leased to non-signatory airlines. The remaining ten gates are controlled by the Authority and are leased on an as-needed basis. Of these ten gates, five are ramp-loaded only gates. One is served by the regional jet loading bridge, and one is reserved for charter and international flights leaving three full-service gates for additional carrier uses. One of these three gates will be leased by JetBlue, which initiated service from the Airport to John F. Kennedy International Airport in New York in June 2006. During construction of the 2006 Project, all of the available gate space at the Airport will be in use.

The Terminal has a commuter airline facility which houses four of the ground loaded gates and the regional jet bridge gate discussed above. The facility is located at the end of Concourse B. This area is normally used as overflow and for overnight parking due to the age of the facility and the walking distance from the main terminal area. During construction of the 2006 Project, this area will be extensively used to provide aircraft loading for relocated passengers.

There is a Federal Inspection Services Facility at the end of Concourse C with a 21,500 square foot passenger processing facility on the ground level of the concourse and a 19,000 square foot upper level gate area on the second level. The second level holdroom area is controlled by the Authority and can be used for domestic operations from the charter/international jet bridge on Concourse C. Ground access to the Terminal is by a one-way five-lane roadway system that separates arriving and departing passengers at the Terminal. Passengers depart the Airport using the lower level roadway.

Other Airport Facilities. The Airport also provides facilities for general aviation, cargo and aircraft maintenance and other facilities. General aviation services are provided from a 35-acre site northeast of the Terminal that includes a new 2,500 square foot general aviation ("GA") terminal, seven large open bay hangars and 12,200 square yards of tie-down apron. In 2005, a second fixed-base operator ("FBO") started operations from another new GA terminal and two new large open bay hangars. Cargo operations are located to the south of the Terminal and currently operate from four existing air cargo buildings totaling approximately 225,000 square feet. There are also three air cargo ramps providing a total of approximately 86,600 square yards of full strength pavement. The Airport also has a 34,000 square foot aircraft maintenance facility, a regional airmail facility and a 58-acre rental car service facility. The Authority owns a 200-room, 153,000 square foot hotel, currently operated as a Clarion franchise.

Airport Parking. The Airport has a total of six parking facilities which represent approximately 9,200 on-site parking spaces. The following table presents each facility:

Type of Facility	Number of Spaces	Maximum Daily Rate
Short-Term Hourly Garage	820	$14
Daily Parking Garage	1,947	11
Daily Surface Lot	1,963	8
Economy Parking:		
Economy Lot 1	2,000	4
Economy Lot 2	1,270	4
Economy Lot 3	1,200	4

The two garages are located adjacent to the terminal building and are connected by a moving sidewalk to make walking from the garages to the terminal building easier. The daily surface lot is located directly behind the daily garage and may be accessed by 24-hour shuttle bus service to and from the terminal building, approximately every 8 minutes. The three economy parking lots are located north of Pecan Park Road and may be accessed by 24-hour shuttle bus service to and from the terminal building, approximately every 10 minutes.

Craig Airport and Herlong Airport

In addition to the Airport, the Authority also owns and operates three general aviation facilities, Craig Airport, Herlong Airport and Cecil Field Naval Air Station. Though both Craig Airport ("Craig") and Herlong Airport ("Herlong") provide full service for general aviation operations, passengers and cargo are accommodated only by charter. Both airports occupy approximately 1,400 acres of land. Craig has two 4,000 foot runways and Herlong has a 3,500 foot and a 4,000 foot runway. Craig is located approximately nine miles east of the City's downtown area and has an air traffic control tower and capability for precision instrument operations. Craig has two FBOs who along with their tenants provide hangar, tie-down and fueling services to more than 270 aircraft based at Craig. A wide range of support companies operates at Craig, including those involved with aircraft sales, service and maintenance, avionics repair, complete airframe and power plant maintenance, electronics and instrument sales, aerial advertising, flight training, plus aircraft and automobile rentals. Herlong is located approximately nine miles southwest of the City's downtown area and accommodates mostly visual flight operations. The Authority serves as the FBO for Herlong, providing hangar space, tie-down areas, maintenance and fueling. Herlong is primarily used by single and twin engine aircraft, gliders, hot air balloons and ultralight aircraft.

Cecil Field

In October 1999, the Authority acquired the aviation assets of the former Cecil Field Naval Air Station ("Cecil Field"), a 27.5 square-mile airport facility located approximately 13 miles southwest of downtown Jacksonville. The 6,100 acres acquired by the Authority include an airfield with four runways, one at 12,500 feet in length and three at 8,000 feet in length, 530,000 square yards of apron, eight aircraft hangars, and various other buildings and infrastructure used in support of airport operations. Because of the length of its runways, apron space availability, and existing aircraft hangars, Cecil Field is ideally suited for corporate, National Guard and reserve military operations, and maintenance, repair and overhaul activities. The area of Cecil Field not acquired by the Authority has been conveyed to other public entities for economic development projects, parks, recreation areas, conservation and other uses.

In September 2005, the United States Department of Defense Base Closure and Realignment Commission ("BRAC") issued Recommendation #193 (the "BRAC Recommendation"), in response to Florida Governor Jeb Bush's appeal to the BRAC Commissioners to reopen Cecil Field as the east coast's master jet base Naval Air Station in the advent of the closure of the master jet base at Oceana, Virginia ("Oceana").

The BRAC Recommendation stated: (1) Oceana would remain open if certain conditions (the "Oceana Conditions") were met, and (2) if the Oceana Conditions were not met, the master jet base would move to Cecil Field if the State of Florida (the "State") (a) appropriated funds to relocate commercial tenants presently located at Cecil Field and secure public-private ventures for all personnel housing required by the Navy at Cecil Field to accomplish the relocation and (b) transferred fee simple title to all of Cecil Field, including all infrastructure improvements, to the U.S. Department of Defense without any encumbrances (except a reversionary clause for the State and short term tenancies), all by December 31, 2006 (collectively, the "Cecil Field Conditions").

After the issuance of the BRAC Recommendation, the City of Jacksonville (the "City") and the Authority formally rejected the reopening of Cecil Field as a master jet base. In December 2005, the Authority passed a resolution committing to a civilian airport and stating the property was not available for a master jet base. Further, the State Legislature in its 2006 General Session failed to appropriate any monies for the relocation effort, nor has the Governor called for a special session on the topic. Moreover, the State has provided grants and contracts for further development of Cecil Field as a civil aviation center. Despite Virginia's failure to meet the Oceana Conditions, the State, without significant appropriations and support from local entities, has not appropriated funds or sought to meet the Cecil Field Conditions.

On July 3, 2006, a citizens' referendum was filed by VoteJacksonville.com with the Office of the Supervisor of Elections in Duval County. The charter amendment seeks to have the City convey title to all of Cecil Field located in Duval County by December 31, 2006. The Duval County Supervisor of Elections validated the referendum for the November ballot. The City challenged the referendum, claiming the Ballot Title/Summary would mislead voters and hide the true effect of the charter amendment in a variety of ways. On September 15, 2006 the Fourth Circuit Court of Duval County issued a judgment in favor of the City, stating that the referendum was "illegal and invalid" and "should not be placed on the ballot for the November 7, 2006 general election, even as a nonbinding straw ballot."

The representatives of VoteJacksonville.com appealed the circuit court's decision to the First District Court of Appeals (the "Appeals Court"). On September 20, 2006, the Appeals Court, without hearing the case, issued an order to require the referendum be placed on the general election ballot for November 2006 as a nonbinding straw ballot. The Appeals Court also ordered that the case be given expedited consideration, leaving open the possibility for the court to hold further hearings on the issue as to whether the referendum vote should be a binding vote on the City Council. The City of Jacksonville's request for reconsideration of the aforementioned order was denied by the Appeals Court on September 21, 2006. (VoteJacksonville.com et al. v. City of Jacksonville, Case No. 1D06-4835, First District Court of Appeals, Florida, available *at* http://www.1dca.org/highprofile.html).

It is possible that Cecil Field could be returned to the U.S. Department of Defense in the unlikely event the following string of events occurs: the voters of Jacksonville approve the referendum; the City Council of the City chooses not to overturn the popular vote despite the fact that the vote exceeds the City's exclusive legislative power in budgetary and fiscal matters pursuant to its ordinance code; the City is able to require the Authority, an instrumentality and creation of the State legislature, not City ordinance, to return the portions of Cecil Field owned by the Authority; and, finally, the State meets all of the Cecil Field Conditions by December 31, 2006, or seeks and receives an extension from the federal government to meet those requirements. Since the potential affects of this transaction are difficult to quantify, the Authority is not able to predict the impact of such events, if any, on the financial condition of the Authority. The Authority, in its budget for the ensuing fiscal year ending September 30, 2007, estimates that approximately $3.5 million in net revenues will be derived from its operations at Cecil Field. While the likelihood and long-term impact of returning Cecil Field to the Navy cannot be predicted, it is possible that the Authority would lose all or some portion of net revenues derived from its operations at Cecil Field.

Airlines and Market Shares

Based on United States Department of Transportation classifications, the Airport is currently served by fifteen major/national passenger airlines and two regional/commuter airlines. During Fiscal Year 2005, a total of 2,848,830 passengers were enplaned at the Airport. The Airport is served by four all-cargo airlines and is the base for approximately 30 general aviation aircraft. The Airport is also the base for a unit of the Florida Air National Guard.

For more information concerning airlines serving the Airport, refer to the section entitled "Section 2.1—Airlines Serving the Airport" in APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

Origin and Destination Markets

During the year ended September 30, 2005, 94% of passengers at the Airport either originated or ended their air travel at the Airport (commonly referred to as "origin and destination" or "O&D" passengers). This is a function of the geographic location of the Airport relative to the overall United States air system and the hubbing decisions of the airlines. For information relating to O&D passenger markets, refer to the section entitled "Section 2.3—Historical Air Service" in APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

Enplanements at the Airport

The number of enplanements at the Airport increased from Fiscal Year 1995 to Fiscal Year 2005 at a compounded annual growth rate of 4.6%. This compares favorably to the nationwide compounded annual growth rate for the same period of 2.4%. For information concerning Airport enplanements for the last ten Fiscal Years, refer to the sections entitled "STATISTICAL SECTION (UNAUDITED)—Jacksonville International Enplanements" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto and "Section 2.2—Historical Passenger Activity" in APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

Airline Agreements

The Airline Agreements, which became effective on June 16, 1988, provide for the lease to Signatory Airlines (as defined below) of exclusive use of certain premises, non-exclusive use of certain public use premises in the Terminal and in the Ramp Area and non-exclusive use of the Landing Area. The Airline Agreements expire on September 30, 2007. The Authority has offered a five-year extension of the Airline Agreement to the Signatory Airlines, which also amends the Airline Agreement by changing the nature of certain space in the terminal from being leased on an exclusive basis to a preferential basis. All but two of the Signatory Airlines have verbally accepted. Delta Air Lines, Inc. ("Delta") and Northwest Airlines, Inc. ("Northwest"), the two airlines that have not agreed to the extension, have both filed for bankruptcy. See APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS, for a more complete description of the Airline Agreements.

The following scheduled air carriers are signatory airlines ("Signatory Airlines"): American Airlines, Inc., Continental Airlines, Inc., Delta, US Airways Group, Inc. ("US Airways"), Northwest, Southwest Airlines, Inc. ("Southwest Airlines"), AirTran Airlines, Inc. and JetBlue Airways Corp. ("JetBlue"). For more information on the financial condition of these Airlines, see "INVESTMENT CONSIDERATIONS—Effect of Airline Bankruptcies" herein.

Pursuant to the Airline Agreements, the Signatory Airlines pay Terminal rentals for the lease of premises at the Airport and landing fees for the use of the Airfield. For the purposes of accounting for costs, expenses and revenues and establishing Signatory Airline rentals, fees and charges, the Airline Agreements provide for dividing the Airport System into separate cost centers. Certain cost centers are designated direct cost centers and others are designated indirect cost centers. The indirect cost centers are used to accumulate indirect costs which are then allocated to the direct cost centers. Two direct cost centers, the Terminal and the Airfield (with the Airfield being divided into the Landing Area and the Ramp Area) are included in the establishment of rentals, fees and charges for Signatory Airlines. The

Airline Agreements provide that the aggregate of rentals, fees and charges of all Signatory Airlines shall be sufficient to pay for the net costs attributable to the Airfield and that percentage of the Terminal derived by dividing the aggregate number of square feet of rentable space in the Terminal demarcated to Signatory Airlines as Exclusive Use Premises and Joint Use Premises by the total aggregate number of square feet of rentable space in the Terminal, which costs shall include the satisfaction of all of the Authority's obligations to make deposits and payments under the Bond Resolution which are properly attributable to such areas. Notwithstanding the foregoing, no Signatory Airline will be obligated under the Airline Agreements to pay Terminal rentals, fees and charges properly charged against another Signatory Airline and not paid by such other Signatory Airline. In addition, satisfaction of all of the Authority's obligations to make deposits and payments under the Bond Resolution which are properly attributable to new loading bridges and baggage make-up conveyors and devices shall be paid by the Signatory Airlines to which such equipment is leased.

The remaining cost centers (the "Excluded Cost Centers") of the Airport System are Ground Transportation, Non-Aviation (hotel, building leases, ground leases), Craig Airport, Herlong Airport and Aviation (cargo buildings, flight kitchens, fixed base operators) and Cecil Field. The Signatory Airlines have no responsibility under the Airline Agreements for the payment of any costs incurred by the Authority and attributable to the Excluded Cost Centers.

Approximately ninety percent of the net costs attributable to the Airfield are allocated among the Signatory Airlines on the basis of landed weight of aircraft and paid as landing fees. The net costs of the Ramp Area are deemed to be approximately 10 percent of the net costs attributable to the Airfield and are allocated among the Signatory Airlines on the basis of linear footage of Aircraft Parking Positions and paid as Aircraft Parking Position fees. All costs attributable to the Terminal, except for costs attributable to Terminal equipment which are payable by the Signatory Airlines to which such equipment is leased, are allocated on the basis of total rentable space in the Terminal. Each Signatory Airline is responsible for the payment of rentals, fees and charges sufficient to pay those costs allocated to the premises in the Terminal leased to such airline. For actual rentals, fees and charges during Fiscal Years 2005, 2004 and 2003, see "FINANCIAL SECTION—Management's Discussion and Analysis—Signatory Airline Rates and Charges and –Signatory Airline Cost Per Enplaned Passenger" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto.

Rentals, fees and charges for the Signatory Airlines will be sufficient to provide for the payment of all net costs attributable to the Airfield and to new loading bridges and baggage make-up conveyors and devices and approximately sixty-six percent (66%) of all other costs attributable to the Terminal. It is anticipated that revenues of the Terminal other than rentals, fees and charges of Signatory Airlines, together with the net revenues of the Excluded Cost Centers, will be sufficient to pay the Operation and Maintenance Expenses and Bond Service Charges for the Series 2000B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2005 Bonds and the Series 2006 Bonds attributable to the remaining rentable space in the Terminal and to all Excluded Cost Centers.

The Authority is obligated under the Airline Agreements to make Transfers for each Fiscal Year ended 2002 through 2006 of 40% of the excess of (i) Net Operating Revenues plus the required Transfer for the prior Fiscal Year over (ii) payments necessary to establish and maintain the Operation and Maintenance Reserve Requirement, Capital Charges, Capital Charge Coverage attributable to Terminal equipment and any required deposits to the Reserve Fund for such Fiscal Year, which Transfers will reduce the rentals, fees and charges otherwise payable by the Signatory Airlines for such Fiscal Year. See the section entitled "Rentals, Fees and Charges" in APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS hereto.

The Airline Agreements set forth the circumstances under which the Authority can make other Capital Expenditures for the Airport System without Majority-in-Interest review and the circumstances under which such review is necessary. See "Capital Improvements" in APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS hereto.

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Historical Operating Results

The following is a summary of the Statements of Revenues, Expenses and Changes in Net Assets of the Authority for the Fiscal Years ended September 30, 2005, 2004 and 2003, and for the nine months ended June 30, 2006 and 2005.

Summary of Statements of Revenues, Expenses and Changes in Net Assets
(dollars in thousands)

	Fiscal Years Ended September 30[1]			Nine Months Ended June 30[2]	
	2005	2004	2003	2006	2005
Operating revenues:					
Landing and ramp fees	$13,623	$ 11,308	$ 8,697	$ 10,308	$ 9,936
Lease rentals	16,042	12,907	10,350	12,371	12,121
Parking	13,606	12,278	10,568	11,147	9,608
Concessions	12,844	11,268	11,103	9,730	10,022
Other	1,686	4,469	2,816	1,250	2,050
Total operating revenues	57,801	52,230	43,534	44,806	43,737
Operating expenses:					
Salaries and benefits	16,598	14,824	14,035	12,467	12,673
Services and supplies	11,728	12,056	10,149	8,494	8,500
Business travel and training	332	286	206	240	207
Promotion, advertising and dues	1,260	774	467	331	1,180
Utility services	3,038	2,088	2,084	2,702	1,943
Repair and maintenance projects	1,950	2,878	1,865	1,331	1,246
Miscellaneous	1,658	996	553	1,664	1,458
Depreciation and amortization	21,726	19,796	18,166	17,029	15,566
Total operating expenses	58,290	53,698	47,525	44,258	42,773
Operating Income (Loss)	(489)	(1,468)	(3,991)	548	964
Nonoperating revenues (expenses):					
Passenger facility charges	12,060	10,668	8,015	9,295	8,860
Investment income	1,784	616	709	3,456	1,069
Payments from primary government	79	2	89	55	78
Payments from federal and state agencies	239	136	1,089	162	199
Other revenues	63	177	--	103	61
Interest expense	(6,989)	(6,316)	(7,014)	(5,982)	(5,128)
Contributions to other governments	(340)	(123)	(2,457)	(52)	(373)
Other expenses	(185)	(144)	(26)	(88)	(98)
Total nonoperating revenues (expense):	6,711	5,016	405	6,949	4,668
Income (Loss) before capital contributions	6,222	3,548	(3,586)	7,497	5,632
Capital contributions	17,172	13,050	19,251	6,620	10,040
Change in net assets	23,394	16,598	15,665	14,117	15,672
Net assets: Beginning of Period	330,251	313,653	297,988	353,645	330,251
Net assets: End of Period	$353,645	$330,251	$313,653	$367,762	$345,923

[1] The information contained in this table for the Fiscal Years ended September 30, 2005, 2004 and 2003 is derived from the Authority's audited financial statements for such Fiscal Year. Complete audited financial statements for Fiscal Years 2005 and 2004 are included in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto.

[2] The information contained in this table for the nine-month periods ended June 30, 2006 and 2005 is unaudited.

Management's Discussion of Historical Operating Results

Authority's Activity Highlights. The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area (i.e., the geographical area served by an airport). This relationship is particularly true for O&D passenger traffic, which has been the primary component of demand at the Airport. The major portion of demand for air travel at the Airport is largely influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity. O&D passengers accounted for approximately 94 percent of total passengers at the Airport in Fiscal Year 2005.

Landed weight at the Airport increased in Fiscal Year 2005 by 7.53% from the prior year and enplanement activity increased by 10.95% over Fiscal Year 2004. Delta, Southwest, American, Continental, Northwest, US Airways, AirTran and JetBlue comprise the signatory airlines serving the Airport and generate the majority of the enplanements. In Fiscal Year 2005, the Authority exceeded Fiscal Year 2001 enplanement activity for the first time.

Jacksonville International Airport
Passengers, Enplanements and Landed Weights

	FY 2005	FY 2004	FY 2003
Total Passengers	5,672,690	5,123,239	4,864,959
% increase/decrease	10.72%	5.31%	0.30%
Enplanements	2,848,830	2,567,586	2,433,317
% increase/decrease	10.95%	5.52%	0.31%
Landed Weight[1]	4,238,358	3,941,621	3,899,593
% increase/decrease	7.53%	1.08%	-4.83%

[1] Per thousand pounds.

For Fiscal Year 2005, the Airport daily air carrier departures increased to 110 from 108 and 103 departures in 2004 and 2003, respectively.

Financial Highlights. The Authority's assets exceeded liabilities for Fiscal Year 2005 by approximately $353.65 million compared to $330.25 million and $313.65 million in Fiscal Years 2004 and 2003, respectively. Unrestricted assets at the end of Fiscal Years 2005, 2004 and 2003 were approximately $26.88 million, $21.59 million and $20.91 million, respectively. The Authority may use these net assets for any lawful purpose.

The overall financial position of the Authority has improved as indicated by consecutive increases in Total Net Assets. The improving trend for Fiscal Years 2005 and 2004 is due primarily to grants-in-aid of construction and earnings from continuing operations.

The Authority's total debt decreased $7.95 million in Fiscal Year 2005, primarily as a net result of the issuance of $41.82 million of the Series 2005 Bonds, the defeasance of $40.24 million of the Series 2000A Bonds, and normal scheduled debt service payments. The proceeds of the Series 2005 Bonds were used to defease the outstanding Series 2000A Bonds and to pay the costs of issuing the Series 2005 Bonds.

Fiscal Year 2005 operating revenues increased by 10.67% over 2004. A large percentage of operating revenues at the Authority is directly related to passenger volumes and aircraft operations.

The increase in Landing and Ramp Fees from 2004 to 2005 of 20.47% is due to the reorganization of the chart of accounts which included changing the Landing and Ramp Fees category to include other fees and charges. Security user fees, ID badges and passenger screening fees were reclassified in Fiscal Year 2005 from the "Other" category to Landing and Ramp Fees, in order to report revenues more accurately. Revenues for Fiscal Years 2004 and 2003 have been restated in the Fiscal Year 2005 financial statements to be comparable with 2005. This reclassification consequently caused the Other Operating Revenues to decline 62.27%.

The increase in Lease Rental from 2004 to 2005 of 24.49% is primarily attributable to increased airline rental revenues due to increases in terminal rental rates as a result of increased operating expenses which impact rates through the Signatory Airline Agreement. See "Airline Agreements" above.

Fiscal Year 2005 operating expenses (before depreciation) increased by 7.85% over 2004. The increase over 2004 in Promotion, Advertising and Dues of 62.79% is primarily attributable to Super Bowl XXXIX related sponsorships and promotions. The Utilities Services also increased by 45.50% due to JEA raising the cost of electricity several times during the year. Other Operating Expenses increased 66.47% due to significant increase in the cost of fuel purchased for resale. Repairs and Maintenance Projects decreased by (32.24)% due to Capital Improvement Program planning and project development costs that were expensed in 2004 when it was determined the projects would not go forward.

Non-operating revenues in Fiscal Year 2005 increased by 22.64% from 2004. The increase in non-operating revenue is primarily due to increased investment income and capital contributions over the prior year. Investment income increased due to the cash on hand, and capital contributions are directly related to the amount of grant activity for the year.

Non-operating expenses increased by 14.14% in 2005. This is due to the increase in interest expense because of higher interest rates in 2005.

Capital Contributions in Fiscal Year 2005 increased by 31.59% over 2004. Capital contributions in Fiscal Year 2004 decreased by 32.21% over 2003. These fluctuations are influenced by factors such as grant availability and project timing.

For the complete Management's Discussion and Analysis for Fiscal Years ended September 30, 2005 and 2004, see "FINANCIAL SECTION—Management's Discussion and Analysis" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto.

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Investment Policy

Funds held pursuant to the Resolution are required to be invested in Investment Obligations (as defined in the Resolution). Those funds, and all other funds of the Authority, are also required to be invested according to the Authority's investment policy dated October 1, 2002 (the "Investment Policy"). The Investment Policy's primary objective is preservation of capital by minimizing default, transaction and interest rate risks, and by not investing in speculative investments such as derivatives, options or futures. Secondary objectives of the Investment Policy are to provide sufficient liquidity to meet the budgeted operating and capital requirements of the Authority and to optimize investment return on such funds. The Investment Policy is administered by the Chief Financial Officer of the Authority. It is the Authority's policy to maintain an amount equal to three months of budgeted operating expenses in securities of fewer than 90 days. The Investment Policy attempts to maintain a weighted average portfolio duration of not to exceed three years.

The Authority's investment portfolio is measured by a performance index which is periodically reviewed by the Chief Financial Officer, to ensure that it is an adequate measure of the Authority's investment objectives. Currently, the performance index is (i) the Florida State Board of Administration Local Government Surplus Trust Fund Investment Pool 30-day moving average rate of return multiplied by the percentage of the Authority's investments having a maturity of less than one year, plus (ii) the Lehman Brothers U.S. Government 1-3 Year Index 12-month moving average multiplied by the percentage of the Authority's investments with maturities of one year or more.

Capital Improvement Program

CIP Planning Process. Capital projects are developed in response to a detailed planning and programming process that begins with a 20-year airport master plan that is updated approximately every 5 years. The five-year plan is updated every year during the annual budget process. The annual capital budget recognizes available financial resources, market demands and long term planning requirements. The capital budget is developed with extensive input and approval of the Authority Board.

Design and permitting of projects in the approved capital budget is usually undertaken in the second month of the budget year and takes six to eight months to reach the bidding phase. Bids are usually taken in the summer to allow obligation of construction funds prior to completion of the budget year. Construction usually begins at the beginning of the next budget year with the majority of project cash flow occurring in the year following budget approval.

Recent Capital Construction. During 2005, the Authority expended approximately $34.22 million on capital activities. Major projects in 2005 at the Airport were Phase 2 implementation of the Authority Information Management System, repaving Barnstormer and Younge Drives, and completion of the final phase of the Airport Air Cargo access Road opening the Woodwings West area of the airport for development. At Cecil Field, the rehabilitation and expansion of Hangar 815 was completed in partnership with Flightstar, Inc. This project allowed Flightstar to relocate from the Airport to Cecil Field and to expand its business to include cargo conversions and maintenance on aircraft up to 757 in size. At Craig, a major overlay of the main runway was completed along with rehabilitation of taxiway and ramp pavements. At Herlong, a major apron expansion was completed.

During 2004, the Authority expended approximately $31.04 million on capital activities. Major projects in 2004 consisted of the substantial completion of the west courtyard and centralized security checkpoint expansion at the Airport; implementation of phase one of the Authority Information Management System; completion of a new general aviation terminal building at the Airport; completion of security improvements at both Craig and Herlong airports; and completion of the rehabilitation of the general aviation terminal building at Cecil Field. Major projects that began construction in 2004 consisted of the design and construction of a new aircraft assembly facility at Cecil Field and the rehabilitation and expansion of an existing hangar at Cecil Field.

Capital asset acquisitions and improvements exceeding $5,000 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants with matching state grants and airport funds, private investment, debt proceeds, and Authority revenues. Refer to the "FINANCIAL SECTION—Financial Statements—Notes to the Financial Statements" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto for a more detailed discussion on capital asset activity.

Average monthly capital construction spending was $2.85 million, $2.59 million and $3.85 million for Fiscal Years 2005, 2004 and 2003, respectively.

Ongoing Capital Construction — Terminal Expansion. The Authority's terminal expansion program has been the major project within the capital budget since the program began construction in 1999. The program consists of three main projects required to upgrade the terminal and related facilities to meet passenger demand through 2014.

The first project included construction of a new parking garage, economy lot and ground transportation staging facility; improvements to existing parking garages, economy lots and passenger pick-up parking lots; and acquisition, construction and installation of a parking lot revenue control system. This project was financed with the proceeds of the Series 2000A Bonds and was completed in October 2001 at a cost of approximately $45 million.

The second project upgraded the landside facilities of the main terminal. This project was termed Stage One Terminal Expansion ("Stage One"). Stage One consisted of an expansion of ticketing and baggage handling facilities in the landside terminal and installation of an automated outbound baggage sorting and central checked-bag screening system. This last project was planned and installed in conjunction with the Transportation Security Administration ("TSA") and was added to Stage One as a national pilot project in response to the security requirements following the events of September 11, 2001. Stage One projects were substantially complete in the spring of 2003 at a cost of approximately $57 million with funding from FAA and state grants, PFCs and Authority revenues. Authority revenues were also used to advance fund PFC eligible costs for the Stage One Terminal and the Baggage Screening facility prior to receipt of PFCs that were authorized for such project, some of which are still being collected. As PFCs are collected, a portion will be used to reimburse Authority revenue.

The third project (Stage Two, Terminal Expansion) included expansion of the courtyard with installation of a new centralized passenger security checkpoint. This project was approved at $30 million in the Fiscal Year 2003 budget. Construction began in 2003 with substantial completion at the end of 2004. This project was financed by FDOT grant funds and the proceeds of the Series 2003 Bonds secured by PFCs and Authority revenues.

Stage Three projects include the 2006 Project and replacement of Concourse B. The replacement of Concourse B is still in the planning phase with funding to be determined as the need for the project is identified. For more information regarding the 2006 Project, see "PLAN OF FINANCE RELATING TO SERIES 2006 BONDS—2006 Project, and –Construction of 2006 Project" herein.

Upon completion of the Stage Three projects, the Airport will be capable of handling eight million passengers annually.

Capital Financing and Debt Management

The Authority is financing its capital improvement program through a combination of the Authority revenues, entitlement and discretionary grants received from the FAA, state grants, PFCs, revenue notes, capital leases, a line of credit and revenue bonds. In connection with the sale of each revenue bond issue, an insurance policy has been purchased by the Authority to guarantee the payment of principal and interest when due. For more information, see "FINANCIAL SECTION—Management's Discussion and Analysis—Debt Activity" in APPENDIX A—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY hereto.

AVIATION INDUSTRY

The following is a general discussion of the aviation industry throughout the United States and is not limited to the Airport System. For a more detailed discussion of the state of the aviation industry, see the sections entitled "Section 2.5.2—State of the Airline Industry" and "Section 2.5.3—Factors Directly Affecting the Airline Industry" in the APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

Significant Events

The terrorist attacks of September 11, 2001 ("September 11"), the national economy and certain other global events, including the SARS outbreak in Asia and Canada, the on-going war in Iraq and significant fuel price increases, have seriously disrupted the air transportation industry over the past several years, resulting in severe financial instability in the airline industry, particularly among the legacy airlines. According to the Federal Aviation Administration ("FAA"), aviation activity nationwide was already in a weakened state even before the events of September 11 and headed toward one of its worst years in over a decade. Also according to the FAA, passenger demand began to decline in February 2001 and air carrier finances turned negative in the first quarter of calendar year 2001, primarily due to declining high-yield business traffic and rapidly escalating labor costs. In response to weak demand following September 11, airlines were forced to reduce fares to stimulate demand, creating a further reduction in airline revenues. According to the Air Transport Association ("ATA"), the financial condition of the U.S. airline industry remains poor and has a long way to go before it can be declared healthy. This organization estimates that in 2005 the industry added over $9 billion to the $32.3 billion in losses incurred between 2001 and 2004; however, those losses are expected to be $1 billion to $2 billion in 2006, which could transition the aviation industry into profits in 2007. The airlines have responded to the changing nature of the industry by furloughing employees, negotiating significant wage reductions, deferring aircraft deliveries, streamlining operations, and improving productivity. However, the airline industry continues to struggle with increasingly higher fuel prices coupled with intense fare competition, as well as massive debt and large unfunded pension obligations. Several airlines have filed for bankruptcy protection, others continue to threaten to do so, and most airlines that have not filed for bankruptcy protection report continuing financial difficulties. See "Airline Operating Results and Financial Condition" below.

For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines' reported load and capacity factors since September 11, reference is made to the statements and reports filed periodically by the airlines with the Securities and Exchange Commission (the "SEC"). See "Airline Information" below.

Federal Legislation

On September 21, 2001, Congress enacted the Air Transportation Safety and System Stabilization Act (the "Stabilization Act") in an effort to aid the airline industry immediately following the September 11 terrorist attacks. The Stabilization Act provided for, among other things (1) $5 billion in payments to compensate domestic airlines for losses incurred as a result of September 11, (2) $10 billion in federal loan guarantees to domestic air carriers, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees, (3) limitations on air carrier officer and employee compensation if the air carrier received federal loan guarantees, (4) reimbursement to domestic airlines by the federal government of certain increased insurance costs for the operation of aircraft incurred by the airlines, (5) deferral of the payment by domestic airlines of certain taxes and (6) limitations of liability for domestic airlines. The Stabilization Act also established a federal victims compensation fund and claims procedure relating to the events of September 11, and at the discretion of the Secretary of Transportation, limitations of liability for U.S. air carriers for acts of terrorism committed during a 180-day period immediately following enactment of the Stabilization Act.

Airport Security

In response to the events of September 11, Congress enacted the Federal Aviation and Transportation Security Act ("ATSA") on November 19, 2001. The ATSA designated airport security the responsibility of the newly created Transportation Security Administration ("TSA"). Among other things, the ATSA mandates the screening of all passengers and property, including U.S. mail, cargo, carry-on and checked baggage and other articles that will be carried aboard a passenger aircraft. The ATSA 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 approximately $700 million, estimated to be the cost of providing such services prior to the events of September 11, and imposes a passenger fee of $2.50 for each flight segment, not to exceed $5.00 per one-way trip.

In November 2002, Congress enacted the Homeland Security Act (the "Act"), which created the Department of Homeland Security (the "DHS") to accomplish several primary goals: (i) preventing terrorist attacks within the United States; (ii) reducing the nation's vulnerability to terrorism; (iii) minimizing the damage of, and assisting in the recovery from, terrorist attacks that do occur; and (iv) monitoring connections between illegal drug trafficking and terrorism and coordinating efforts to sever such connections. Under the Act, the TSA, including all TSA functions, personnel and assets, was transferred to the DHS.

The Act extended the federal government's guarantee of war-risk insurance to airlines through at least August 31, 2006 and, at DHS's option, through December 31, 2006. The 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 U.S. Department of Transportation for its third-party policy as of June 19, 2002. The Act also requires that carriers include methods of self-defense within their security training programs for flight attendants and that DHS establish a program for arming pilots, though participation in the program remains voluntary.

Cost of Aviation Fuel

According to the ATA, the high price of fuel is preventing the U.S. airline industry from being profitable. The price of fuel is the most significant force affecting the industry today. The average price of jet fuel was $0.81 per gallon in 2000 compared to $1.66 in 2005. Based on approximately the same amount of consumption, the airlines paid $10.4 billion more in 2005 than in 2004. According to the ATA, every one-cent increase in the price per gallon increases annual airline operating expenses approximately $190 million.

The price of jet fuel has forced some airlines to find ways of becoming more fuel efficient, and some airlines have found ways to save millions of dollars by taking many steps including using newer, more fuel-efficient airplanes, using only a single engine for taxi, lowering cruise spends, onboard weight reduction, more direct routes, and other measures. In the initial years following the events of September 11 and the nationwide economic slowdown, some U.S. airlines attempted to pass the higher fuel costs on to consumers by increasing the fuel surcharge; however, some of these attempts were unsuccessful as many airlines, particularly low—cost carriers, refused to match the increase in a number of instances. With the significant increases in fuel prices in recent months, airlines are more consistently matching fuel surcharges by other airlines.

Airlines have hedged fuel prices through the purchase of oil futures contracts; however, the amount of hedged fuel cost has varied tremendously by airline and is limited by an individual airline's financial condition. The substantial increase in fuel prices has had a significant impact on profitability and future increases or sustained higher prices could affect airfares and airline service.

Airline Operating Results and Financial Condition

Operating Revenues are affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airline Agreements. See "AIRPORT SYSTEM—Airline Agreements" herein. The financial strength and stability of airlines serving the Airport are a key determinant of future airline traffic. In addition, individual airline decisions regarding level of service at the Airport will affect total enplanements.

Since September 11, with the exception of Southwest Airlines, most major domestic airlines have instituted significant system-wide reductions in scheduled flights, as well as job reductions, in an attempt to stem mounting financial losses.

Notwithstanding the enactment of the Stabilization Act, US Airways, United Airlines, Delta and Northwest each have filed for protection under federal bankruptcy laws.

- On December 9, 2002, UAL Corp., the parent company of United Airlines, and numerous of its subsidiaries, including United Airlines, sought bankruptcy protection and are continuing operations while in bankruptcy. United Airlines is no longer a Signatory Airline since it rejected its Airline Agreement in bankruptcy and no longer provides service at the Airport.

- On August 11, 2002, US Airways Group, Inc. and various subsidiaries, including US Airways (collectively, the ("US Airways Group"), sought bankruptcy protection and confirmed a plan of reorganization in March 2003. On September 12, 2004, US Airways Group again sought bankruptcy protection. In September 2005, US Airways Group emerged from bankruptcy, immediately after which US Airways Group and the parent company of America West Airlines merged. The Authority has filed a proof of claim against US Airways in the amount of $959,078 for pre-petition indebtedness owed to the Authority, and has included the amount in allowances for doubtful accounts reflected in the Authority's financial statements. The Authority has received post-petition payments from US Airways. US Airways rejected a portion of the Airline Agreement with the Authority, wherein US Airways reduced the number of gates from five to two.

- On September 14, 2005, Delta Airlines, Inc. ("Delta") and certain of its subsidiaries, including Comair, Inc. ("Comair"), which operates at the Airport as Delta Connection, sought bankruptcy protection and are continuing operations while in bankruptcy. Delta continues to operate at the Airport under its Airline Agreement. The Authority has filed a proof of claim against Delta in the amount of $659,914.23 and a proof of claim against Comair in the amount of $58,499.00 for pre-petition indebtedness owed to the Authority.

- On September 14, 2005, Northwest Airlines Corporation and certain of its subsidiaries, including Northwest Airlines, Inc. ("Northwest") and Pinnacle Airlines, Inc., which operates at the Airport as Northwest Airlink ("Pinnacle"), sought bankruptcy protection and are continuing operations while in bankruptcy. Northwest continues to operate at the Airport under its Airline Agreement. The Authority has filed a proof of claim against Northwest in the amount of $50,472.76 and a proof of claim against Pinnacle in the amount of $17,318.64 for pre-petition indebtedness owed to the Authority.

It is possible that other passenger air carriers, including other Signatory Airlines, will file for bankruptcy protection. Following September 11, the long-term credit ratings of many domestic airlines were downgraded, and all domestic airlines were placed on credit review lists maintained by national credit rating agencies. In 2002 and 2003, these rating agencies lowered the corporate credit ratings of all major domestic airlines, except Southwest, due to a disappointing revenue outlook and concerns over continued long-term risks relating to airport security, rising low-fare competition, increased use of discounted tickets by business travelers and limited flexibility to reduce labor costs. For further information regarding the financial condition and effect on operations of airlines, including further information regarding the airlines' reported load and capacity factors since September 11, reference is made to the statements and reports filed periodically by the airlines with the SEC. See "Airline Information" below.

Airline Information

Each of the Signatory Airlines (or its respective parent corporations) is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Other airlines are also subject to the information reporting requirements of the SEC. Certain information, including financial information, as of particular dates, concerning each of those reporting airlines (or their respective parent corporations) is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected and copied in the public reference facilities of the SEC at Room 4580, 100 F Street, E., Washington, D.C. 20549, and at the SEC's regional offices at 175 W. Jackson Boulevard, Chicago, Illinois 60604 and 3 World Financial Center, Room 4-300, New York, New York 10281. Copies of such reports and statements can be obtained from the Public Reference Section of the Commission at the above address at prescribed rates. Copies are also available on the Internet at www.sec.gov.

In addition, each of the Signatory Airlines is required to file periodic reports of financial and operating statistics with the United States Department of Transportation ("DOT"). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from DOT at prescribed rates.

Neither the Authority nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or the U.S. Department of Transportation, or (ii) any material contained on the SEC's website

as described in the preceding paragraph, including, but not limited to, updates of information on the SEC website or links to other Internet sites accessed through the SEC's website.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant (the "Report"), prepared by Ricondo & Associates, Inc., is included herein as APPENDIX C. The Report describes key factors that will affect future airline traffic at the Airport, presents airline traffic and financial forecasts for Fiscal Years 2006 through 2015, and sets forth the assumptions upon which the financial forecasts are based.

The Report forecasts Net Operating Revenues plus Transfers sufficient to meet the requirements of the Rate Covenant and the test set forth in the Bond Resolution for the issuance of additional Parity Bonds. For projected debt service coverage during the projected period, refer to "Table 4.9—Airport System Cash Flow" therein. For Signatory Airline costs per enplaned passenger during the projected period, refer to "Table 4.8—Cost Per Enplanement" therein.

The Report also forecasts potential PFC Revenues and Available PFC Revenues. For potential PFC Revenues during the projected period, refer to "Section 4.7—PFC Revenues" therein. For Available PFC Revenues during the projected period, refer to Table 4.9—Airport System Cash Flow" therein.

The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. As noted in the Report, any financial forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. The actual financial results achieved will vary from those forecasts, and the variations may be material. See APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

INVESTMENT CONSIDERATIONS

General

Numerous factors affect air traffic generally and air traffic at the Airport specifically, including without limitation, the following: declining demand partly resulting from decreasing levels of disposable income and increase in prices; national and international disasters and hostilities; service and fare competition; mergers; the availability and costs of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; the cost and availability of employees; strikes and employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; litigation liability; regulation by the federal government; environmental risks and regulations; noise abatement concerns and regulation; deregulation; federal and state bankruptcy and insolvency laws; acts of war and terrorism; world health concerns; operation of the air traffic control system and other risks. The trend to introduce regional jets will also have an effect on individual markets, the individual air carriers and the aviation industry as a whole. It is not possible to predict what effect, if any, the present industry conditions may have on future air travel and route structures. See "Section 2.5.3—Factors Directly Affecting the Airline Industry" in APPENDIX C—REPORT OF THE AIRPORT CONSULTANT hereto.

Effect of Airline Bankruptcies

The profitability of the airline industry has deteriorated since 2000, with many airlines reporting substantial financial losses and numerous airlines filing for bankruptcy protection. Since 2001, four Signatory airlines at the Airport have filed for bankruptcy protection. For a detailed discussion of recent airline bankruptcies, refer to the section "AVIATION INDUSTRY—Airline Operating Results and Financial Condition" herein.

The Authority is unable to predict how long any airline in bankruptcy will continue operating at the Airport or whether any of these airlines will liquidate in the future. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport of the bankruptcies of United Airlines, US Airways, Delta, Northwest or of any future bankruptcies, liquidations or major restructurings of other airlines. The bankruptcies of Delta and Northwest, both of which maintain significant operations at the Airport, could have a material adverse effect on operations at the Airport, Operating Revenues and the cost to the other airlines operating at the Airport.

When a Signatory Airline seeks protection under the bankruptcy laws, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the Authority (1) within 60 days or later, if ordered by the court, with respect to its Airline Agreement or other leases of real property, or (2) prior to the confirmation of a plan or reorganization with respect to any other agreement. Amendments to the bankruptcy laws that became effective October 17, 2005, provide that the airline or its bankruptcy trustee must determine whether to assume or reject its Airline Agreement or other leases of real property with the Authority within the earlier of 120 days or the date of the entry of an order confirming the airline's plan of reorganization (or later if ordered by the court but not longer than an additional 90 days). In the event of assumption, the Signatory Airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the applicable Airline Agreement or other agreements.

Rejection of an Airline Agreement or other agreement or executory contract would give rise to an unsecured claim of the Authority for damages, the amount of which in the case of an Airline Agreement or other agreement is limited by the Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (1) one year of rent or (2) 15 percent of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of an Airline Agreement or other agreement could be considerably less than the maximum amounts allowed under the Bankruptcy Code.

Additionally, during the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Authority on account of goods and services provided prior to the bankruptcy. Thus, the Authority's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. Any shortfall in Authority revenues as a result of a rejection of an Airline Agreement by a Signatory Airline in bankruptcy would be paid by the remaining Signatory Airlines under their Airline Agreements in the form of a rate increase. There is no assurance that the remaining Signatory Airlines would be financially able to absorb the additional costs resulting from the bankruptcy of any other Signatory Airline.

Whether or not an Airline Agreement is assumed or rejected in a bankruptcy proceeding, it is not possible to predict the subsequent level of utilization of the gates leased under such agreement. Decreased utilization of gates could have a material adverse effect on Airport operations, as well as on Revenues and ultimately on the cost to the airlines of operating at the Airport.

United Airlines, US Airways, Delta and Northwest were each operating at the Airport under an Airline Agreement at the time of their respective filings for bankruptcy protection under the Bankruptcy Code. United Airlines rejected its Airline Agreement with the Authority and is no longer providing service at the Airport. United Airlines leased two exclusive gates prior to rejection of its Airline Agreement. US Airways rejected a portion of its original Airline Agreement with the Authority, reducing its number of gates from five to two. Delta and Northwest each continue to operate at the Airport under their respective Airline Agreements; however, neither Airline has officially assumed its obligations under its respective Airline Agreement. Certain affiliates of these airlines, including Chautaqua, Comair and Freedom airlines, each doing business as Delta Connection, Mesaba and Pinnacle airlines, each doing business as Northwest Airlink, and GoJet and Skywest airlines, each doing business as United Express, continue to serve the Airport.

For more information regarding the financial condition of these Signatory Airlines, potential investors should refer to the most recent filings of the airlines with the Securities and Exchange Commission. See also "AVIATION INDUSTRY—Airline Operating Results and Financial Condition" herein.

Airport Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of the international hostilities (such as the war and continuing military action in Iraq), terrorist attacks, increased threat levels declared by the Department of Homeland Security and world health concerns, may influence passenger travel behavior and air travel demand. 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 selection of surface travel over air travel. See "THE AVIATION INDUSTRY – Airport Security."

Because of the implementation of the Congressional mandate, effective January 1, 2003, to screen all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under "Code Orange" (high) and "Code Red" (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory System, there is the potential for significantly increased inconvenience and delays at many airports, including the Airport.

Regulations and Restrictions Affecting the Airport

The operations of the Airport are affected by various contractual, statutory and regulatory restrictions and limitations, including, without limitation, the provisions of the Airline Agreements, the PFC Act and other extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the events of September 11, the Airport also has been required to implement enhanced security measures mandated by the FAA and the DHS. See "THE AVIATION INDUSTRY – Airport Security" above.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the Authority or whether such restrictions or legislation or regulations would adversely affect Revenues.

Other Economic Considerations

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airports' air trade area (i.e. the geographical area served by an airport). This relationship is particularly true for O&D passenger traffic, which has been the foremost component of demand at the Airport. The Authority reported that O&D passengers accounted for approximately 94.0

percent of total passengers at the Airport in Fiscal Year 2005. Therefore, the major portion of demand for air travel at the Airport is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity.

The financial strength and stability of airlines serving the Airport System may impact future airline traffic. Accordingly, no assurance can be given as to the levels of aviation activity that will be achieved at the Airport. It is reasonable to assume that any significant financial or operational difficulties incurred by one or more Signatory Airlines could have a material adverse effect on the Airport, although financial or operational difficulties by any one of the Signatory Airlines may also, whether directly or indirectly, have an adverse impact on Revenues or Airport System operations.

There can be no assurance that collections of Passenger Facility Charges ("PFCs") will not be adversely affected by such matters as decreased air travel or changes in federal regulations. Also, notwithstanding FAA regulations requiring airlines collecting PFCs to separately account for the same, and notwithstanding the federal statute and regulations providing that PFCs are to be regarded as funds held in trust by the collecting airline for the beneficial interest of the airport imposing the PFCs, an airline holding PFCs could seek a bankruptcy court order holding that the PFCs in the bankrupt airline's custody are not trust funds and that the Authority is not entitled to such funds over other creditors of the collecting airline. The Authority believes that the amount of any unremitted PFCs currently held by airlines operating at the Airport is not material.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending, or to the knowledge of the Authority, threatened against or affecting the Authority or, to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement or the validity of the Series 2006 Bonds, the Bond Resolution, the Airline Agreements or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits cannot presently be determined, management of the Authority does not believe these matters will have a material adverse effect on the Authority. The City is currently involved in litigation with VoteJacksonville.com regarding ownership and use of Cecil Field. For more information regarding the nature of this litigation and potential impact on the Authority, see "AIRPORT SYSTEM—Cecil Field" herein.

UNDERWRITING OF SERIES 2006 BONDS

The Series 2006 Bonds are being purchased for reoffering by UBS Securities LLC, RBC Dain Rauscher Inc. doing business under the trade name RBC Capital Markets, Citigroup Global Markets, Inc. and Loop Capital Markets, LLC (collectively, the "Underwriters"), at a purchase price of $131,230,159.50 (equal to the par amount of the Series 2006 Bonds ($129,190,000.00) plus a net original issue premium ($2,446,159.35) and less an Underwriters' discount ($405,999.85)). The contract of purchase by and between the Underwriters and the Authority provides that the Underwriters will purchase all of the Series 2006 Bonds if any are purchased.

The Underwriters may offer and sell the Series 2006 Bonds to certain dealers (including depositing the Series 2006 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

RATINGS

Moody's, S&P and Fitch are expected to ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 2006 Bonds, with the understanding that the policy issued by Ambac Assurance Corporation insures the Series 2006 Bonds. Moody's, S&P and Fitch have assigned underlying ratings of "A2," "A-" and "A," respectively, to the Series 2006 Bonds. The underlying ratings are based on the capacity of the Authority to pay debt service on the Series 2006 Bonds without giving effect to the municipal bond insurance to be issued by the Bond Insurer. A rating reflects only the views of the rating agency and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of the rating agencies, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2006 Bonds. The Authority and the Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2006 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

TAX MATTERS

Description of Federal Tax Law Applicable to Interest on Series 2006 Bonds

Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provides, as a general rule, that gross income does not include interest on obligations of a state or a political subdivision of a state. Section 103(b) of the Code states that the general rule does not apply to interest on obligations which are "private activity bonds" within the meaning of Section 141(a) of the Code, unless such private activity bonds are "qualified bonds" under Section 141(e) of the Code and meet certain additional requirements. Under Section 142(a) of the Code, one category of qualified bonds is "exempt facility bonds" used to provide "airports" under Section 142(a)(1) of the Code. The Series 2006 Bonds are "qualified private activity bonds" in the category of "exempt facility bonds."

The Code contains a number of requirements and restrictions which apply to the Series 2006 Bonds, including investment restrictions, a requirement of periodic payments of arbitrage profits to the United States, requirements regarding the use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority has agreed to comply with all requirements of the Code that must be satisfied in order for the interest on the Series 2006 Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause interest on the Series 2006 Bonds to be included in gross income retroactive to the dates of issuance of the Series 2006 Bonds.

Federal Tax Opinion of Bond Counsel

Subject to the condition that the Authority comply with the pertinent requirements of the Code, in the opinion of Bond Counsel, under existing law, interest on the Series 2006 Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes, except for interest on any Series 2006 Bond during any period while it is held by a "substantial user" of the facilities financed by the Series 2006 Bonds or a "related person," as those terms are used in Section 147(a) of the Code. Interest on the Series 2006 Bonds will be treated as an item of tax preference in computing the alternative minimum tax for all taxpayers. Reference is made to a proposed form of the Bond Counsel opinion attached hereto as APPENDIX E for the complete text thereof.

In rendering the opinion, Bond Counsel will rely upon certificates of the Authority with respect to certain material facts relating to the property financed with the proceeds of the Series 2006 Bonds the application of the proceeds of the Series 2006 Bonds.

Bond Document Provisions Regarding Tax Status of Series 2006 Bonds

The opinion of Bond Counsel speaks to the exclusion of interest on the Series 2006 Bonds from the gross income of the owners thereof for federal income tax purposes as of the dates of the original issuance of the Series 2006 Bonds. It is possible that future action or inaction by the Authority, and in some cases by third parties, could cause interest on the Series 2006 Bonds to become includible in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2006 Bonds. Prospective purchasers of the Series 2006 Bonds should be aware that in such circumstance, it is probable that certain of the interest payments received by them, and perhaps all of such interest payments, would be subject to federal income taxes, thereby having the effect of reducing the effective after-tax yield on their investment in the Series 2006 Bonds.

Summary of Federal Income Tax Consequences Applicable to Certain Bond Owners of Series 2006 Bonds

The Code contains numerous provisions which could affect the economic value of the Series 2006 Bonds to certain owners of the Series 2006 Bonds. The following is a brief summary of some of the significant provisions which may be applicable to particular owners of the Series 2006 Bonds. Prospective owners of the Series 2006 Bonds, however, should consult their own tax advisors with respect to the impact of such provisions on their own tax situations.

Section 55 of the Code imposes an alternative minimum tax on taxpayers. Such tax is to be based on the taxpayer's "alternative minimum taxable income" for the taxable year, which includes certain tax preferences and other adjustments to the taxpayer's taxable income. **Interest on the Series 2006 Bonds will be considered a tax preference for purposes of the alternative minimum tax for all taxpayers and will be included in the computation of alternative minimum taxable income.**

The Series 2006 Bonds will not be "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Interest on indebtedness incurred or continued to purchase or carry the Series 2006 Bonds, or in the case of banks or certain other financial institutions, interest expense allocable to interest on the Series 2006 Bonds, will not be deductible for federal income tax purposes.

Insurance companies (other than life insurance companies) are required to reduce the amount of their deductible underwriting losses by 15 percent of the amount of tax-exempt interest received or accrued on certain obligations, including the Series 2006 Bonds, acquired after August 7, 1986. If the amount of this reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income. Life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest such as interest on the Series 2006 Bonds.

Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits in gross income by reason of the receipt or accrual of interest on tax-exempt obligations such as the Series 2006 Bonds.

For foreign corporations that operate branches in the United States, Section 884 of the Code imposes a branch level tax on certain earnings and profits in tax years beginning after 1986. Interest on tax-exempt obligations such as the Series 2006 Bonds may be included in the determination of such domestic branches' taxable base on which this tax is imposed.

Passive investment income, including interest on the Series 2006 Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have subchapter C earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of the S corporation consists of passive interest income.

These and other provisions of the Code and the laws of various states may give rise to adverse federal income tax or state tax consequences to certain owners of the Series 2006 Bonds. Owners of the Series 2006 Bonds should consult their own tax advisors with respect to the tax consequences to them of owning the Series 2006 Bonds. Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Series 2006 Bonds will not have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on the Series 2006 Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Series 2006 Bonds.

Florida Tax Matters

In the opinion of Bond Counsel, under existing law, the Series 2006 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes or interest, income or profits on debt obligations owned by corporations, as defined in Chapter 220, Florida Statutes, as amended.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Series 2006 Bond maturing in the years 2017, 2031, 2033, and 2036 (the "Discount Bonds"), to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (the "issue price").

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), less (iii) any interest payable on such Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, and will increase the owner's tax basis in such Discount Bond. The adjusted tax basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (e.g., upon a sale, exchange, redemption or payment at maturity) of such Discount Bond.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond.

As described above regarding tax-exempt interest, a portion of the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability and the branch profits tax liability. Corporate owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or a branch profits tax liability although the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners of Discount Bonds who did not purchase such Discount Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local income taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Original Issue Premium

The Series 2006 Bonds maturing in the years 2007 through 2016 inclusive, 2018 through 2023 inclusive, and 2026 (collectively, the "Premium Bonds") were offered and sold to the public at an issue price in excess of their stated redemption price at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of such Premium Bond, compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by that owner for the Premium Bond. A purchaser of a Premium Bond at its issue price in the initial public offering who holds that Bond to maturity will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and state and local tax consequences of the Premium Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted, for the benefit of the Series 2006 Bondholders, in a continuing disclosure certificate dated as of October 1, 2006 (the "Continuing Disclosure Certificate") to annually provide certain financial information relating to the Authority, and to provide notices of the occurrence of certain enumerated material events. Annual financial information and operating data of the Authority and the audited financial statements of the Authority will be filed with each Nationally Recognized Municipal

Securities Information Repository (the "NRMSIRs"), as well as any state information depository that is subsequently established in the State, if any (the "SID") and any Central Post Office approved by the Securities and Exchange Commission. The notices of material events, when and if they occur, shall be timely filed by the Authority with the NRMSIRs, the Municipal Securities Rulemaking Board, and the SID, or, in the alternative, any Central Post Office approved by the Securities and Exchange Commission for such purpose.

The specific nature of the financial information, operating data, and the type of events which trigger a disclosure obligation, and other details of the undertakings are described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX G. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Authority (the "Rule").

The Authority has not failed to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATION

Florida law provides for the exemption from registration of certain government securities (including the Series 2006 Bonds), provided that, if the issuer thereof has been in default at any time after December 31, 1975 as to principal or interest on any obligation, its securities may not be offered or sold in Florida pursuant to this exemption except by means of an offering circular containing a full and fair disclosure of such defaults, as prescribed by rules of the Florida Department of Banking and Finance (the "Department"). Under the rules of the Department, the prescribed disclosure is not required if the information is not an appropriate disclosure because such information would not be considered material by a reasonable investor.

The Authority has not defaulted in any payment of principal or interest after December 31, 1975 on any bonds for which the Authority is obligated. In addition to bonds for which the Authority is obligated, the Authority also has the power to issue bonds for the purpose of making loans to borrowers to finance other projects. Those bonds are payable from the revenue of the particular project or borrower. Revenue bonds issued by the Authority for other projects may be in default as to principal and interest. However, the source of payment for any such defaulted bond is separate and distinct from the source of payment for the Series 2006 Bonds and, therefore, any default on such bonds would not, in the judgment of the Authority, be considered material by a potential purchaser of the Series 2006 Bonds.

LEGAL COUNSEL

Certain legal matters incidental to the authorization, issuance, sale and remarketing by the Authority of the Series 2006 Bonds, as the case may be, and with regard to the tax-exempt status thereof will be passed upon by Foley & Lardner LLP, Jacksonville, Florida, as bond counsel. The proposed text of the legal opinion of Bond Counsel relating to the Series 2006 Bonds is provided in APPENDIX E hereto. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise does not imply that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Bond Counsel has not been engaged by the Authority to confirm or verify, and except as may be specifically set forth in an opinion of counsel delivered to the Underwriters (on which only the Underwriters may rely), expresses and will express no opinion as to the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the Authority, the City or the Series 2006 Bonds that may be prepared or made available by the Authority or the City, or others, to the offerees of the Series 2006 Bonds or other parties.

Certain legal matters will be passed upon for the Authority by the Office of General Counsel to the City and the Authority, and for the Underwriters by Lawrence & Parker, P.A., Jacksonville, Florida.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management, Inc., Orlando, Florida, to serve as financial advisor to the Authority in connection with the issuance of the Series 2006 Bonds. The financial advisor assisted the Authority with preparation of this Official Statement and in other matters relating the planning and issuance of the Series 2006 Bonds. The financial advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS

The financial statements of the Authority as of September 30, 2005 and 2004, and for the years then ended, included in APPENDIX A to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

FORWARD LOOKING INFORMATION

This Official Statement includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Authority intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identifiable by the use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. Forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, those described under the caption "INVESTMENT CONSIDERATIONS" herein as well as changes in national and local economic conditions, particularly in the airline industry, and changes in expected costs of complying with FAA requirements. The Authority undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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MISCELLANEOUS

This Official Statement has been duly authorized, executed and delivered by the Authority.

The summaries and descriptions of provisions of the Bond Resolution and the Airline Agreements and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of the Bond Resolution and the Airline Agreements may be obtained from the Authority at 14201 Pecan Park Road, Jacksonville, Florida 32229, or, during the offering period, from the representative of the Underwriters at UBS Securities LLC, 200 South Orange Avenue, 20th Floor, Orlando, Florida 32801.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

JACKSONVILLE AVIATION AUTHORITY

By: /s/*John D. Clark, III*
Executive Director and Chief Executive Officer

APPENDIX A

Comprehensive Annual Financial Report of the Authority for Fiscal Years Ended September 30, 2005 and 2004

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Financial Statements

Jacksonville Aviation Authority
Year Ended September 30, 2005

Jacksonville Aviation Authority
Jacksonville, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2005

(A Component Unit of the City of Jacksonville, Florida)

PREPARED BY:
FINANCE DIVISION

RICHARD A. ROSSI
CHIEF FINANCIAL OFFICER

www.jaa.aero

Jacksonville International Airport ◦ Craig Airport ◦ Herlong Airport ◦ Cecil Field

Jacksonville Aviation Authority

September 30, 2005

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Jacksonville Aviation Authority

September 30, 2005

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JACKSONVILLE
AIRPORT AUTHORITY

PO Box 18018

Jacksonville, FL

32229-0018

www.jaxairports.org

January 13, 2006

To the Board of Directors of the
Jacksonville Aviation Authority:

We present the Annual Financial Report of the Jacksonville Aviation Authority (the Authority) for the fiscal year ended September 30, 2005. The Finance Department prepared this report. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America.

This annual financial report consists of the following items:

- This Transmittal Letter, which includes a narrative of the Authority's history and background.
- The Report of Independent Certified Public Accountants.
- Management's Discussion and Analysis (MD&A) of the financial condition of the Authority.
- The Authority's Financial Statements (Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets and Statements of Cash Flows) and Notes to the Financial Statements
- The Statistical Section includes selected financial and operational information, generally presented on a multi-year basis.

Reporting Entity and Its Services

The Authority, a public body corporate and politic, was established by the State of Florida on June 5, 2001, to own and operate aviation facilities in Duval County, Florida.

A seven member Board of Directors presently governs the Authority. The Board of Directors establishes Authority policy and appoints an Executive Director to implement it. The Board of Directors annually elects a Chairman, Vice-Chairman, Secretary and Treasurer. Directors serve a four year term. Directors may serve a maximum of two successive terms. Directors serve as volunteers and do not receive a salary or other compensation for their services. The Board of Directors appoints an Executive Director who serves at its pleasure.

John D. Clark, Executive Director of the Authority, plans and directs all the programs and activities of the Authority, focusing on the future and the development of long-term business strategies.

The Authority airport system consists of Jacksonville International Airport, Craig Airport, Herlong Airport and Cecil Field.

The Authority is considered a component unit of the City of Jacksonville, Florida under the criteria set forth by the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The Authority does not have any component units and is not involved in any joint ventures.

Economic Condition and Outlook

Situated in the corner of Northeast Florida, Jacksonville is considered to be the metropolitan market for over ten Florida and South Georgia counties. The City of Jacksonville is the hub of an array of services that include an international airport and three general aviation airports, a deep-water port, travel and tourism, recreational and sports activities, medical and health, higher education and cultural amenities. With a Metropolitan Statistical Area (MSA) population of over one million, Jacksonville is on the verge of being classified as a first-tier city. The Jacksonville MSA consists of Baker, Clay, Duval, Nassau, Putnam, and St. Johns Counties.

The strength in Jacksonville's economy lies in its uniquely diversified structure, not heavily dependent on any one major employer or employment sector. The community enjoys a natural location for distribution and warehousing activities. Quality lifestyle, labor force, and cultural/educational/medical facilities are considered key resources in the market's ability to sustain future growth.

Accounting Systems

The management of the Authority is responsible for establishing and maintaining internal control that is designed to ensure that the assets of the Authority are safeguarded. In addition, as a recipient of federal financial assistance, the Authority is responsible for ensuring that adequate internal control is in place to ensure compliance with laws and regulations related to the Airport Improvement Program (AIP) and the Aviation Safety and Capacity Expansion Act.

The objectives of internal control are to provide management with reasonable assurance that the resources are safeguarded against waste, loss and misuse, and reliable data are recorded, maintained and fairly disclosed in reports. The current internal controls provide the Authority with a solid base of reliable financial records from which financial statements are prepared. These accounting controls ensure that accounting data are reliable and available to facilitate the preparation of financial statements on a timely basis. Inherent limitations should be recognized in considering the potential effectiveness of any system of internal control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgment by management.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting. The Authority is a local government proprietary fund, and therefore the activities are reported in conformity with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB).

Budgetary Control

The Authority's annual budget is a financial planning tool outlining the estimated revenues and expenses for the Authority. Prior to July 1 of each year, the Authority prepares and submits its budget to the City Council of the City of Jacksonville for the ensuing fiscal year. Budgetary control and evaluation are effected by comparing actual interim and annual results with budget. The Authority conducts periodic reviews to ensure compliance with the provisions of the annual operating budget approved by the Board of Directors and the City Council of the City of Jacksonville. Certain assumptions are made in determining the annual budget and accordingly subsequent results could differ substantially from those projected. In keeping with the requirements of a proprietary fund, budgetary comparisons have not been included in the financial section of this report; however, a narrative on the budget is included in the Notes to the Financial Statements.

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Federal Single Audit Act of 1984, as amended. The Authority selected the firm of Ernst & Young, LLP to perform these services. Their opinion is presented with this report. The reports required under the Single Audit Act are presented under separate cover. Each year, the independent certified public accountants meet with the Audit and Finance Committee of the Board of Directors to review the results of the audit.

Acknowledgements

The publication of this annual financial report is the culmination of a year of hard work by the Authority's Finance Department. I appreciate the commitment, effort, and perseverance of the Finance Department staff in the preparation of this report and for our annual accomplishments.

I also thank the Executive Director, Senior Management, and the Board of Directors for their leadership and support in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully submitted,

Richard A. Rossi
Chief Financial Officer

JACKSONVILLE
AVIATION AUTHORITY

Jacksonville, Florida

Board of Directors

Mary P. Burnett .... Chairman

Jack C. Demetree .... Vice Chairman

James E. McCollum .... Secretary

Cyrus M. Jollivette .... Treasurer

Ronald M. Weaver .... Member

Charles F. Spencer .... Member

John Falconetti .... Member

Executive Staff

John D. Clark, III .... Executive Director / CEO

Maribel Hernandez .... Chief Operating Officer

Charles H. Snowden .... Chief Administrative Officer

Bingham L. Parkinson .... President, Enterprise Division

Richard A. Rossi .... Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Jacksonville Airport Authority, Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

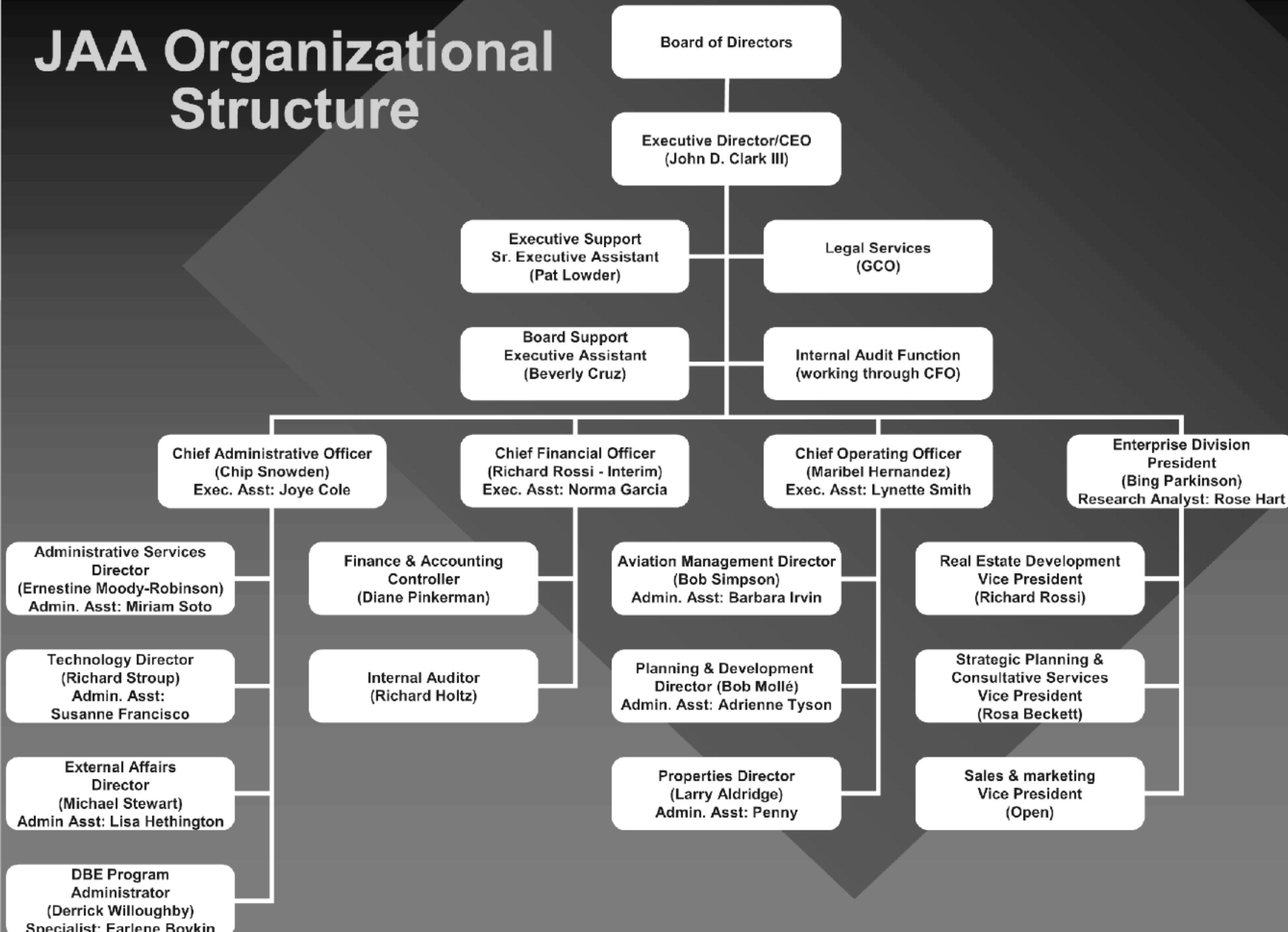
Nancy L. Zielke

President

Jeffrey L. Esser

Executive Director

JAA Organizational Structure



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Ernst & Young LLP
Suite 1500
50 North Laura Street
Jacksonville, FL 32202

Phone: (904) 358-2000
www.ey.com

Report of Independent Certified Public Accountants

The Board of Directors of
Jacksonville Aviation Authority

We have audited the accompanying balance sheets of Jacksonville Aviation Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of September 30, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jacksonville Aviation Authority, as of September 30, 2005 and 2004 and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2006 on our consideration of the Authority'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.

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

The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernst & Young LLP

January 13, 2006

Jacksonville Aviation Authority

Management's Discussion and Analysis

September 30, 2005 and 2004

Introduction

The following discussion and analysis of the financial performance and activity of the Jacksonville Aviation Authority (the Authority) is meant to provide an introduction to and understanding of the Authority's basic financial statements for the fiscal years ended September 30, 2005 and 2004. The discussion has been prepared by management and is unaudited and should be read in conjunction with the financial statements and associated notes thereto, which follow this section.

The Authority is a body corporate and politic, established by the state of Florida on June 5, 2001, pursuant to the provisions of Chapter 2001-319 of the Laws of Florida, to own and operate aviation facilities in Duval County, Florida. Prior to October 1, 2001, the Authority operated as a division of the Jacksonville Port Authority. Pursuant to the provisions of Chapter 2005-328 of the Laws of Florida, the Authority changed its name from Jacksonville Airport Authority to Jacksonville Aviation Authority effective June 10, 2005.

The Authority consists of a seven member Board, four members appointed by the Governor of the State of Florida and confirmed by the State Senate and three members appointed by the Mayor of the City of Jacksonville and confirmed by the City Council of the City of Jacksonville.

The Authority operates an Airport System that consists of four airports: Jacksonville International Airport, Craig Airport, Herlong Airport and Cecil Field. The organization consists of approximately 243 employees in a structure that includes administration, airport management and operations, and police.

The Authority is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenues from concessions to fund operating expenses. The Authority is not taxpayer-funded. The Capital Construction Program is funded by bonds issued by the Authority, federal and state grants, Passenger Facility Charges (PFCs) and Authority revenues.

The Authority is a component unit within the City of Jacksonville, Florida's (the City's) basic financial statements based on the City's approval of the Authority's budget. As a component unit of the City, the Authority's financial statements are discretely presented in the City's basic financial statements. The accompanying financial statements present the financial activities of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

Using the Financial Statements

The Authority's financial report includes three financial statements: the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned and expenses recognized when incurred. Capital asset related costs are capitalized and are depreciated (except land and construction in progress) over their estimated useful lives. Certain net asset balances are restricted for debt service and, where applicable, for construction activities.

The Balance Sheets each present the Authority's financial position as of one point in time – September 30, 2005 and 2004, and include all assets and liabilities of the Authority. The Balance Sheets demonstrate that the Authority's assets equal liabilities plus net assets. Net assets represent the residual interest in the Authority's assets after liabilities are deducted. Net assets are displayed in three components – invested in capital assets net of related debt, restricted and unrestricted.

The Statements of Revenues, Expenses and Changes in Net Assets report total operating revenues, operating expenses, non-operating revenues and expenses and other changes in net assets. Revenues and expenses are categorized as either operating or non-operating based upon management's policy as established and disclosed in the notes to the financial statements. Significant recurring sources of the Authority's revenues, including PFCs, investment income and federal, state and local grants, are reported as non-operating revenues. The Authority's interest expense is reported as non-operating expense.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal years. The Statements of Cash Flows classify cash receipts and cash payments as resulting from operating activities, capital and non-capital and related financing activities, and investing activities.

Authority's Activity Highlights

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area (i.e., the geographical area served by an airport). This relationship is particularly true for origin-destination (O&D) passenger traffic, which has been the primary component of demand at Jacksonville International Airport. The major portion of demand for air travel at the Jacksonville International Airport is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity. O&D passengers accounted for approximately 92 percent of total passengers at the Airport in 2004.

The Jacksonville International Airport is classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements.

Landed weight increased in 2005 by 7.53% from prior year and enplanement activity increased by 10.95% over 2004. As in 2004, Delta Airlines and Southwest Airlines dominated 2005 in both enplanement activity and landed weight. American, Continental, Northwest, US Airways and AirTran comprise the remainder of the signatory airlines serving Jacksonville International Airport and generate the majority of the enplanements. The Authority finally was able in 2005 to exceed fiscal year 2001 enplanements of 2,645,551; the steady growth of enplanement activity at Jacksonville International Airport is indicative of a continuing recovery to pre-September 11 enplanements despite a nationwide recession which has significantly impacted the airline industry.

Passengers, Enplanements and Landed Weights for the fiscal years ending September 30, were as follows:

	2005	**2004**	**2003**
Total Passengers	5,672,690	5,123,239	4,864,959
% increase/decrease	10.72%	5.31%	0.30%
Enplanements	2,848,830	2,567,586	2,433,317
% increase/decrease	10.95%	5.52%	0.31%
Landed Weight	4,238,358	3,941,621	3,899,593
% increase/decrease	7.53%	1.08%	(4.83)%

For fiscal year 2005, the Jacksonville International Airport daily air carrier departures increased to 110 from 108 and 103 departures in 2004 and 2003, respectively.

Financial Highlights

The Authority's assets exceeded liabilities for fiscal year 2005 by $353.65 million compared to $330.25 million and $313.65 million in fiscal years 2004 and 2003, respectively. Unrestricted net assets at the end of fiscal years 2005, 2004 and 2003 were $26.88 million, $21.59 million and $20.91 million, respectively. The Authority may use these net assets for any lawful purpose.

The overall financial position of the Authority has improved as indicated by consecutive increases in total net assets. The improving trend for fiscal years 2005 and 2004 is due primarily to grants-in-aid of construction and earnings from continuing operations.

The Authority's total debt decreased $7.95 million in fiscal year 2005, primarily as a net result of the issuance of $41.82 million of Revenue Refunding Bonds, Series 2005, the defeasance of $40.24 million of the Series 2000A Revenue Bonds, and normal scheduled debt service payments. The bond proceeds from the Series 2005 issue were used for the defeasance of the outstanding Series 2000A Bonds and to pay the costs of issuing the Series 2005 bonds. The total debt increase of $34.16 million in fiscal year 2004 over fiscal year 2003 is primarily a result of the issuance of $37.95 million of Airport Revenue Bonds, Series 2003B and reduced by normal scheduled debt service payments. Those bond proceeds are being used for the acquisition, construction and installation of capital improvements at Jacksonville International Airport.

Changes in Net Assets

Operating Revenues

Fiscal year 2005 operating revenues increased by 10.67% over 2004, and fiscal year 2004 operating revenue exceeded 2003 by 19.98%. A large percentage of operating revenues at the Authority is directly related to passenger volumes and aircraft operations.

The increase in Landing and Ramp Fees from 2005 to 2004 of 20.47%, is due to the reorganization of the chart of accounts which included changing the Landing and Ramp Fees category to include other fees and charges. Security user fees, ID badges and passenger screening fees were reclassified in fiscal year 2005 from the "Other" category to Landing and Ramp Fees, in order to report revenues more accurately. Revenues for fiscal years 2004 and 2003 have been restated in these financial statements to be comparable with fiscal year 2005. This reclassification consequently caused the reduction in Other Operating Revenues of (62.27)%.

The increase in Lease Rentals from 2005 to 2004 of 24.29%, is primarily attributable to increased airline rental revenues due to increases in terminal rental rates as a result of increased operating expenses which impact rates through the Signatory Airline Agreement.

The increase in Landing and Ramp Fees and Lease Rentals from 2003 to 2004 is primarily attributable to increased passenger traffic and a Signatory airline being reclassified to a Non-signatory airline status for five (5) months due to bankruptcy. In addition, lease rental revenue increased at Cecil Field. The increase in parking revenue is primarily attributable to an entire year of parking fee increases being in place in comparison to four (4) months in the prior year. The increase in other revenue is primarily attributable to air cargo security fees being instituted in February 2004 coupled with the collection of revenues previously reserved as bad debts.

Operating Expenses

Fiscal year 2005 operating expenses (before depreciation) increased by 7.85% over 2004. The increase over 2004 in Promotion, Advertising and Dues, of 62.79%, is primarily attributable to Super Bowl related sponsorships and promotions. The Utilities Services also increased by 45.50% due to JEA raising the cost of electricity several times during the year. Other Operating Expenses increased by 66.47% due to significant increase in the cost of fuel purchased for resale. Repairs and Maintenance Projects decreased by (32.24)% due to CIP planning and project development costs that were expensed in 2004 when it was determined the projects would not go forward.

Fiscal year 2004 operating expenses (before depreciation) increased by 15.47% over 2003. The increase over 2003 in salaries and benefits of 5.62% is primarily attributable to new and vacant positions being filled in 2004 as well as two new union contracts being negotiated and salary increases. These increases were offset by reduced spending in overtime and part-time pay. The increase in services and supplies in 2004 of 18.79% over 2003 is primarily attributable to an increase in contractual services related to hosting of the Authority's new Airport Information Management System and an increase in fire protection services contract with the Authority's primary government. In addition, the Authority's costs associated with small operating equipment increased over 2003. As well as, an increase in workers' compensation premiums based on premiums and assessments charged by the City of Jacksonville's self-insurance plan. Equipment repairs and maintenance increased over 2003 primarily as a result of costs associated with hold-baggage screening. These increases were offset by reduced spending in parking management services. The increase in repair and maintenance projects of 54.32% over 2003 is attributable to an increase in planning and project development costs and maintenance project costs primarily associated with hold-baggage screening.

Non-operating Revenues

Non-operating revenues in fiscal year 2005 increased by 22.64% from 2004. The increase in non-operating revenue is primarily due to increased investment income and capital contributions over the prior year. Investment income increased due to the cash on hand and capital contributions are directly related to the amount of grant activity for the year.

Non-operating revenue in fiscal year 2004 increased 17.14% from 2003. The increase in non-operating revenues is primarily the result of having a full year of increased PFCs in fiscal year 2004 compared to five (5) months in 2003. Non-operating revenue in fiscal year 2003 was 4.54% higher than 2002 which is primarily a result of increased Passenger Facility Charges (PFCs) related to a May 1, 2003, increase in PFC levels charged by the Authority and payments from federal and state agencies that offset operating expenses. These increases were offset by reduced investment income and reduced payments from the Authority's primary government and federal and state agencies.

Non-operating expenses

Non-operating expenses increased by 14.14% in 2005. This is due to the increase in interest expense because of higher interest rates in 2005.

Non-operating expenses in fiscal year 2004 decreased 30.68% from 2003. This is primarily a result of a reduction in interest expense and contributions to other governments. Non-operating expenses in fiscal year 2003 was 5.17% lower than 2002 principally from a one-time reduction in contributions to other governments and a reduction in interest expense.

Capital contributions

Capital contributions in fiscal year 2005 increased by 31.59% over 2004. In fiscal year 2004 capital contributions decreased by 32.21% from 2003. These fluctuations are influenced by factors such as grant availability and project timing.

Summary of Statements of Revenues, Expenses and Changes in Net Assets

(amounts in thousands)

	2005	2004	2003
Operating revenues:			
Landing and ramp fees	$13,623	$11,308	$ 8,697
Lease rentals	16,042	12,907	10,350
Parking	13,606	12,278	10,568
Concessions	12,844	11,268	11,103
Other revenue	1,686	4,469	2,816
Total operating revenues	57,801	52,230	43,534
Operating expenses: (including depreciation & amortization):			
Salaries and benefits	16,598	14,824	14,035
Services and supplies	11,728	12,056	10,149
Business training and travel	332	286	206
Promotion, advertising and dues	1,260	774	467
Utility services	3,038	2,088	2,084
Maintenance	1,950	2,878	1,865
Other operating expenses	1,658	996	553
Depreciation and amortization	21,726	19,796	18,166
Total operating expenses (including depreciation and amortization)	58,290	53,698	47,525
Operating loss	(489)	(1,468)	(3,991)
Nonoperating revenues:			
Passenger facility charges	12,060	10,668	8,015
Investment income	1,784	616	709
Payments from primary government	79	2	89
Payments from federal and state agencies	239	136	1,089
Other revenues	63	177	–
	13,736	10,131	5,911
Nonoperating expenses:			
Interest expense	6,989	6,316	7,014
Contributions to other governments	340	123	2,457
Other expenses	185	144	26
	6,222	3,548	(3,586)
Capital contributions	17,172	13,050	19,251
Increases in net assets	$23,394	$16,598	$15,665

Summary of Net Assets

The Summary Statements of Net Assets present the financial position of the Authority at the end of each fiscal year. The Statements of Net Assets include all assets and liabilities of the Authority. Net assets is the difference between total assets and liabilities and is an indicator of the current fiscal health of the Authority.

Summary Statements of Net Assets (amounts in thousands)

	2005	2004	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Assets				
Current	$ 39,570	$ 39,806	$ (236)	(0.59)%
Noncurrent (restricted/other)	57,368	53,616	3,752	7.00%
Capital assets, net	428,240	423,498	4,742	1.12%
Total assets	525,178	516,920	8,258	1.60%
Liabilities				
Current	12,540	18,819	(6,279)	(33.37)%
Restricted	8,866	11,907	(3,041)	(25.54)%
Long-term	150,127	155,943	(5,816)	(3.73)%
Total liabilities	171,533	186,669	(15,136)	(8.11)%
Net assets				
Invested in capital assets, net of debt	289,098	280,513	8,585	3.06%
Restricted	37,668	28,152	9,516	33.80%
Unrestricted	26,879	21,586	5,293	24.52%
Total net assets	$353,645	$330,251	$ 23,394	7.08%
Unrestricted working capital				
Current assets	$ 39,570	$ 39,806	$ (236)	(.59)%
Current liabilities	(12,540)	(18,819)	6,279	33.37%
Working capital	$ 27,030	$ 20,987	$ 6,043	28.79%
Current ratio	3.16	2.12		

The Authority enjoyed continued growth of its total assets during 2005, with an increase of 1.60%. Total liabilities decreased by 8.11% for a resulting increase in net assets of 7.08%.

Summary Statements of Net Assets (amounts in thousands)

	2004	2003	Increase/ (Decrease) from 2003	% Increase/ (Decrease) from 2003
Assets				
Current	$ 39,806	$ 30,264	$ 9,542	31.53%
Noncurrent (restricted/other)	53,616	22,959	30,657	133.53%
Capital assets, net	423,498	402,330	21,168	5.26%
Total assets	516,920	455,553	61,367	13.47%
Liabilities				
Current	18,819	9,357	9,462	101.12%
Restricted	11,907	4,970	6,937	139.58%
Long-term	155,943	127,573	28,370	22.24%
Total liabilities	186,669	141,900	44,769	31.55%
Net assets				
Invested in capital assets, net of debt	280,513	274,654	5,859	2.13%
Restricted	28,152	18,092	10,060	55.60%
Unrestricted	21,586	20,907	679	3.25%
Total net assets	$330,251	$313,653	$16,598	5.29%
Unrestricted working capital				
Current assets	$ 39,806	$ 30,264	$ 9,542	31.53%
Current liabilities	(18,819)	(9,357)	(9,462)	101.12%
Working capital	$ 20,987	$ 20,907	$ 680	0.38%
Current ratio	2.12	3.23		

Total assets grew by 13.47% during 2004 while total liabilities increased by 31.55%. These changes resulted in a net assets increase of 5.29%. The most significant asset-related change was in noncurrent (restricted/other) primarily as a result of the issuance of Airport Revenue Bonds, Series 2003B-1 and B-2 which will primarily be used for the acquisition, construction and installation of capital improvements at Jacksonville International Airport. Total liabilities increased in fiscal year 2004 primarily as a result of the issuance of Airport Revenue Bonds, Series 2003B-1 and B-2 to fund capital acquisition. The increase in current liabilities is a result of normal business operations and the increase in construction contracts and retainage payable that is related to on-going capital improvement programs.

Signatory Airline Rates and Charges

The Authority and certain airlines negotiated an Airline Use and Lease Agreement (the Agreement) with an effective date of June 16, 1988 for approximately 20 years, which in part establishes how the airlines that signed the Agreement will be assessed annual rates and charges for their use of the Airport. Landing fees and terminal rental rates for non-signatory airlines are assessed at 125 percent of the signatory rates.

The Agreement with the signatory airlines is hybrid in nature, with a residual rate-making methodology for the airfield and a compensatory methodology for the terminal. 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 made during fiscal years 2005, 2004 and 2003.

The final rates and charges for the signatory airlines were as follows:

	2005	2004	2003
Landing fees (per 1,000 lbs. MGLW)	$ 1.41	$ 1.63	$ 1.44
Apron rental fee (per linear foot)	305.86	339.83	285.64
Average terminal rental rate (per square foot)	63.22	55.58	33.25
Ticket counter	86.91	76.44	45.62
Bag claim	69.53	61.15	36.50

Operating Revenues

The following charts and tables show the major sources and the percentage of operating revenues for fiscal years 2005, 2004 and 2003.

Operating revenue continued to increase during fiscal year 2005. Operating revenue was up over fiscal year 2004 amounts in every category except "Other."

In fiscal year 2004, operating revenue for all source categories exceeded revenue for fiscal year 2003.

Refer to the Changes in Net Assets section of this MD&A for additional information related to operating revenues.

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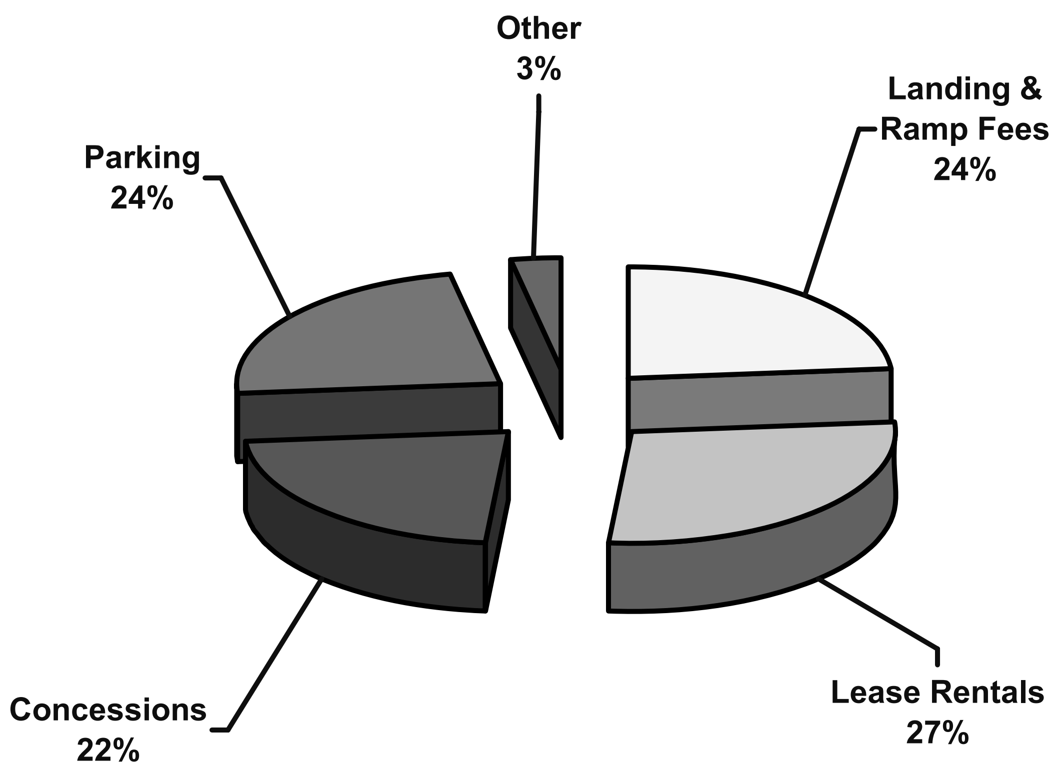
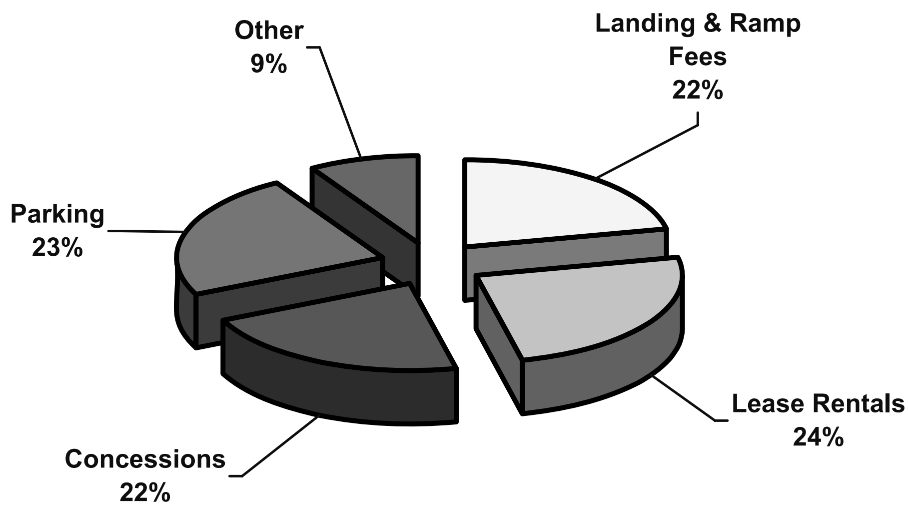
JACKSONVILLE
AVIATION AUTHORITY

2005 Operating Revenues

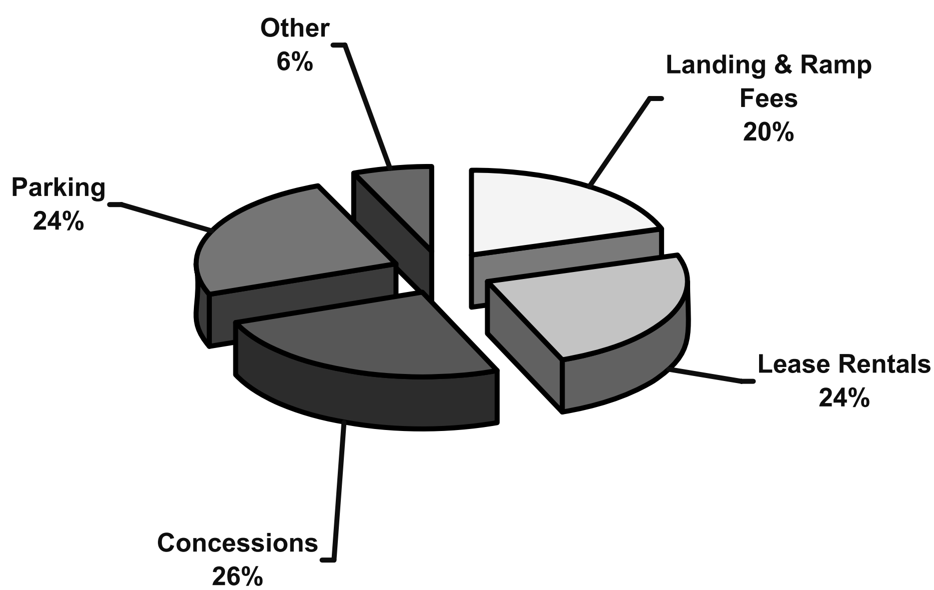


Operating Revenues

2004



2003



Operating Revenues by Major Source (amounts in thousands)

	2005	2004	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Landing and ramp fees	$13,623	$11,308	$ 2,315	20.47%
Lease rentals	16,042	12,907	3,135	24.29%
Parking	13,606	12,278	1,328	10.82%
Concessions	12,844	11,268	1,576	13.99%
Other	1,686	4,469	(2,783)	(62.27)%
Total operating revenues	$57,801	$52,230	$ 5,571	10.67%

	2004	2003	Increase/ (Decrease) from 2003	% Increase/ (Decrease) from 2003
Landing and ramp fees	$11,308	$ 8,697	$2,611	30.02%
Lease rentals	12,907	10,350	2,557	24.71%
Parking	12,278	10,568	1,710	16.18%
Concessions	11,268	11,103	165	1.49%
Other	4,469	2,816	1,653	58.70%
Total operating revenues	$52,230	$43,534	$8,696	19.98%

Operating Expenses

The following charts show the major cost categories for the Jacksonville Aviation Authority for fiscal years 2005, 2004 and 2003.

Operating Expenses, excluding depreciation and amortization, for fiscal year 2005 increased only 7.85% over 2004. Operating expenses, excluding depreciation and amortization, for fiscal year 2004 increased 15.47% over 2003.

Refer to the Changes in Net Assets section of the MD&A for additional information related to operating expenses.

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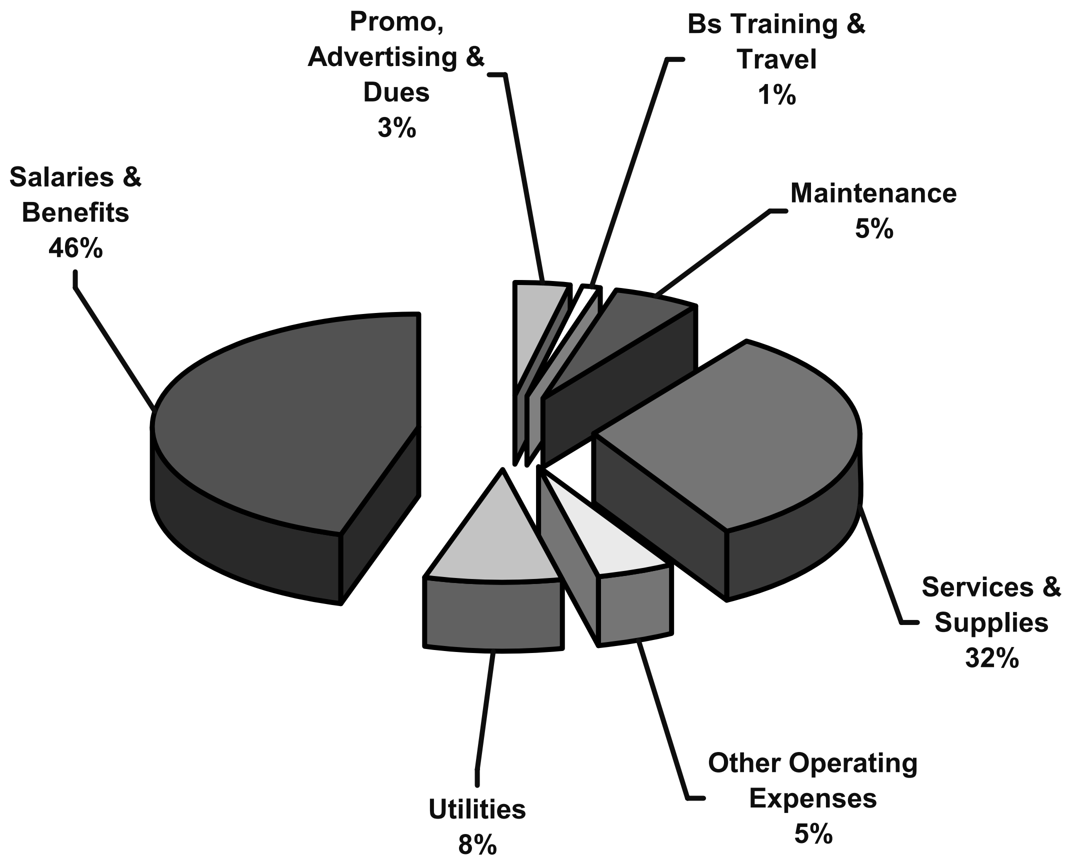
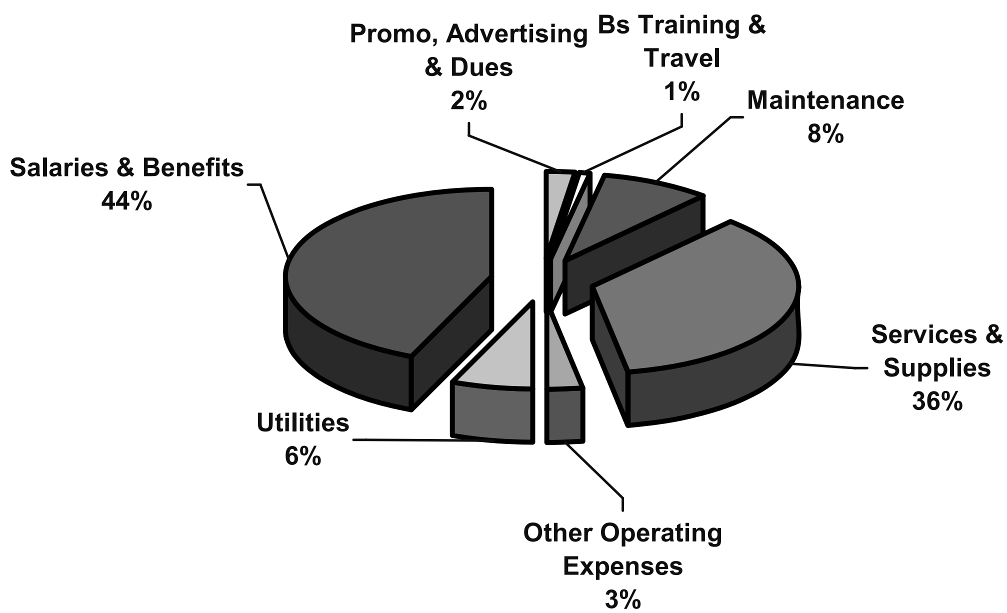
2005 Operating Expenses

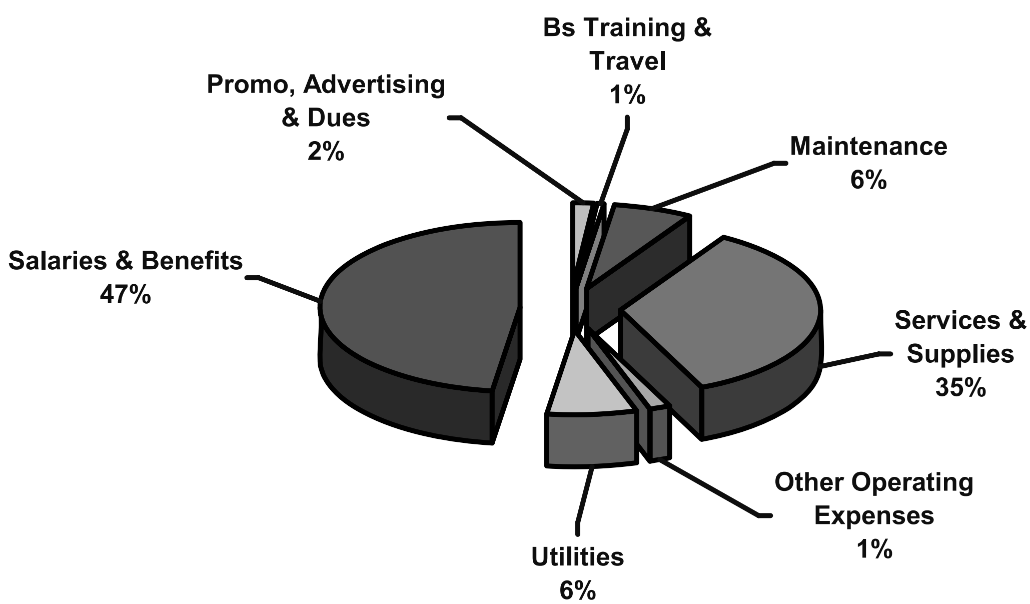


Operating Expenses

2004



2003



Operating Expenses by Major Source

(amounts in thousands)

	2005	2004	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Salaries and benefits	$16,598	$14,824	$ 1,774	11.97%
Services and supplies	11,728	12,056	(328)	(2.72)%
Business training and travel	332	286	46	16.08%
Promotion, advertising and dues	1,260	774	486	62.79%
Utilities	3,038	2,088	950	45.50%
Maintenance	1,950	2,878	(928)	(32.24)%
Other operating expenses	1,658	996	622	66.47%
Total operating expenses	$36,564	$33,902	$ 2,662	7.85%

	2004	2003	Increase/ (Decrease) from 2003	% Increase/ (Decrease) from 2003
Salaries and benefits	$14,824	$14,035	$ 789	5.62%
Services and supplies	12,056	10,149	1,907	18.79%
Business training and travel	286	206	80	38.83%
Promotion, advertising and dues	774	467	307	65.74%
Utilities	2,088	2,084	4	0.19%
Maintenance	2,878	1,865	1,013	54.32%
Other operating expenses	996	553	443	80.11%
Total operating expenses	$33,902	$29,359	$4,543	15.47%

Debt Activity

The Authority issued $41.82 million of Revenue Refunding Bonds in August 2005. These bonds were issued as Weekly Rate Bonds for the purpose of defeasing the Series 2000A Bonds, which took place in August 2005. The proceeds of these bonds also were used for their cost of issuance. This activity, along with scheduled payments of existing debt, resulted in a decrease in debt during fiscal year 2005 of $7.95 million.

Long-term debt increased during fiscal year 2004 due to the issuance in October 2003 of $37.95 million of Airport Revenue Bonds, Series 2003B-1 and B-2, which were initially issued as Auction Rate Certificates. The proceeds of the Series 2003B-1 and B-2 Bonds are being used for the acquisition, construction and installation of capital improvements at Jacksonville International Airport. The resultant increase in long-term debt was 26.01%. Current liabilities, unrestricted and current liabilities payable from restricted assets also increased during the year, resulting in a decrease in the Authority's current ratio from 3.23 to 2.12.

Refer to the Notes to Financial Statements for a more detailed explanation on long-term debt activity.

Debt Service Coverage

Debt Service Coverage is a covenant of the bond resolutions requiring that a surplus of funds be available in the amount 125% of principal and interest due in the subsequent year. This coverage serves as an indicator to bond holders that funds are available for timely debt service payments. Historically, the Authority has maintained a coverage ratio higher than its requirement. The actual Debt Service Coverage (principal and interest) for year 2005, 2004 and 2003 was 1.86, 1.86 and 3.12. The decrease in coverage from 2003 to 2004 was primarily attributable to the defeasance of the Series 1998 and 1993 revenue refunding bonds in July 2003.

Cash and Investment Management

The Authority's cash and cash equivalents decreased by $4.04 million for fiscal year 2005 from 2004. Cash and cash equivalents, unrestricted, decreased by $7.76 million and restricted cash and cash equivalents increased by $3.72 million.

The Authority's cash and cash equivalents increased $32.48 million for fiscal year 2004 over 2003, principally as a result of the issuance of Airport Revenue Bonds and operations. Cash and cash equivalents, unrestricted, increased by $6.17 million while restricted cash and cash equivalents increased by $26.31 million.

Summary of Statements of Cash Flows

(amounts in thousands)

	2005	2004	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Cash received from operations	$ 58,774	$ 50,269	$ 8,505	16.92%
Cash expended from operations	(35,399)	(31,102)	(4,297)	(13.82)%
Net cash provided by operations	23,375	19,167	4,208	21.95%
Net cash provided by noncapital financing activities	434	204	230	112.75%
Net cash provided by (used in) capital and related financing activities	(28,870)	20,850	(49,720)	(238.47)%
Net cash provided by (used in) investing activities	1,024	(7,742)	8,766	113.23%
Net increase (decrease) in cash and cash equivalents	(4,037)	32,479	$ 36,516	112.43%
Cash and equivalents, beginning of year	53,349	20,870		
Cash and equivalents, end of Year	$49,312	$53,349		

Summary of Statements of Cash Flows (Continued)

All investments must be made following the Authority's investment policy that was adopted by the Board of Directors or in accordance with Master Bond Indentures.

(amounts in thousands)

	2004	2003	Increase/ (Decrease) from 2003	% Increase/ (Decrease) from 2003
Cash received from operations	$ 50,269	$ 45,645	$ 4,624	10.13%
Cash expended from operations	(31,102)	(32,752)	1,650	(5.04)%
Net cash provided by operations	19,167	12,893	6,274	48.66%
Net cash provided by (used in) noncapital financing activities	204	842	(638)	(75.77)%
Net cash provided by (used in) capital and related financing activities	20,850	(29,009)	49,859	(171.87)%
Net cash provided by (used in) investing activities	(7,742)	5,358	(13,100)	(244.49)%
Net increase (decrease) in cash and cash equivalents	32,479	(9,916)	$42,395	(427.54)%
Cash and equivalents, beginning of year	20,870	30,786		
Cash and equivalents, end of Year	$53,349	$20,870		

Capital Construction

During 2005, the Authority expended approximately $34.22 million on capital activities. Major projects in 2005 at JIA were Phase 2 implementation of the Authority Information Management System, repaving Barnstormer and Younge Drives, and completion of the final phase of the JIA Air Cargo Access Road opening the Woodwings West area of the airport for development. Also in 2005, the Authority began the final design for major reconstruction of new Concourses A & C and expansion and rehabilitation of the Air Carrier apron. Construction is to begin in 2006 continuing through 2009. At Cecil Field, the rehabilitation and expansion of Hangar 815 was completed in partnership with Flightstar, Inc. This project allowed Flightstar to relocate from JIA to Cecil Field and to expand its business to include cargo conversions and maintenance on aircraft up to 757 in size. At Craig, a major overlay of the main runway was completed along with rehabilitation of taxiway and ramp pavements. At Herlong, a major apron expansion was completed.

During 2004, the Authority expended approximately $31.04 million on capital activities. Major projects in 2004 were the substantial completion of the west courtyard and centralized security checkpoint expansion at Jacksonville International Airport; implemented phase one of the Authority Information Management System; completed a new general aviation terminal building at Jacksonville International Airport; completed security improvements at both Craig and Herlong Airports; and completed the rehabilitation of the general aviation terminal building at Cecil Field. Major projects that began construction in 2004 were the design and construction of a new aircraft assembly facility at Cecil Field and the rehabilitation and expansion of an existing hangar at Cecil Field.

Capital asset acquisitions and improvements exceeding $5,000 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants with matching state grants and airport funds, private investment, debt proceeds, and Authority revenues.

Refer to the Notes to Financial Statements for a more detailed discussion on capital asset activity.

Average monthly capital construction spending was $2.85 million, $2.59 million and $3.85 million for fiscal years 2005, 2004 and 2003, respectively.

Economic Factors and Next Years' Budgets

The Authority is projecting another increase in enplanements for fiscal year 2006 over the prior year. Revenues for fiscal year 2006 are forecasted to be approximately $60.01 million or 3.82% over fiscal year 2005. Expenses (before depreciation) for fiscal year 2006 are forecasted to be approximately $39.80 million or 8.88% over fiscal year 2005.

The Authority expects to face continued challenges in fiscal year 2006 because of the troubled financial condition of the nation's airlines and reduced federal resources. Costs for security and other operational issues remain on the increase. The Authority continues to seek opportunities to diversify its revenues through new revenue-generating sources such as real estate development and aviation consulting.

Contacting the Authority's Financial Management

The financial report is designed to provide the Authority's Board of Directors, management, investors, creditors and customers with a general view of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact Chief Financial Officer, P.O. Box 18018, Jacksonville, Florida 32229-0018.

Jacksonville Aviation Authority

Balance Sheets

	September 30 2005	September 30 2004
	(dollar amounts in thousands)	
Assets		
Current assets:		
Cash and equivalents	$ 11,516	$ 19,273
Investments	9,194	9,209
Accounts receivable, net of allowance of $2,731 and $2,328	4,532	5,505
Grants receivable	13,262	5,342
Interest receivable	325	104
Inventory and other assets	741	373
Total current assets	39,570	39,806
Noncurrent assets:		
Restricted cash and cash equivalents	37,796	34,076
Restricted investments	16,408	16,471
Other noncurrent assets	3,164	3,069
Capital assets:		
Land	65,322	64,166
Construction in progress	58,240	49,335
Property, plant and equipment	488,397	472,162
Less: accumulated depreciation	(185,229)	(164,418)
Other capital assets, net of amortization	1,510	2,253
Total capital assets	428,240	423,498
Total noncurrent assets	485,608	477,114
Total assets	$ 525,178	$ 516,920

See accompanying notes.

	September 30 2005	September 30 2004
	(dollar amounts in thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 3,008	$ 3,121
Accrued expenses	6,272	4,628
Construction contracts and retainage payable	3,260	11,070
Total current liabilities	12,540	18,819
Liabilities payable from restricted assets:		
Bonds and notes payable - current portion	6,071	8,204
Accrued interest payable	2,104	3,168
Other	691	535
Total current liabilities payable from restricted assets	8,866	11,907
Long-term debt:		
Bonds and notes payable	150,127	155,943
Total liabilities	171,533	186,669
Net assets		
Invested in capital assets, net of related debt	289,098	280,513
Restricted	37,668	28,152
Unrestricted	26,879	21,586
Total net assets	353,645	330,251
Total liabilities and net assets	$ 525,178	$ 516,920

See accompanying notes.

Jacksonville Aviation Authority

Statements of Revenues, Expenses, and Changes in Net Assets

	For the Year Ended September 30 2005	2004
	(dollar amounts in thousands)	
Operating revenues:		
Landing and ramp fees	$ 13,623	$ 11,308
Lease rentals	16,042	12,907
Parking	13,606	12,278
Concessions	12,844	11,268
Other revenue	1,686	4,469
Total operating revenues	57,801	52,230
Operating expenses:		
Salaries and benefits	16,598	14,824
Services and supplies	11,728	12,056
Business training and travel	332	286
Promotions, advertising, and dues	1,260	774
Utilities	3,038	2,088
Maintenance	1,950	2,878
Other operating expenses	1,658	996
Operating expenses before depreciation and amortization	36,564	33,902
Operating income before depreciation and amortization	21,237	18,328
Depreciation and amortization expense	21,726	19,796
Operating loss	(489)	(1,468)
Nonoperating revenues (expenses):		
Passenger facility charges	12,060	10,668
Interest expense	(6,989)	(6,316)
Investment income	1,784	616
Payments from primary government	79	2
Payments from federal and state agencies	239	136
Contribution from other governments	116	(123)
Other	(578)	33
Total nonoperating revenues (expenses), net	6,711	5,016
Income before capital contributions	6,222	3,548
Capital contributions	17,172	13,050
Change in net assets	23,394	16,598
Net assets, beginning of year	330,251	313,653
Net assets, end of year	$ 353,645	$ 330,251

See accompanying notes.

Jacksonville Aviation Authority

Statements of Cash Flows

	For the Year Ended September 30	
	2005	2004
	(dollar amounts in thousands)	
Cash flows from operating activities		
Receipts from customers and tenants	$ 58,774	$ 50,269
Payments to suppliers for goods and services	(19,009)	(17,066)
Payments to employees for services	(16,390)	(14,036)
Net cash provided by operating activities	23,375	19,167
Cash flows from non-capital and related financing activities		
Nonoperating grants received	434	204
Net cash provided by non-capital financing activities	434	204
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets, net	(34,221)	(31,035)
Principal paid on capital debt	(48,444)	(3,788)
Interest paid on capital debt	(9,373)	(5,653)
Proceeds from sale of equipment	40	(16)
Capital contributions	9,252	14,403
Passenger facility charges received	12,061	9,314
Proceeds from issuance of long-term debt	41,815	37,625
Net cash (used in) provided by capital and related financing activities	(28,870)	20,850
Cash flows from investing activities		
Interest on investments	1,721	944
Purchase of investment securities	(21,558)	(40,423)
Proceeds from sale and maturities of investment securities	21,479	31,811
Other	(618)	(74)
Net cash provided by (used in) investing activities	1,024	(7,742)
Net change in cash and cash equivalents	(4,037)	32,479
Cash and equivalents, beginning of year	53,349	20,870
Cash and equivalents, end of year	$ 49,312	$ 53,349

See accompanying notes.

Jacksonville Aviation Authority

Statements of Cash Flows (continued)

	For the Year Ended September 30 2005	2004
	(dollar amounts in thousands)	
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (489)	$ (1,468)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	21,726	19,796
Change in accounts receivable	973	(1,961)
Change in inventory and other assets	(368)	451
Change in accounts payable	(113)	2,009
Change in accrued expenses	1,646	340
Net cash provided by operating activities	$ 23,375	$ 19,167
Non-cash investing, capital and financing activities:		
Change in fair market value of investments	$ 157	$ 279

See accompanying notes.

1. Organization and Reporting Entity

Organization

The Jacksonville Aviation Authority (the Authority), a body corporate and politic, was established by the State of Florida (State) on June 5, 2001, pursuant to the provisions of Chapter 2001-319 which was amended on June 17, 2004 by Chapter 2004-464, of the Laws of Florida to own and operate aviation facilities in Duval County, Florida. The Authority is independent, distinct from, and not an agent of the State or any other of the State's political subdivisions, including the County of Duval (County). Prior to October 1, 2001, the Authority operated as a division of the Jacksonville Port Authority. Pursuant to the provisions of Chapter 2005-328 of the Laws of Florida, the Authority changed its name from Jacksonville Airport Authority to Jacksonville Aviation Authority effective June 10, 2005.

The Authority's Board of Directors consists of seven members, four appointed by the Governor of the State of Florida and confirmed by the State Senate and three appointed by the Mayor of the City of Jacksonville and confirmed by the City Council of the City of Jacksonville.

The Authority is not subject to Federal, State or local income or sales taxes.

Reporting Entity

The Authority meets the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City of Jacksonville's (City's) basic financial statements based on the City's approval of the Authority's budget. As a component unit of the City, the Authority's financial statements are discretely presented in the City's basic financial statements. The accompanying financial statements present the financial activities of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis. The Authority reports as a Business Type Activity, as defined by the GASB. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

2. Summary of Significant Accounting Policies (continued)

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets.

Revenues from airlines, rental cars, parking and concessions are reported as operating revenues. Capital grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

Net Assets

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

Proprietary Accounting and Financial Reporting

The accompanying financial statements have been prepared in conformity with GAAP as applied to governmental units. The GASB is the accepted standard-setting body establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

2. Summary of Significant Accounting Policies (continued)

Budgeting Requirements

The Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for the Airport System. The annual budget is developed after reviewing revenue forecasts, the impact of funding increases on landing fees, rental rates, and other rates and charges, prior year actual, current program levels, new operating requirements, and the overall economic climate of the region and airline industry. The budget to actual results are periodically reviewed throughout the year to ensure compliance with the provisions of the Authority's entity-wide annual operating budget, which is approved by the Board of Directors and the City Council of the City.

Prior to July 1 of each year, the Authority prepares and submits its budget to the City Council for the ensuing fiscal year. The City Council may increase or decrease the appropriation requested by the Authority on a total basis or a line-by-line basis. The Authority's Executive Director has been delegated the authority to approve budgetary changes to the budget within all categories, subject to the following limitations. Once adopted, the total budget may only be increased through action of the City Council. Operating budget item transfers may be made with the approval of the Executive Director or his designee. Line-to-line capital budget transfers may be made with the approval of the Executive Director or his designee if it is cumulatively less than or equal to $100,000 or with the approval of the Board if over $100,000. In keeping with the requirements of a proprietary fund, budget comparisons have not been included in the financial section of this report.

Revenue Recognition

Airfield Landing Fee Charges – Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure is determined annually based on full cost recovery pursuant to an agreement between the Authority and the Signatory Airlines based on the operating budget of the Authority and is adjusted at year-end for the actual landed weight of all aircraft. Landing fees are recognized as a component of operating revenue when the related facilities are utilized.

2. Summary of Significant Accounting Policies (continued)

Terminal Rents, Concession and Ground Transportation – Rentals and concession fees are generated from airlines, parking structures and lots, rental cars, fixed base operators, food and beverage, retail, advertising and other commercial tenants. Leases with the airlines are based on compensatory cost recovery, through rates and charges pursuant to an agreement. Leases are typically for terms from one or more years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized based on reported concession revenue and typically partially based on a minimum rental guarantee. Rental revenue and concession revenue are recognized as operating revenues on the Statements of Revenues, Expenses, and Changes in Net Assets.

Other - All other types of operating revenue are recognized when earned.

Cash, Cash Equivalents and Investments

The deposit and investment of Authority monies is governed by provisions of its enabling legislation and by an Investment Policy adopted by the Authority. The Governing Body has authorized the Authority to establish bank accounts with a qualified public depository pursuant to Chapter 280 of the Florida Statutes. Accordingly, all of the Authority's deposits are considered fully insured.

For purposes of reporting cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents, which are stated at cost, consist of money market funds and cash investment pools payable on demand.

The Governing Body has authorized the Authority to invest in obligations of the U.S. Government and certain of its agencies, repurchase agreements, investment grade commercial paper, money market funds, corporate bonds, time deposits, bankers' acceptances, state and/or local debt, and the Florida State Board of Administration Investment Pool. Restricted bond proceeds are invested in accordance with the bond indenture agreements. Investments are stated at fair value using quoted market prices.

2. Summary of Significant Accounting Policies (continued)

Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on collection history, aviation industry trends and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

Inventory

Inventory consists of spare parts and fuel and is stated at weighted average cost.

Restricted Assets

Restricted assets consist of monies and other resources, which are restricted legally. Major classes of restricted assets are discussed below:

Construction Funds – These assets represent capital debt proceeds that are restricted for designated capital projects and cannot be expended for any other purpose.

Capital Recovery Fund – These assets represent capital recovery proceeds that are restricted for capital improvements or bond retirement or are in the Renewal and Replacement Fund.

Operations and Maintenance Fund – These assets represent proceeds restricted to pay the next succeeding two months of budgeted Operations and Maintenance Expenses.

Passenger Facility Charges Funds – These assets represent Passenger Facility Charges (PFC) collections based on an approved Federal Aviation Administration (FAA) application to “impose” such charges on enplaned passengers at the Jacksonville International Airport. These funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects. The Authority recognizes and reports as non-operating revenue PFCs collected when all conditions have been met that entitle the Authority to retain the PFCs.

2. Summary of Significant Accounting Policies (continued)

Revenue Bond Funds – These assets represent 2000, 2003A, 2003B, and 2005 airport revenue bond debt service and reserve accounts. The Debt Service Funds represent the principal amounts required for the annual October bond payment and the interest amounts required for the semi-annual interest payments. The Reserve Funds contain the maximum amount of required principal and interest payments for the bonds scheduled to come due in one year.

Renewal and Replacement Fund – This fund is deemed to be fully funded when the balance therein is one million dollars. These assets are to be used only to make unusual or extraordinary repairs to facilities included as a part of the Airport System, to make required deposits to the Debt Service Fund if available amounts in other funds are not sufficient for such purposes and to make required deposits to the Reserve Fund and Rebate Fund if amounts in other funds are not sufficient for such purposes.

Capital Assets

Capital assets are stated at historical cost, net of accumulated depreciation. The Authority's capitalization threshold is $5,000. The costs for property and facilities include net interest cost incurred from the date of issuance of the debt to finance construction until completion of the capital project (See Note 6). Tenants have funded some construction and improvements of airport facilities from their own working capital. Under agreements with the Authority, the property reverts to the Authority upon termination or expiration of the agreement. These assets when obtained by the Authority are recorded at fair market value as of date of transfer. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed as incurred.

When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is reflected in current operations.

2. Summary of Significant Accounting Policies (continued)

Depreciation of capital assets is computed using the straight-line method at various rates considered adequate to allocate costs over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

Asset Class	Years
Buildings	5-50
Other improvements	3-50
Equipment	3-20
Intangibles	5-10

Capitalization of Interest

Interest costs incurred that relate to the acquisition or construction of property, plant and equipment acquired with debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects.

Bond Issuance Costs

Bond issuance costs represent costs incurred in the process of issuing bonds and are amortized over the life of the respective issue on a straight-line basis.

2. Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees accrue annual leave in varying amounts based on length of service combined with position level, up to a maximum of 320 hours. Employees hired prior to October 1, 1997 were previously allowed to accumulate a maximum of 1,560 hours of annual leave. Those employees who had leave balances greater than 320 hours have been required to reduce their employee leave account balances downward over a five year period to the maximum annual leave limit of 320 hours. The declining maximum annual leave limits by fiscal year are shown below.

Year	Maximum
FY2005	800 hours
FY2006	600 hours
FY2007	400 hours
FY2008	320 hours

Once an employee has a leave balance of at least 160 hours, they must take at least 80 hours of leave time-off each fiscal year. Of these leave time-off hours 40 must be taken consecutively. Unused annual leave can be liquidated for cash upon request, separation, retirement or death.

The liability for compensated absences earned through year-end, but not yet taken, is accrued by charging the expense for the change in the liability from the prior year.

Pension Plan

The provision for retirement pension cost is recorded when the related payroll is accrued and the obligation is incurred.

Capital Contributions: Federal and State Grants

The Authority receives federal and state grants in support of its Capital Construction Program. The federal program provides funding for airport development, airport planning and noise compatibility programs from the Airport and Airways Trust Fund in the form of both entitlement and discretionary grants for eligible projects. The State of Florida also provides funds for capital programs.

2. Summary of Significant Accounting Policies (continued)

Certain expenditures for airport capital improvements are funded through the Airport Improvement Program (AIP) of the FAA, with certain matching funds provided by the State of Florida's Department of Transportation and the Authority, or by various State allocations or grant programs. Capital funding provided under government grants is considered earned as the allowable expenditures are incurred.

Grants for capital asset acquisition, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

Passenger Facility Charges

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act which authorized domestic airports to impose a PFC on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects that meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

PFC charges at the rate of $3 per enplaned passenger have been levied by the Airport since April 1, 1994, under an FAA approved application to impose $12,258,255. Since this first Record of Decision the Authority has submitted and received approval to collect, since inception, $109,068,722 through January 1, 2009. In February 2003, with an earliest charge effective date of May 1, 2003, the FAA approved an amendment to Impose and Use Passenger Facility Charge at Jacksonville International Airport at a new level of $4.50. This amendment also permits the Authority to finance certain PFC projects with PFC revenues. Through September 30, 2005, the Authority has collected, including interest earnings, PFCs totaling approximately $86,017,000. PFCs, along with related interest earnings are recognized and recorded as non-operating revenue in the year collected by the air carriers.

The Authority has expended approximately $75,020,000 of PFCs on projects funded on a pay-as-you-go and financing basis.

2. Summary of Significant Accounting Policies (continued)

Arbitrage Rebate Liability

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax-exempt debt in securities with higher yields. The Authority estimates no liability at September 30, 2005 and 2004.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, through subsequent events, actual results could differ from those estimates.

Reclassifications

Certain reclassifications of fiscal year 2004 amounts have been made to conform to the fiscal year 2005 presentation.

3. Investments

Investment Maturity Distribution

Type of investments	Less than One Year	One to Five Years	Total
U.S. government agency Securities	$22,178,918	$3,422,800	$25,601,718
Local government investment Pool	16,390,222	–	16,390,222
Investment in money market mutual fund	22,186,879	–	22,186,879
Total securities, at fair value	$60,756,019	$3,422,800	$64,178,819

3. Investments (continued)

The primary objectives of the Authority's investment policy are the safety of capital, the liquidity of the portfolio and the yield of the investments. Bond proceeds may be invested in securities as permitted in the bond indentures. Otherwise, assets of the Authority may be invested in the (a) Florida Local Government Surplus Funds Trust; (b) United States Government Securities, (c) United States Government Agencies, Federal Instrumentalities; (d) interest bearing time deposit or savings accounts, provided that any such deposits are secured by the Security for Public Deposits Act, Chapter 280, Florida Statutes; (e) repurchase agreements; (f) commercial paper at the time of purchase rated "A-1" by Standard & Poor's and "P-1" by Moody's Investor Services; (g) corporate notes that have a long-term debt rating at the time of purchase, at a minimum "AA" by Standard & Poor's and "Aa" by Moody's Investor Services; (h) bankers' acceptances rated, at a minimum, "A-1" by Standard and Poor's and "P-1" by Moody's Investor Services; (i) State and/or Local Government Taxable and/or Tax-Exempt Debt rated at least "AAA" by Standard and Poor's and "Aaa" by Moody's Investor Services or rated at least "SP-2" by Standard & Poor's or "MIG-2" by Moody's Investor Services for short-term debt; (j) Registered Investment Companies registered under the Federal Investment Company Act of 1940 and operating in accordance with 17 C.F.R. 270.2a-7; and (k) intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.

Consistent with the Authority's investment policy and the bond resolutions: 1) all of the U.S. Government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency of the United States of America and at the time of their purchase were rated AAA by Standard & Poor's; 2) The Local Government Surplus Funds Trust Fund is unrated; it is administered by the State Board of Administration, under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code. The value of the Authority's investment position in the Local Government Surplus Trust Fund external investment pool (2a-7-like pool) is the same as the value of the pool shares. 3) The money market mutual funds are each rated AAA by Standard & Poor's Investors Services. The investments in the Local Government Surplus Funds Trust Fund and the money market mutual funds are classified as cash equivalents on the accompanying balance sheet.

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires the investment

3. Investments (continued)

portfolio to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the Bond Resolution relating to those bond issues. The Authority's investment policy also limits investments in commercial paper to maturities not to exceed 270 days.

Custodial Credit Risk

All securities purchased by, and all collateral obtained by, the Authority under its investment policy shall be properly designated as assets of the Authority and may be held in safekeeping by a third party custodial bank or other third party custodial institution. As of September 30, 2005, all investments of the Authority are held with an appropriate custodian or trustee or are held in accounts in the name of and belonging to the Authority.

Concentration of Credit Risk

Total money market funds held by the Authority shall not exceed 50% of the total value of the investment portfolio exclusive of restricted funds. The Authority's investment in the Local Government Surplus Funds Trust Fund shall not exceed 50% of the total investment portfolio exclusive of restricted funds. Maximum exposure to any one Government Instrumentality shall be limited to 30% of the total investment portfolio exclusive of restricted funds. The Authority shall not exceed 10% of its portfolio value exclusive of restricted funds for each of the following: Commercial Paper, Corporate Bonds, and CMO's and REMIC's.

As of September 30, 2005, all investment holdings of the Authority are in compliance with these policies. Investments in any one issuer representing 5% or more of the Authority's total investments are as follows: $6.49 million (10.11%) invested in issues of the Federal Home Loan Bank, $9.58 million (14.92%) invested in issues of the Federal National Mortgage Association, $9.54 million (25.54%) invested in issues of the Federal Home Loan Mortgage Corporation, $16.39 million (25.54%) invested in the Local Government Investment Pool, $15.69 million (24.45%) invested in Milestone Treasury Obligations Investor Class M-8, and $5.92 million (9.23%) invested in the Fidelity Institutional Money Market Treasury Class III Fund.

3. Investments (continued)

September 30, 2005 *(in thousands)*	Unrestricted	Restricted	Fair Value
Investments:			
U.S. Government and its agencies' securities	$ 9,194	$16,408	$ 25,602
Local Government Surplus Trust Fund	4,280	12,110	16,390
Money market mutual funds	400	21,787	22,187
	$13,874	$50,305	$64,179

September 30, 2004 *(in thousands)*	Unrestricted	Restricted	Fair Value
Investments:			
U.S. Government and its agencies' securities	$ 9,209	$16,471	$25,680
Local Government Surplus Trust Fund	11,017	5,041	16,058
Money market mutual funds	34	26,611	26,645
	$20,260	$48,123	$68,383

4. Receivables

Accounts receivable are recorded net of allowances for possible uncollectible accounts of $2,731,000 and $2,328,000, respectively, at September 30, 2005 and 2004. Accounts receivable at year-end are comprised of the following:

	Percent of Balance September 30	
	2005	2004
Receivable from:		
Airlines	79%	61%
Concessionaires/non-aviation	16	37
Parking customers	5	2

5. Capital Assets

Capital asset activity for the years ended September 30, 2005 and 2004 follows:

	Beginning Balance October 1, 2004	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2005
	(amounts in thousands)			
Capital assets not being depreciated:				
Land	$ 64,166	$ 1,156	$ –	$ 65,322
Construction in progress	49,335	33,212	(24,307)	58,240
Total capital assets not being depreciated	113,501	34,368	(24,307)	123,562
Other capital assets:				
Buildings	119,766	598	–	120,364
Other improvements	337,937	14,216	–	352,153
Equipment	14,459	1,421	–	15,880
Total other capital assets	472,162	16,235	–	488,397
Less: Accumulated depreciation				
Buildings	59,118	3,280	–	62,398
Other improvements	98,228	16,025	–	114,253
Equipment	7,072	1,506	–	8,578
Total accumulated depreciation	164,418	20,811	–	185,229
Other capital assets, net of amortization	2,253	–	(743)	1,510
	$423,498	$39,792	$(25,050)	$428,240

5. Capital Assets (continued)

	Beginning Balance October 1, 2003	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2004
		(amounts in thousands)		
Capital assets not being depreciated:				
Land	$ 63,343	$ 1,701	$ (878)	$ 64,166
Construction in progress	23,242	40,097	(14,004)	49,335
Total capital asset not being depreciated	86,585	41,798	(14,882)	113,501
Other capital assets:				
Buildings	119,622	144	–	119,766
Other improvements	326,878	11,059	–	337,937
Equipment	15,692	1,661	(2,894)	14,459
Total other capital assets	462,192	12,864	(2,894)	472,162
Less: Accumulated depreciation				
Buildings	56,364	2,754	–	59,118
Other improvements	83,684	14,544	–	98,228
Equipment	8,453	1,465	(2,846)	7,072
Total accumulated depreciation	148,501	18,763	(2,846)	164,418
Other capital assets, net of amortization	2,054	1,065	(866)	2,253
	$402,330	$36,964	$(15,796)	$423,498

Depreciation and amortization expense for the years ended September 30, 2005 and 2004 was $21,726,000 and $19,796,000, respectively, which includes amortization associated with Bond Issuance Costs of $173,000 and $167,000, respectively.

6. Capitalized Interest

During fiscal years ended September 30, 2005 and September 30, 2004, the Authority did not acquire any material capital assets associated with the issuance of debt and did not therefore capitalize interest as part of the cost of construction in progress.

7. Pension Plan

Plan Description Florida Retirement System

The majority of the full-time employees of the Authority participate in the Florida State Retirement System (the FRS), a cost sharing multiple-employer defined benefit plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida Legislature. The FRS is administered by the State of Florida, Division of Retirement.

The FRS provides vesting of benefits after six (6) years of creditable service. Members are eligible for normal retirement after they have met one of the following: (1) six years of service and age 62, or the age after age 62 that the member becomes vested, or thirty years of service regardless of age (may include four years military), whichever comes first; or (2) six years of special risk service and age 55, or twenty-five total years of special risk services and age 52 (may include four years wartime military service), or twenty-five total years special risk service, regardless of age, or thirty years of any creditable service, regardless of age (may include four years wartime military service). Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement age. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest years of earnings. The FRS also provides death and disability benefits. Benefits are established by Florida statutes.

The FRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Florida State Retirement System, Division of Policy, Cedars Executive Center Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560, attention Research and Education; or by contacting Research & Education by email at rep@frs.state.fl.us, or by phone at (850) 488-5706.

7. Pension Plan (continued)

City of Jacksonville, Florida General Employees' Pension Plan

The Authority also has five employees who participate in the City of Jacksonville's General Employees' Pension Plan (the Plan) at September 30, 2005. No further employees, either current or future, are eligible to participate in this Plan. The Plan is a cost-sharing, multiple-employer contributory defined benefit pension plan. The Plan is administered by a seven-member board of trustees that makes recommendations to the City Council. The City Council is responsible for establishing or amending the pension plan provisions.

The Plan provides for retirement, survivor, death and disability benefits. Under normal retirement provisions, a member may retire after reaching the age of 55 with 20 years of credited service or at 65 with 5 years or more of credited service. The requirements for early retirement are: (1) when an employee reaches age 50 and has 20 years of service, reduced ½% per month for retirement prior to age 55; (2) any age after 25 years of service adjusted to a benefit accrual rate of 2% per year; and (3) any age after 30 years of creditable service at an unreduced rate of 2 ½% per year.

Benefits vest after 10 years of credited service equal to 2 ½% of a member's average earnings for each year of credited service up to 32 years with a maximum of 80%. Average earnings is the average monthly salary or wages for the highest 36 months of employment within the ten years preceding retirement. The regular benefit is increased by 3% on the April 1 nearest the fifth anniversary of the initial benefit commencement date, and on each April 1 thereafter. A monthly supplement is payable equal to $5 times the number of years of creditable service to subsidize retiree's health insurance. However, only that portion of the increase in excess of the supplement is payable. Members who terminate covered employment with less than ten years of credited service shall be paid a refund of 100% of their contributions to the Plan. There is no mandatory retirement age. The City issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the City of Jacksonville, 117 West Duval Street, Suite 375, Jacksonville, Florida 32202, attention City Comptroller, or by calling (904) 630-1250.

7. Pension Plan (continued)

Funding Policy Florida Retirement System

The Authority is required by Florida Statute to contribute monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level-percentage-of-payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability reemerges, as a result of future plan benefit changes, assumption changes, or methodology changes it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. For both fiscal years 2005 and 2004, the FRS contribution percentage was 18.53%, for special risk participants, 9.11%, for deferred retirement option participants, 9.37%, for senior management participants, and 7.39%, for regular participants. Covered employees are not required to make contributions to the System.

City of Jacksonville, Florida General Employees' Pension Plan

The Authority is required by City Ordinance to contribute 8.82% or 5.42% of eligible wages, depending on the employees' date of hire as of September 30, 2005 and 2004. The City's funding policy provides for contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the entry-age actuarial cost method. Under this method, the cost of each member's projected retirement benefit is funded through a series of payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age. The level-percentage-of-payroll method is also used to amortize the unfunded liability and changes in Plan provisions, actuarial assumptions and gains and losses over a period of 30 years. If the Plan is in a surplus position, the surplus is recognized as an amortization credit in a level dollar amount over 10 years. The amortization period is closed. The employees participating in this Plan are required to contribute 8% of eligible wages which are actuarially determined.

7. Pension Plan (continued)

The contribution requirements to both the FRS and the Plan, were $1,181,000 and $1,102,000, respectively for the years ended September 30, 2005 and 2004 which was equal to the required contribution.

8. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the 457 Plan) created in accordance with IRS Code Section 457. The Plan, which is available to all full-time employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments are managed by the 457 Plan's trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

All 457 Plan assets are held by trustees for the exclusive benefit of participants and beneficiaries. Thus, the assets and liabilities relating to the 457 Plan are not reflected on the Authority's balance sheet. The market value of the 457 Plan's investments was $3,336,000 and $2,962,000, respectively, as of September 30, 2005 and 2004.

The Authority also offers its employees a deferred compensation plan (the 401(a) Plan), created in accordance with the IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of participants and beneficiaries. The market value of the 401(a) Plan's investments was $689,000 and $535,000, respectively, as of September 30, 2005 and 2004.

9. Long-Term Indebtedness

A summary of the long-term indebtedness changes follows (amounts in thousands):

	October 1, 2004 Balance	Increases	Decreases	September 30, 2005 Balance	Amounts Due Within One Year
Revenue bonds	$ 81,870	$ –	$42,645	$ 39,225	$ 790
Revenue refunding bonds	75,065	41,815	4,265	112,615	4,355
Revenue notes	6,655	–	259	6,396	276
Notes payable	1,875	–	1,275	600	600
Line of credit	50	–	–	50	50
	165,515	41,815	48,444	158,886	$6,071
Unamortized deferred loss on bond refunding	(6,672)	(1,587)	521	(7,738)	
Unamortized bond discount	(240)	(68)	240	(68)	
Unamortized bond premium	5,544	–	(426)	5,118	
Total bonds and notes payable	$164,147	$40,160	$48,109	$156,198	

9. Long-Term Indebtedness (continued)

	October 1, 2003 Balance	Increases	Decreases	September 30, 2004 Balance	Amounts Due Within One Year
Revenue bonds	$ 46,115	$37,950	$2,195	$ 81,870	$2,405
Revenue refunding bonds	75,065	–	–	75,065	4,265
Revenue notes	6,898	–	243	6,655	259
Notes payable	3,225	–	1,350	1,875	1,275
Line of credit	50	–	–	50	–
	131,353	37,950	3,788	165,515	$8,204
Unamortized deferred loss on bond refunding	(7,185)	–	513	(6,672)	
Unamortized bond discount	(253)	–	13	(240)	
Unamortized bond premium	5,971	–	(427)	5,544	
Total bonds, notes and capital leases payable	$129,886	$37,950	$3,689	$164,147	

Authority Debt Issues

2003 Airport Revenue Bonds, Series B-1 and B-2

In fiscal year 2004, the Authority issued $37,950,000 of Airport Revenue Bonds, Series 2003B-1 and B-2, which were initially issued as Auction Rate Certificates. These bonds were remarketed during the fiscal year and now operate under the Weekly Rate Period. At any given time, any particular Series 2003B Bonds may operate in any one (but not more than one) of the following rate periods: the Auction Period, Daily Rate Period, Weekly Rate Period, Short-Term Rate Period, Long-Term Rate Period or Fixed Rate Period. Interest payment dates and Auction dates will generally occur every 35 days with principal maturing in varying amounts through October 1, 2023. The proceeds of the Series 2003B-1 and 2003B-2 Bonds will be used for the acquisition, construction and installation of capital improvements at Jacksonville International Airport. The 2003B-1 and B-2 Bonds are insured by Financial Security Assurance, Inc. The 2003B-1 and B-2 Bonds were assigned an underlying rating of "A2" by Moody's and "A" by Fitch.

9. Long-Term Indebtedness (continued)

Maturities of the long-term outstanding revenue bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2005 (amounts in thousands):

Year ended	Principal	Interest	Total
2006	$ –	$ 568	$ 568
2007	1,625	956	2,581
2008	1,750	908	2,658
2009	1,725	860	2,585
2010	1,850	809	2,659
2011-2015	9,950	3,235	13,185
2016-2020	10,800	1,734	12,534
2021-maturity	7,125	409	7,534
	$34,825	$9,479	$44,304

2003 Airport Revenue Refunding Bonds, Series A-1 & A-2

In 2003, the Authority issued $75,065,000 of Airport Revenue Refunding Bonds, with interest rates ranging from 2.0% to 5.25%, with principal maturing in varying amounts through October 1, 2017. The proceeds of the Series 2003A-1 Bonds were used to refund the Jacksonville Port Authority Airport Revenue Refunding Bonds, Series 1993, fund the reserve requirement for the bonds and pay the cost of issuance of the bonds. The proceeds of the Series 2003A-2 Bonds were used to refund the Jacksonville Port Authority Airport Revenue Refunding Bonds, Series 1998, fund the reserve requirement for the bonds and pay the cost of issuance of the bonds. The 2003A-1 and A-2 Bonds are insured by Financial Guaranty Insurance Company. The 2003A-1 and A-2 Bonds were assigned an underlying rating “A3” by Moody’s and “A” by Fitch.

The Authority through the defeasance of the 1993 and 1998 Revenue Refunding Bonds reduced its aggregate debt service payments by $8,195,000 over the next 15 years and will obtain an economic gain (difference between the present value of debt service of the refunded bonds and cash escrow) of $5,786,000.

9. Long-Term Indebtedness (continued)

Maturities of the long-term outstanding revenue refunding bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2005 (amounts in thousands):

Year ended	Principal	Interest	Total
2006	$ 4,355	$ 2,999	$ 7,354
2007	4,470	2,866	7,336
2008	4,620	2,702	7,322
2009	4,795	2,516	7,311
2010	4,985	2,337	7,322
2011-2015	28,120	8,274	36,394
2016-maturity	19,455	1,452	20,907
	$70,800	$23,146	$93,946

2000 Airport Revenue Bonds, Series A & B

In 2000, the Authority issued $47,460,000 of Jacksonville Port Authority, Airport Revenue Bonds, with interest rates ranging from 4.5% to 6.25%, with principal maturing in varying amounts through October 1, 2024 for the Series A Bonds and October 1, 2012 for the Series B Bonds. The Bond proceeds were used for the acquisition, construction and installation of capital improvements at Jacksonville International Airport. The Series A Bonds were refunded with proceeds from the Series 2005 Bonds, which were issued August 25, 2005. The long term portion of the 2000A Bonds, $40,240,000 was legally defeased on August 25, 2005. This balance was paid on October 3, 2005. The remaining balance of $790,000 remained in short term debt as of September 30, 2005. The 2000A and B Bonds are insured by Financial Guaranty Insurance Company.

9. Long-Term Indebtedness (continued)

Maturities of the long-term outstanding revenue refunding bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2005 (amounts in thousands):

Year ended	Principal	Interest	Total
2006	$ 790	$ 192	$ 982
2007	–	192	192
2008	–	192	192
2009	–	192	192
2010	370	182	552
2011-2015	3,240	266	3,506
	$4,400	$1,216	$5,616

The Authority, through the defeasance of the 2000 Series A Bonds, reduced its aggregate debt service payments by $7,033,000 over the next 19 years and will obtain an economic gain (difference between the present value of the refunded bonds and cash escrow) of $4,846,000.

2005 Airport Revenue Refunding Bonds

In 2005, the Authority issued $41,815,000 of Airport Revenue Refunding Bonds, which were initially issued as Weekly Certificates. At any given time, any particular Series 2005 Bonds may operate in any one (but not more than one) of the following rate periods: the Auction Period, Daily Rate Period, Weekly Rate Period, Short-Term Rate Period, Long-Term Rate Period or Fixed Rate Period. Interest payment dates will occur the first business day of each calendar month with principal maturing in varying amounts through October 1, 2024. The proceeds of the Series 2005 Bonds will be used to refund the Authority's outstanding Airport Revenue Bonds, Series 2000A, and to pay the costs of issuing the Series 2005 Bonds. The 2005 Bonds are insured by Financial Guaranty Insurance Company. The 2005 Bonds were assigned an underlying rating of "A2" by Moody's and "A" by Fitch.

9. Long-Term Indebtedness (continued)

Maturities of the long-term outstanding revenue bond issue will require the following principal and interest payments based on the amounts outstanding at September 30, 2005 (amounts in thousands):

Year ended	Principal	Interest	Total
2006	$ –	$ 1,105	$ 1,105
2007	815	1,824	2,639
2008	1,040	1,783	2,823
2009	1,085	1,736	2,821
2010	765	1,696	2,461
2011-2015	3,365	8,189	11,554
2016-2020	12,390	6,594	18,984
2021-maturity	22,355	2,550	24,905
	$41,815	$25,477	$67,292

2002 Revenue Note

In 2002, the Authority entered into an $8,000,000 Revenue Note for the acquisition, construction and installation of a three-story administrative building to be located at Jacksonville International Airport. The Revenue Note consists of two series, 2002A Subordinated Tax-Exempt Revenue Note which will not exceed $5,666,667 and a 2002B Subordinated Taxable Revenue Note which will not exceed $2,333,333, with variable interest rates calculated by taking the one month LIBOR plus 18 basis points for the tax-exempt portion of the Revenue Note and plus 125 basis points for the taxable portion of the Revenue Note. The term for the 2002A Revenue Note is October 1, 2021 and the 2002B Revenue Note is October 1, 2011. The Revenue Note is subordinate to the 2000 Revenue Bonds and 2003A Revenue Refunding Bonds.

As of September 30, 2005, the Authority had $6,396,000 outstanding principal balance on the Revenue Note.

9. Long-Term Indebtedness (continued)

Maturities of the long-term outstanding Revenue Note will require the following principal and interest payments based on the amounts outstanding at September 30, 2005 (amounts in thousands):

Year ended	Principal	Interest	Total
2006	$ 276	$ 246	$ 522
2007	294	245	539
2008	310	231	541
2009	330	216	546
2010	300	199	499
2011-2015	1,619	847	2,466
2016-2020	2,745	405	3,150
2021-maturity	522	14	536
	$6,396	$2,403	$8,799

2002 Subordinated Revenue Notes (Revolving Line of Credit), Series 2002C & 2002D

In October 2002, the Authority entered into a $25,000,000 revolving line of credit to provide interim financing for the acquisition, construction and installation of certain capital improvements to the airport system. The revolving line of credit consists of two series; a 2002C Subordinated Taxable Revenue Note and a 2002D Subordinated Tax Exempt Revenue Note which when both series are combined will not exceed $25,000,000, with variable interest rates calculated by taking the one month LIBOR plus 115 basis points for the taxable Revenue Note and plus 70 basis points for the tax exempt portion of the Revenue Note, with principal maturing in varying amounts through October 1, 2017. The Revolving Credit Period extends to and includes the third anniversary of the Revenue Note, which is October 31, 2005. The Revolving Credit Period is subject to extension through amendment to the Loan Agreement. As of September 30, 2005, the Authority had an outstanding principal balance of $50,000. The Revenue Note is subordinate to the 2000 and 2003B Revenue Bonds, 2003A Revenue Refunding Bonds.

9. Long-Term Indebtedness (continued)

Maturities of the long-term outstanding Revolving Line of Credit will require the following principal and interest payments based on the amounts outstanding at September 30, 2005 (amounts in thousands):

Year ended	Principal	Interest	Total
2006	$50	$1	$51
	$50	$1	$51

Notes Payable

In 2002, the Authority entered into a Real Estate Purchase Agreement for the purchase of approximately 317.25 acres in the amount of $2,926,000, with an interest rate of 6.5%, with principal maturing in varying amounts through October 2004. This Agreement was paid for in full. As of September 30, 2005, the Authority has no outstanding principal balance remaining on the Real Estate Purchase Agreement.

In 2002, the Authority entered into an Interlocal Agreement with the City. The City transferred and assigned all of its right, title and interest to a Lease, and to the assets funded by the City in connection with the rehabilitation of facilities located on Authority property at Cecil Field to the Authority. In return, the Authority agreed to pay the City $1,000,000 for the transfer of the improvements, with respect to the Lease, with no interest cost, with principal maturing in varying amounts through 2006. As of September 30, 2005, the Authority had an outstanding principal balance of $600,000.

In 2002, the Authority entered into a Sublease Termination Agreement with a Tenant. The Tenant conveyed, released, and quitclaimed to the Authority the Tenant's improvements. In return, the Authority agreed to pay the Tenant $400,000 with no interest cost, with principal maturing in varying amounts through 2004. This amount was paid in full. As of September 30, 2005, the Authority had no outstanding principal balance remaining on the Sublease Termination Agreement.

9. Long-Term Indebtedness (continued)

Maturities of the long-term outstanding Notes Payable will require the following principal and interest payments based on the amount outstanding at September 30, 2005 (amounts in thousands):

Year ended	Principal	Interest	Total
2006	$600	$–	$600
	$600	$–	$600

Annual requirements to amortize all outstanding long-term debt as of September 30, 2005 are as follows (amounts in thousands):

Year ending September 30	Revenue Bond Issue	Revenue Refunding Bond Issue	Revenue Notes	Notes Payable	Line of Credit	Total Principal	Total Interest
2006	$1,550	$ 8,459	$ 522	$ 600	$ 51	$6,071	$ 5,111
2007	2,773	9,975	539	–	–	7,204	6,083
2008	2,850	10,145	541	–	–	7,720	5,816
2009	2,777	10,132	546	–	–	7,935	5,520
2010	3,211	9,783	499	–	–	8,270	5,223
2011-2015	16,691	47,948	2,466	–	–	46,294	20,811
2016-2020	12,534	39,891	3,150	–	–	45,390	10,185
2021-maturity	7,534	24,905	536	–	–	30,002	2,973
	$ 49,920	$161,238	$8,799	$ 600	$ 51	$158,886	$61,722

9. Long-Term Indebtedness (continued)

Interest Rate Swap Agreement between UBS AG and the Jacksonville Aviation Authority

In April 2003 the Authority identified the Airport Revenue Bonds, Series 2000 (the "Series 2000 Bonds") as strong candidates for a fixed rate refunding given their relatively high coupon in comparison to prevailing interest rates. The Authority decided to take advantage of historically low interest rates by entering into a "synthetic" advance refunding by using a floating-to-fixed interest rate swap to generate significant savings. The combination of auction-rate securities and a floating-to-fixed swap together create "synthetic" fixed-rate debt. After the refunding, the swap serves as a hedge of the Authority's Series 2005 Refunding Bonds (the "Series 2005 Bonds"), which were issued as auction-rate securities. The Series 2005 Refunding Bonds were issued to refund the Authority's Airport Revenue Bonds, Series 2000 (the "Series 2000 Bonds").

The swap consists of a $41,815,000 19-year interest rate swap under which the Authority pays UBS a fixed rate of 4.405 percent and receives the floating BMA Index. The swap's notional amount of $41.815 million matches the $41.815 million auction rate bonds. The Authority's obligations under the swap are insured by Financial Guaranty Insurance Company. The bonds bear interest at a Weekly Rate, based on weekly periods commencing on Wednesday of each week. The bonds and the related swap agreement mature on October 1, 2024. The BMA Municipal rate was 2.49% for the week of August 25, 2005, which was the effective date of the swap agreement.

The Authority received no upfront fees related to the swap transaction executed on July 14, 2003. As per the terms of the swap, on behalf of the Authority, an advisory fee of approximately $36,000 was paid by UBS in respect of the swap to the Financial Advisor, Public Financial Management. This fee was contingent upon completion of the swap transaction.

9. Long-Term Indebtedness (continued)

The refunding of the Series 2000 Bonds using this synthetic fixed rate structure generated an expected net present value savings of $4.84 million, or 12.02 percent of the refunded Bonds.

Fair Value

As of September 30, 2005 the fair value of the swap was approximately ($2,106,011) which represents the amount the Authority would have to pay to exit the swap transaction as of that date based on prevailing interest rates.

Associated Bond Issue	Series 2000 Bonds
Notional Amount	$41,815,000
Effective Date	8/26/2005
Termination Date	10/1/2024
Swap Fixed Rate	4.405%
Swap Variable Rate	BMA Index
Fair Value	($2,106,011)
Counterparty	UBS
Counterparty Credit Rating	Aa2/AA+

Risks

Credit Risk

As of September 30, 2005, the Authority was not exposed to credit risk, or the risk of economic loss due to a counterparty default on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair values of the swap become positive the Authority would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain varying collateral agreements with the counterparties. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

9. Long-Term Indebtedness (continued)

Termination Risk

The Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt

Using rates as of September 30, 2005, debt service requirements of the auction rate bonds and net swap payments, assuming current interest rates remain the same, are as follows. As rates vary, auction rate bond interest payments and net swap payments will vary.

Fiscal Year Ending Sept 30	Auction Rate Bonds		Interest	
	Principal	Interest	Swaps, Net	Total
2006	$ –	$ 1,175	$ 46	$ 1,221
2007	815	1,175	765	2,755
2008	1,040	1,152	744	2,936
2009	1,085	1,123	724	2,932
2010	765	1,092	711	2,569
2011-2015	3,365	5,271	3,438	12,074
2016-2020	12,390	4,380	2,645	19,415
2021-2024	22,355	1,941	798	25,094
	$41,815	$17,309	$9,870	$68,995

The Weekly Rate, for the auction rate bonds, was 2.81% as of September 30, 2005.

The BMA Rate, for the swap payments received, was 2.53344% as of September 30, 2005.

10. Airline Lease and Use Agreements

The Airline Agreements provide for the lease to Signatory Airlines of exclusive use of certain premises, non-exclusive use of certain public use premises in the Terminal and in the Ramp Area and non-exclusive use of the Landing Area at Jacksonville International Airport. The current Signatory Airline Agreement has a 20-year term and expires on September 30, 2007.

For the purposes of accounting for costs, expenses and revenues and establishing Signatory Airline rentals, fees and charges, the Airline Agreements provide for dividing the Airport System into separate cost centers. Certain cost centers are designated direct cost centers and others are designated indirect cost centers. The indirect cost centers are used to accumulate indirect costs which are then allocated to the direct cost centers. Two direct cost centers, the Terminal and the Airfield are included in the establishment of rentals, fees and charges for Signatory Airlines. The Airline Agreements provide that the aggregate of rentals, fees and charges of all Signatory Airlines will be sufficient to pay for the net costs attributable to the Airfield and that percentage of the Terminal derived by dividing the aggregate number of square feet of rentable space in the Terminal demised to Signatory Airlines as Exclusive Use Premises and Joint Use Premises by the total aggregate number of square feet of rentable space in the Terminal, which costs will include the satisfaction of all of the Authority's obligations to make deposits and payments under the Bond Resolution which are properly attributable to such areas. Notwithstanding the foregoing, no Signatory Airline will be obligated under the Airline Agreements to pay Terminal rentals, fees and charges properly charged against another Signatory Airline and not paid by such other Signatory Airline. In addition, satisfaction of all of the Authority's obligations to make deposits and payments under the Bond Resolution which are properly attributable to new loading bridges, baggage make-up conveyors and devices and other Terminal equipment which constitute part of the Project will be paid by the Signatory Airlines to which such equipment is leased.

The remaining cost centers ("Excluded Cost Centers") of the Airport System are Ground Transportation, Non-Aviation, Craig Airport, Herlong Airport, Aviation and Cecil Field. The Signatory Airlines have no responsibility under the Airline Agreements for the payment of any costs incurred by the Authority and attributable to the Excluded Cost Centers.

Approximately ninety percent of the net costs attributable to the Airfield are allocated among the Signatory Airlines on the basis of landed weight of aircraft and paid as landing fees. The net costs of the Ramp Area are deemed to be approximately ten percent of the net costs attributable to the Airfield and are allocated among the Signatory Airlines on the basis of linear footage of aircraft Parking Positions and paid as Aircraft Parking Position fees. All costs attributable to the

10. Airline Lease and Use Agreements (continued)

Terminal, except for costs attributable to Terminal equipment which are payable by the Signatory Airlines to which such equipment is leased, are allocated on the basis of total rentable space in the Terminal. Each Signatory Airline is responsible for the payment of rentals, fees and charges sufficient to pay those costs allocated to the premises in the Terminal leased to such airline.

Rentals, fees and charges for the Signatory Airlines will be sufficient to provide for the payment of all net costs attributable to the Airfield and to new loading bridges, baggage make-up conveyors and devices and other Terminal equipment which constitute part of the Project and approximately sixty-six percent of all other costs attributable to the Terminal. It is anticipated that revenues of the Terminal other than rentals, fees and charges of Signatory Airlines, together with the net revenues of the Excluded Cost Centers, will be sufficient to pay the Operation and Maintenance Expenses and Bond Service Charges for the Series 2003A-1, Series 2003A-2, Series 2003B-2 and Series 2005 Bonds attributable to the remaining rentable space in the Terminal and to all Excluded Cost Centers.

The Authority is obligated under the Airline agreements to make Transfers for each Fiscal Year of a portion of any excess of (1) Net Operating Revenues plus the required Transfer for the prior Fiscal Year over (2) payments necessary to establish and maintain the Operation and Maintenance Reserve Requirement, Capital Charges, Capital Charge Coverage attributable to Terminal equipment and any required deposits to the Reserve Fund for such Fiscal Year, which Transfers will reduce the rentals, fees and charges otherwise payable by the Signatory Airlines for such Fiscal Year.

From 2003 through the remaining term of the Signatory Airline Agreement, the sharing will be 40% to the Signatory Airlines and 60% to the Authority.

11. Airport Tenant Agreements

The Authority has entered into concession agreements with tenants for the use of certain Airport facilities including, but not limited to, ready/return rental car parking areas, buildings, terminals, customer service areas, advertising, food and beverage, retail, on-airport rental cars and vending machines. Normally, the terms of the agreement include a fixed minimum annual guarantee (MAG) payment to the Airport as well as additional contingent payments based on the tenants' annual sales volume of business. Revenues exceeded the MAG amounts due in 2005 of $8,483,000 by $13,280,000. Revenues exceeded the MAG amounts due in 2004 of $9,302,000 by $12,894,000. Some of the agreements provide for a periodic review and re-determination of the payment amounts.

Minimum future rental income for each of the next five years and thereafter, excluding contingent amounts on non-cancelable operating leases at September 30, 2005, is as follows (amounts in thousands):

Year	Total
2006	$22,876
2007	16,954
2008	5,464
2009	4,040
2010	2,930
2011-2015	12,798
2016-2020	8,415
2021-2025	4,295
2026-thereafter	4,348
	$82,120

12. Capital Contributions

The Authority receives, on a reimbursement basis, grants from the State of Florida and the U.S. Government for certain capital construction projects through the AIP. As a recipient of state and federal financial assistance, the Authority is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to this program. This program is subject to federal and state audit. Total federal and state grant work performed was $17,172,000 and $13,050,000, respectively, for the years ended September 30, 2005 and 2004. The Authority estimates that no material disallowances will result from such audits.

12. Capital Contributions (continued)

The Authority received federal and state grants for operating and capital programs for the years ended September 30, 2005 and 2004 as summarized in the tables below (amounts in thousands):

	2005	2004
Capital programs:		
State grants for construction	$ 5,629	$ 5,868
Federal grants for construction	11,543	6,801
Tenant contribution for construction	–	381
	$17,172	$13,050

The Authority receives federal and state grants in support of its Capital Construction Program. The federal program provides funding for airport development, airport planning and other eligible programs from the Airports and Airways Trust Funds in the form of entitlement and discretionary grants for eligible projects. The State also provides discretionary funds for capital programs. In addition, the Authority received capital contributions from tenants for funding portions of capital projects.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the statements of revenues, expenses and changes in net assets as capital contributions.

13. Operating Grants

	Year Ended September 30	
	2005	2004
Operating programs:		
FAA Grant	$ 76	$ –
FAA K-9 program	143	114
State grant	32	2
State law enforcement forfeiture	65	1
Federal law enforcement forfeiture	2	21
	$318	$138

13. Operating Grants (continued)

The FAA and State Grant funds are used to offset the additional security and training related expenses incurred as a result of September 11. The FAA K-9 program funds are used to offset expenses of training, caring for and working with the explosive detection dogs. The State and Federal Law Enforcement Forfeiture programs fund certain expenses associated with law enforcement.

Grants for operating programs for the year ended September 30, 2005 and 2004 are reported in the statement of revenues, expenses and changes in net assets as non-operating revenue. All of the amounts above were used to offset operating expenses in the statements of revenues, expenses and changes in net assets for the years ended September 30, 2005 and 2004.

14. Payments to Other Governments

During fiscal years ended September 30, 2005 and 2004, the Authority spent approximately $443,000 and $120,000, respectively, in an effort to advance a study on the proposed Jacksonville International Airport North International Airport Boulevard Planning, Development and Engineering Study. Based on the results of the study the State of Florida may plan to construct a North Access Road which will provide an alternate gateway to Jacksonville International Airport from Interstate 95 and replace the circulation functions of Pecan Park Road. In addition, the Authority paid approximately $13,000 to the First Coast Metropolitan Planning Organization in each of the fiscal years ended September 30, 2005 and 2004.

15. Commitments and Contingencies

Terminal and Capital Improvement Program - As of September 30, 2005 and 2004, the Authority has outstanding contractual commitments for completion of certain capital improvement projects, totaling $19,223,000 and $33,674,000 of which an estimated $11,138,000 and $7,697,000 is eligible for partial reimbursement, respectively, from both the FAA and the State of Florida. The remaining amount is expected to be funded from existing PFCs, debt instruments and/or future debt issuance, and Authority funds.

Concentration of Credit Risk – The Authority leases facilities to the airlines under certain leases and/or use agreements and to other businesses under agreements to operate concessions within the Airport System. Amounts due from airlines represent approximately 79% and 61% of accounts receivable and 30% and 31% of operating revenues for 2005 and 2004, respectively.

15. Commitments and Contingencies (continued)

Compliance Audits – The Authority participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government or agency. An independent audit of these programs has been performed for the year ended September 30, 2004 in compliance with the Single Audit Act of 1984 and OMB Circular A-133 and is currently being conducted for the year ended September 30, 2005. The amount, if any, of expenditures which may be disallowed by the granting government or agency is expected to be immaterial.

Litigation – The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Authority's attorney the resolution of these matters will not have a material adverse effect on the financial position of the Authority.

16. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability, and workers' compensation coverage. The Authority's expense is the premium charged by the City's self-insurance plan. The Authority has excess coverage for individual workers' compensation claims above $1,200,000. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis depending on the claims experience of the Authority and other participants in the City's self-insurance programs. The Authority's workers' compensation expense is the premium charged by the City's self-insurance plan. Premium expense amounted to $333,000 and $511,000 for the years ended September 30, 2005 and 2004, respectively. The Authority is also a participant in the City's property insurance program. Property insurance premium expenses amounted to $498,000 and $445,000 for the years ended September 30, 2005 and 2004, respectively. The Authority is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to $12,000 and $11,000 for the years ended September 30, 2005 and 2004, respectively.

As a part of the Authority's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs. In addition, all tenants and users of the Airport System are required to have commercial insurance coverage naming the Authority as additional insured.

17. Subsequent Events

On October 26, 2005, a First Supplement to Loan Agreement was created. Through this document, the Authority obtained an extension of the Revolving Credit Period related to its $25,000,000 2002D Subordinated Tax Exempt Revenue Note. The line of credit was to expire on October 31, 2005. The Supplement amends the Revolving Credit Period to extend through October 31, 2007. The outstanding balance of this line of credit remains at $50,000.

During the fall of 2005, the Authority moved forward with negotiations for a new bond issue. This bond issue will be for approximately $175 million. It will fund the planned terminal expansion. Funding is expected during the third or fourth quarter of fiscal year 2006.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of
Jacksonville Aviation Authority

We have audited the balance sheets of Jacksonville Aviation Authority (the Authority), a component unit of the City of Jacksonville, Florida, as of September 30, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and have issued our report thereon dated January 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated January 13, 2006.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

January 13, 2006

STATISTICAL SECTION (UNAUDITED)

Jacksonville Aviation Authority
Jacksonville, Florida

Operating Revenues and Operating Expenses

Last Ten Fiscal Years (in thousands)

(unaudited)

	2005	2004	2003	2002
Operating revenues	$57,801	$52,230	$43,534	$40,309
Operating expenses	36,564	33,902	29,359	25,326
Operating income before depreciation and amortization	21,237	18,328	14,175	14,983
Depreciation and amortization	21,726	19,796	17,977	17,977
Operating income (loss)	$ (489)	$ (1,468)	$ (3,991)	$ (2,994)

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2002-2005 and formerly Port Authority Aviation Division 1995-2001) audited financial statements

2001	2000	1999	1998	1997	1996
$37,441	$ 37,758	$ 34,511	$ 32,786	$ 29,689	$ 27,511
27,443	22,691	19,487	17,669	15,848	15,462
9,998	15,067	15,024	15,117	13,841	12,049
12,748	11,414	9,107	8,604	8,279	8,282
$ (2,750)	$ 3,653	$ 5,917	$ 6,513	$ 5,562	$ 3,767

Jacksonville Aviation Authority
Jacksonville, Florida

Changes in Cash and Cash Equivalents
Last Ten Fiscal Years (in thousands)
(unaudited)

	2005	2004	2003	2002
Cash flows from operating activities	$23,375	$19,167	$12,893	$13,003
Cash flows from non-capital financing Activities	434	204	842	861
Cash flows from capital and related financing Activities	(28,870)	20,850	(29,009)	(40,846)
Cash flows from investing activities	1,024	(7,742)	5,358	12,585
Net change in cash and cash equivalents	(4,037)	32,479	(9,916)	(14,397)
Cash and equivalents, beginning of year	53,349	20,870	30,786	45,183
Cash and equivalents, end of year	49,312	$53,349	$20,870	$30,786
Non-cash investing, capital and financing activities				
Acquisition of assets through notes payable	$ 157	$ 279	$ 311	$ 4,326

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2002-2005 and formerly Port Authority Aviation Division 1995-2001) audited financial statements

2001	2000	1999	1998	1997	1996
$11,084	$ 15,050	$ 15,180	$ 14,918	$ 11,894	$ 11,105
-	-	-	-	-	-
(45,091)	18,069	(12,150)	(22,694)	(11,201)	(3,175)
49,136	(16,632)	(24,755)	21,312	195	(1,431)
15,129	16,757	(21,725)	13,536	888	6,499
30,054	13,297	35,022	21,486	20,598	14,099
$45,183	$ 30,054	$ 13,297	$ 35,022	$ 21,486	$ 20,598
$ -	$ -	$ -	$ -	$ -	$ -

Jacksonville Aviation Authority
Debt Service Other Payment Obligations
As of September 30, 2005 (unaudited)

		Series 2000A (AMT)				Series 2000B (Non-AMT)			
Date	Fiscal Year	Principal	Coupon	Interest	Debt Service Year	Principal	Coupon	Interest	Debt Service Year
10/1/2005	2006	790,000		-	790,000			95,791	95,791
4/1/2006	2006			-	-			95,791	-
10/1/2006	2007			-	-			95,791	191,582
4/1/2007	2007			-	-			95,791	-
10/1/2007	2008			-	-			95,791	191,582
4/1/2008	2008			-	-			95,791	-
10/1/2008	2009			-	-			95,791	191,582
4/1/2009	2009			-	-			95,791	-
10/1/2009	2010			-	-	370,000	5.200%	95,791	561,582
4/1/2010	2010			-	-			86,171	-
10/1/2010	2011			-	-	1,025,000	5.250%	86,171	1,197,342
4/1/2011	2011			-	-			59,265	-
10/1/2011	2012			-	-	1,080,000	5.300%	59,265	1,198,530
4/1/2012	2012			-	-			30,645	-
10/1/2012	2013			-	-	1,135,000	5.400%	30,645	1,196,290
4/1/2013	2013			-	-			-	-
10/1/2013	2014			-	-			-	-
4/1/2014	2014			-	-			-	-
10/1/2014	2015			-	-			-	-
4/1/2015	2015			-	-			-	-
10/1/2015	2016			-	-			-	-
4/1/2016	2016			-	-			-	-
10/1/2016	2017			-	-			-	-
4/1/2017	2017			-	-			-	-
10/1/2017	2018			-	-			-	-
4/1/2018	2018			-	-			-	-
10/1/2018	2019			-	-			-	-
4/1/2019	2019			-	-			-	-
10/1/2019	2020			-	-			-	-
4/1/2020	2020			-	-			-	-
10/1/2020	2021			-	-			-	-
4/1/2021	2021			-	-			-	-
10/1/2021	2022			-	-			-	-
4/1/2022	2022			-	-			-	-
10/1/2022	2023			-	-			-	-
4/1/2023	2023			-	-			-	-
10/1/2023	2024			-	-			-	-
4/1/2024	2024			-	-			-	-
10/1/2024	2025			-	-			-	-
4/1/2025	2025			-	-			-	-
10/1/2025	2026			-	-			-	-
4/1/2026	2026			-	-			-	-
10/1/2026	2027			-	-			-	-
4/1/2027	2027			-	-			-	-
10/1/2027	2028			-	-			-	-
4/1/2028	2028			-	-			-	-
10/1/2028	2029			-	-			-	-
4/1/2029	2029			-	-			-	-
10/1/2029	2030			-	-			-	-
4/1/2030	2030			-	-			-	-
TOTAL		$ 790,000		$ -	$ 790,000	$ 3,610,000		1,214,281	$ 4,824,281
Call Feature		10/01/2005 @ 102% DTP 07				11/01/2005 @ 102% DTP 07			
Purpose		Capital Improvements to JIA 100% New Money				Capital Improvements to JIA 100% New Money			
Refunding Eligibility		AMT bonds are not advance refundable Forward Refundable				Advance Refundable			

(1) Table does not include notes payable of $600,000.
(2) The Series 2003B-1 and B-2 Auction Rate Securites interest is calculated using the interest rate in effect as of September 30, 2005.
(3) The Series 2005 Securities interest is calculated using the rate specified in the swap agreement.
(4) The Series 2002A, B and D Bank Loan interest is calculated using the interest rate in effect as of September 30, 2005.

Source: Jacksonville Aviation Authority
Public Financial Management

Jacksonville Aviation Authority
Debt Service Other Payment Obligations
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Series 2003A-1 (Non-AMT)				Series 2003A-2 (AMT)					
Principal	Coupon	Interest	Debt Service Year	Principal	Coupon	Interest	Debt Service Year	Date	Fiscal Year
1,595,000	2.000%	403,201	1,998,201	2,760,000	Split	1,126,694	3,886,694	10/1/2005	**2006**
-		387,251	-	-		1,082,144	-	4/1/2006	**2006**
1,620,000	2.000%	387,251	2,394,503	2,850,000	4.000%	1,082,144	5,014,288	10/1/2006	**2007**
-		371,051	-	-		1,025,144	-	4/1/2007	**2007**
1,655,000	2.000%	371,051	2,397,103	2,965,000	5.000%	1,025,144	5,015,288	10/1/2007	**2008**
-		354,501	-	-		951,019	-	4/1/2008	**2008**
1,685,000	2.000%	354,501	2,394,003	3,110,000	5.000%	951,019	5,012,038	10/1/2008	**2009**
-		337,651	-	-		873,269	-	4/1/2009	**2009**
1,720,000	2.250%	337,651	2,395,303	3,265,000	4.000%	873,269	5,011,538	10/1/2009	**2010**
-		318,301	-	-		807,969	-	4/1/2010	**2010**
1,755,000	2.625%	318,301	2,391,603	3,390,000	5.000%	807,969	5,005,938	10/1/2010	**2011**
-		295,267	-	-		723,219	-	4/1/2011	**2011**
1,805,000	2.800%	295,267	2,395,534	3,570,000	5.250%	723,219	5,016,438	10/1/2011	**2012**
-		269,997	-	-		629,506	-	4/1/2012	**2012**
1,855,000	3.000%	269,997	2,394,994	3,755,000	5.250%	629,506	5,014,013	10/1/2012	**2013**
-		242,172	-	-		530,938	-	4/1/2013	**2013**
1,915,000	3.125%	242,172	2,399,344	3,950,000	5.250%	530,938	5,011,875	10/1/2013	**2014**
-		212,250	-	-		427,250	-	4/1/2014	**2014**
1,970,000	5.000%	212,250	2,394,500	4,155,000	5.000%	427,250	5,009,500	10/1/2014	**2015**
-		163,000	-	-		323,375	-	4/1/2015	**2015**
2,070,000	5.000%	163,000	2,396,000	4,355,000	5.000%	323,375	5,001,750	10/1/2015	**2016**
-		111,250	-	-		214,500	-	4/1/2016	**2016**
2,170,000	5.000%	111,250	2,392,500	4,580,000	5.000%	214,500	5,009,000	10/1/2016	**2017**
-		57,000	-	-		100,000	-	4/1/2017	**2017**
2,280,000	5.000%	57,000	2,394,000	4,000,000	5.000%	100,000	4,200,000	10/1/2017	**2018**
		-	-			-	-	4/1/2018	**2018**
		-	-			-	-	10/1/2018	**2019**
		-	-			-	-	4/1/2019	**2019**
		-	-			-	-	10/1/2019	**2020**
		-	-			-	-	4/1/2020	**2020**
		-	-			-	-	10/1/2020	**2021**
		-	-			-	-	4/1/2021	**2021**
		-	-			-	-	10/1/2021	**2022**
		-	-			-	-	4/1/2022	**2022**
		-	-			-	-	10/1/2022	**2023**
		-	-			-	-	4/1/2023	**2023**
		-	-			-	-	10/1/2023	**2024**
		-	-			-	-	4/1/2024	**2024**
		-	-			-	-	10/1/2024	**2025**
		-	-			-	-	4/1/2025	**2025**
		-	-			-	-	10/1/2025	**2026**
		-	-			-	-	4/1/2026	**2026**
		-	-			-	-	10/1/2026	**2027**
		-	-			-	-	4/1/2027	**2027**
		-	-			-	-	10/1/2027	**2028**
		-	-			-	-	4/1/2028	**2028**
		-	-			-	-	10/1/2028	**2029**
		-	-			-	-	4/1/2029	**2029**
		-	-			-	-	10/1/2029	**2030**
		-	-			-	-	4/1/2030	**2030**
$ 24,095,000		$ 6,642,585	$ 30,737,585	$ 46,705,000		$ 16,503,356	$ 63,208,357	TOTAL	
10/01/2013 @ 100%				10/01/2013 @ 100%				Call Feature	
Refunding of all Series 1993 Bonds 100% New Money				Refunding of all Series 1998 Bonds 100% New Money				Purpose	
Advance Refundable				AMT bonds are not advance refundable Forward Refundable				Refunding Eligibility	

Jacksonville Aviation Authority
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		Series 2003B-1 Auction Rate Securities (AMT)*				Series 2003B-2 Auction Rate Securities (AMT)*			
Date	Fiscal Year	Principal	Coupon	Interest	Debt Service Year	Principal	Coupon	Interest	Debt Service Year
10/1/2005	**2006**	-		59,023	59,023			19,882	19,882
4/1/2006	**2006**	-		366,003	-			123,289	
10/1/2006	**2007**	1,625,000	2.810%	366,003	2,357,006		2.810%	123,289	246,578
4/1/2007	**2007**	-		343,171	-			123,289	
10/1/2007	**2008**	1,750,000	2.810%	343,171	2,436,342		2.810%	123,289	246,578
4/1/2008	**2008**	-		318,584	-			123,289	
10/1/2008	**2009**	1,725,000	2.810%	318,584	2,362,168		2.810%	123,289	246,578
4/1/2009	**2009**	-		294,348	-			123,289	
10/1/2009	**2010**	1,850,000	2.810%	294,348	2,438,696		2.810%	123,289	246,578
4/1/2010	**2010**	-		268,355	-			123,289	
10/1/2010	**2011**	1,850,000	2.810%	268,355	2,386,710		2.810%	123,289	246,578
4/1/2011	**2011**	-		242,363	-			123,289	
10/1/2011	**2012**	1,950,000	2.810%	242,363	2,434,726		2.810%	123,289	246,578
4/1/2012	**2012**	-		214,965	-			123,289	
10/1/2012	**2013**	2,000,000	2.810%	214,965	2,429,930		2.810%	123,289	246,578
4/1/2013	**2013**	-		186,865	-			123,289	
10/1/2013	**2014**	2,025,000	2.810%	186,865	2,398,730		2.810%	123,289	246,578
4/1/2014	**2014**	-		158,414	-			123,289	
10/1/2014	**2015**	2,125,000	2.810%	158,414	2,441,828		2.810%	123,289	246,578
4/1/2015	**2015**	-		128,558	-			123,289	
10/1/2015	**2016**	2,175,000	2.810%	128,558	2,432,116		2.810%	123,289	246,578
4/1/2016	**2016**	-		97,999	-			123,289	
10/1/2016	**2017**	2,250,000	2.810%	97,999	2,445,998		2.810%	123,289	246,578
4/1/2017	**2017**	-		66,386	-			123,289	
10/1/2017	**2018**	2,325,000	2.810%	66,386	2,457,772		2.810%	123,289	246,578
4/1/2018	**2018**	-		33,720	-			123,289	
10/1/2018	**2019**	2,400,000	2.810%	33,720	2,467,440		2.810%	123,289	246,578
4/1/2019	**2019**							123,289	
10/1/2019	**2020**					1,650,000	2.810%	123,289	1,896,578
4/1/2020	**2020**							100,106	
10/1/2020	**2021**					1,700,000	2.810%	100,106	1,900,212
4/1/2021	**2021**							76,221	
10/1/2021	**2022**			-		1,750,000	2.810%	76,221	1,902,442
4/1/2022	**2022**							51,634	
10/1/2022	**2023**					1,800,000	2.810%	51,634	1,903,268
4/1/2023	**2023**							26,344	
10/1/2023	**2024**					1,875,000	2.810%	26,344	1,927,688
4/1/2024	**2024**								
10/1/2024	**2025**								
4/1/2025	**2025**								
10/1/2025	**2026**								
4/1/2026	**2026**								
10/1/2026	**2027**								
4/1/2027	**2027**								
10/1/2027	**2028**								
4/1/2028	**2028**								
10/1/2028	**2029**								
4/1/2029	**2029**								
10/1/2029	**2030**								
4/1/2030	**2030**								
TOTAL		$ 26,050,000		$ 5,498,485	$ 31,548,485	$ 8,775,000		$ 3,980,584	$ 12,755,584
Call Feature		Variable rate ARS Bonds - Callable every 35 days				Variable rate ARS Bonds - Callable every 35 days			
Purpose		Project construction for PFC approved projects 100% New Money				Project construction for PFC approved projects 100% New Money			
Refunding Eligibility		Currently Refundable				Currently Refundable			

(1) Table does not include notes payable of $600,000.
(2) The Series 2003B-1 and B-2 Auction Rate Securites interest is calculated using the interest rate in effect as of September 30, 2005.
(3) The Series 2005 Securities interest is calculated using the rate specified in the swap agreement.
(4) The Series 2002A, B and D Bank Loan interest is calculated using the interest rate in effect as of September 30, 2005.

Source: Jacksonville Aviation Authority
Public Financial Management

Jacksonville Aviation Authority
Debt Service Other Payment Obligations
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Series 2002A Bank Loan (Tax Exempt Note)				Series 2002B Bank Loan (TaxableNote)					
Principal	Coupon	Interest	Debt Service Year (1)	Principal	Coupon	Interest	Debt Service Year (1)	Date	Fiscal Year
20,944	3.873%	89,657	110,601	112,763	4.943%	29,240	142,003	10/1/2005	**2006**
21,954	3.873%	98,772	-	120,118	4.943%	28,709	-	4/1/2006	**2006**
21,956	3.873%	98,346	241,028	120,118	4.943%	25,740	294,685	10/1/2006	**2007**
23,427	3.873%	97,921	-	127,952	4.943%	22,771	-	4/1/2007	**2007**
23,428	3.873%	97,468	242,244	127,954	4.943%	19,609	298,286	10/1/2007	**2008**
22,585	3.873%	97,014	-	136,192	4.943%	16,447	-	4/1/2008	**2008**
22,585	3.873%	96,577	238,761	136,192	4.943%	13,081	301,912	10/1/2008	**2009**
25,741	3.873%	96,139	-	145,182	4.943%	9,715	-	4/1/2009	**2009**
25,742	3.873%	95,641	243,263	145,183	4.943%	6,126	306,206	10/1/2009	**2010**
26,592	3.873%	95,142	-	102,701	4.943%	2,538	-	4/1/2010	**2010**
26,593	3.873%	94,627	242,954				105,239	10/1/2010	**2011**
28,140	3.873%	94,112	-					4/1/2011	**2011**
28,140	3.873%	93,567	243,959					10/1/2011	**2012**
204,550	3.873%	93,022	-					4/1/2012	**2012**
204,551	3.873%	89,061	591,184					10/1/2012	**2013**
215,996	3.873%	85,100	-					4/1/2013	**2013**
215,996	3.873%	80,917	598,009					10/1/2013	**2014**
227,672	3.873%	76,735	-					4/1/2014	**2014**
227,671	3.873%	72,326	604,404					10/1/2014	**2015**
239,977	3.873%	67,917	-					4/1/2015	**2015**
239,978	3.873%	63,270	611,142					10/1/2015	**2016**
252,692	3.873%	58,623	-					4/1/2016	**2016**
252,692	3.873%	53,729	617,736					10/1/2016	**2017**
266,608	3.873%	48,836	-					4/1/2017	**2017**
266,608	3.873%	43,673	625,725					10/1/2017	**2018**
281,019	3.873%	38,510	-					4/1/2018	**2018**
281,019	3.873%	33,068	633,616					10/1/2018	**2019**
296,209	3.873%	27,626	-					4/1/2019	**2019**
296,209	3.873%	21,890	641,934					10/1/2019	**2020**
312,125	3.873%	16,154	-					4/1/2020	**2020**
312,125	3.873%	10,110	650,514					10/1/2020	**2021**
209,941	3.873%	4,066	-					4/1/2021	**2021**
		-	214,007			-		10/1/2021	**2022**
								4/1/2022	**2022**
								10/1/2022	**2023**
								4/1/2023	**2023**
								10/1/2023	**2024**
								4/1/2024	**2024**
								10/1/2024	**2025**
								4/1/2025	**2025**
								10/1/2025	**2026**
								4/1/2026	**2026**
								10/1/2026	**2027**
								4/1/2027	**2027**
								10/1/2027	**2028**
								4/1/2028	**2028**
								10/1/2028	**2029**
								4/1/2029	**2029**
								10/1/2029	**2030**
								4/1/2030	**2030**
$ 5,121,465		$ 2,229,616	$ 7,351,081	$ 1,274,355		$ 173,976	$ 1,448,331	TOTAL	
								Call Feature	
100% New Money				100% New Money				Purpose	
								Refunding Eligibility	

Jacksonville Aviation Authority
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		Series 2005 Weekly Rate Securities (AMT)*				Series 2002D Bank Loan (Tax Exempt)			
Date	Fiscal Year	Principal	Coupon	Interest	Debt Service Year	Principal	Coupon	Interest	Debt Service Year (2)
10/1/2005	**2006**	-			-	50,000	4.393%	1,008	51,008
4/1/2006	**2006**	-	4.405%	1,105,170					
10/1/2006	**2007**	815,000	4.405%	920,975	2,841,145				
4/1/2007	**2007**		4.405%	903,025					
10/1/2007	**2008**	1,040,000	4.405%	903,025	2,846,050				
4/1/2008	**2008**		4.405%	880,119					
10/1/2008	**2009**	1,085,000	4.405%	880,119	2,845,238				
4/1/2009	**2009**		4.405%	856,222					
10/1/2009	**2010**	765,000	4.405%	856,222	2,477,444				
4/1/2010	**2010**		4.405%	839,373					
10/1/2010	**2011**	170,000	4.405%	839,373	1,848,746				
4/1/2011	**2011**		4.405%	835,629					
10/1/2011	**2012**	175,000	4.405%	835,629	1,846,258				
4/1/2012	**2012**		4.405%	831,774					
10/1/2012	**2013**	185,000	4.405%	831,774	1,848,548				
4/1/2013	**2013**		4.405%	827,700					
10/1/2013	**2014**	1,385,000	4.405%	827,700	3,040,400				
4/1/2014	**2014**		4.405%	797,195					
10/1/2014	**2015**	1,450,000	4.405%	797,195	3,044,390				
4/1/2015	**2015**		4.405%	765,259					
10/1/2015	**2016**	1,515,000	4.405%	765,259	3,045,518				
4/1/2016	**2016**		4.405%	731,891					
10/1/2016	**2017**	1,580,000	4.405%	731,891	3,043,782				
4/1/2017	**2017**		4.405%	697,091					
10/1/2017	**2018**	1,655,000	4.405%	697,091	3,049,182				
4/1/2018	**2018**		4.405%	660,640					
10/1/2018	**2019**	3,735,000	4.405%	660,640	5,056,280				
4/1/2019	**2019**		4.405%	578,377					
10/1/2019	**2020**	3,905,000	4.405%	578,377	5,061,754				
4/1/2020	**2020**		4.405%	492,369					
10/1/2020	**2021**	4,080,000	4.405%	492,369	5,064,738				
4/1/2021	**2021**		4.405%	402,507					
10/1/2021	**2022**	4,270,000	4.405%	402,507	5,075,014			-	
4/1/2022	**2022**		4.405%	308,460					
10/1/2022	**2023**	4,460,000	4.405%	308,460	5,076,920				
4/1/2023	**2023**		4.405%	210,229					
10/1/2023	**2024**	4,665,000	4.405%	210,229	5,085,458				
4/1/2024	**2024**		4.405%	107,482					
10/1/2024	**2025**	4,880,000	4.405%	107,482	5,094,964				
4/1/2025	**2025**								
10/1/2025	**2026**								
4/1/2026	**2026**								
10/1/2026	**2027**								
4/1/2027	**2027**								
10/1/2027	**2028**								
4/1/2028	**2028**								
10/1/2028	**2029**								
4/1/2029	**2029**								
10/1/2029	**2030**								
4/1/2030	**2030**								
TOTAL		$ 41,815,000		$ 25,476,829	$ 67,291,829	$ 50,000		$ 1,008	$ 51,008
Call Feature		Variable rate ARS Bonds - Callable every 35 days							
Purpose		Refunding of Series 2000A Bonds 100% New Money				100% New Money			
Refunding Eligibility		Currently Refundable							

(1) Table does not include notes payable of $600,000.
(2) The Series 2003B-1 and B-2 Auction Rate Securites interest is calculated using the interest rate in effect as of September 30, 2005.
(3) The Series 2005 Securities interest is calculated using the rate specified in the swap agreement.
(4) The Series 2002A, B and D Bank Loan interest is calculated using the interest rate in effect as of September 30, 2005.

Source: Jacksonville Aviation Authority
Public Financial Management

Jacksonville Aviation Authority
Debt Service Other Payment Obligations
As of September 30, 2005 (unaudited)

TOTAL					
Principal	Interest	Semi-Annual Debt Service	Total FY Debt Service	Date	Fiscal Year
5,328,707	1,824,496	7,153,203		10/1/2005	**2006**
142,072	3,287,129	3,429,201	10,582,405	4/1/2006	**2006**
7,052,074	3,099,539	10,151,613		10/1/2006	**2007**
151,379	2,982,163	3,133,542	13,285,156	4/1/2007	**2007**
7,561,382	2,978,548	10,539,930		10/1/2007	**2008**
158,777	2,836,764	2,995,541	13,535,472	4/1/2008	**2008**
7,763,777	2,832,961	10,596,738		10/1/2008	**2009**
170,923	2,686,424	2,857,347	13,454,086	4/1/2009	**2009**
8,140,925	2,682,337	10,823,262		10/1/2009	**2010**
129,293	2,541,138	2,670,431	13,493,694	4/1/2010	**2010**
8,216,593	2,538,085	10,754,678		10/1/2010	**2011**
28,140	2,373,144	2,401,284	13,155,962	4/1/2011	**2011**
8,608,140	2,372,599	10,980,739		10/1/2011	**2012**
204,550	2,193,198	2,397,748	13,378,487	4/1/2012	**2012**
9,134,551	2,189,237	11,323,788		10/1/2012	**2013**
215,996	1,996,063	2,212,059	13,535,848	4/1/2013	**2013**
9,490,996	1,991,880	11,482,876		10/1/2013	**2014**
227,672	1,795,133	2,022,805	13,505,681	4/1/2014	**2014**
9,927,671	1,790,724	11,718,395		10/1/2014	**2015**
239,977	1,571,398	1,811,375	13,529,770	4/1/2015	**2015**
10,354,978	1,566,751	11,921,729		10/1/2015	**2016**
252,692	1,337,552	1,590,244	13,511,973	4/1/2016	**2016**
10,832,692	1,332,658	12,165,350		10/1/2016	**2017**
266,608	1,092,602	1,359,210	13,524,560	4/1/2017	**2017**
10,526,608	1,087,439	11,614,047		10/1/2017	**2018**
281,019	856,159	1,137,178	12,751,225	4/1/2018	**2018**
6,416,019	850,717	7,266,736		10/1/2018	**2019**
296,209	729,292	1,025,501	8,292,237	4/1/2019	**2019**
5,851,209	723,556	6,574,765		10/1/2019	**2020**
312,125	608,629	920,754	7,495,519	4/1/2020	**2020**
6,092,125	602,585	6,694,710		10/1/2020	**2021**
209,941	482,794	692,735	7,387,445	4/1/2021	**2021**
6,020,000	478,728	6,498,728		10/1/2021	**2022**
-	360,094	360,094	6,858,822	4/1/2022	**2022**
6,260,000	360,094	6,620,094		10/1/2022	**2023**
-	236,573	236,573	6,856,667	4/1/2023	**2023**
6,540,000	236,573	6,776,573		10/1/2023	**2024**
-	107,482	107,482	6,884,055	4/1/2024	**2024**
4,880,000	107,482	4,987,482		10/1/2024	**2025**
-	-	-	4,987,482	4/1/2025	**2025**
-	-	-	-	10/1/2025	**2026**
-	-	-	-	4/1/2026	**2026**
-	-	-	-	10/1/2026	**2027**
-	-	-	-	4/1/2027	**2027**
-	-	-	-	10/1/2027	**2028**
-	-	-	-	4/1/2028	**2028**
-	-	-	-	10/1/2028	**2029**
-	-	-	-	4/1/2029	**2029**
-	-	-	-	10/1/2029	**2030**
-	-	-	-	4/1/2030	**2030**
$ 158,285,820	$ 61,720,723	$ 220,006,543	$ 220,006,543	TOTAL	
				Call Feature	
				Purpose	
				Refunding Eligibility	

Jacksonville Aviation Authority
Jacksonville, Florida
Debt Service Coverage
Last Ten Fiscal Years (in thousands)
(unaudited)

	2005	2004	2003	2002
Revenues:				
Landing and ramp fees	$13,623	$ 11,308	$ 8,697	$ 6,132
Lease rentals	16,042	12, 907	10,350	10,572
Parking	13,606	12,278	10,568	9,276
Concessions	12,844	11,268	11,103	10,542
Other revenue	1,686	4,469	2,816	3,787
Interest income	1,483	779	939	1,733
Other, net	41	33	(26)	87
Transfers – Signatory Airline Agreement	-	2,143	3,616	3,194
Transfers – PFC Series 2003B-1 Bonds	2,302	2,210	-	-
Total revenues and transfers	61,627	57,395	46,063	45,323
Less: Operating and maintenance expenses (excluding depreciation and expenses associated with payments from other governments)	36,246	33,764	28,472	24,125
Net operating revenues	25,381	23,631	19,591	21,198
Revenues Bond Service Charges for:				
Series 2005 RR Bonds	300			
Series 2003B-1 Bonds (PFC backed)	2,283	1,768	-	-
Series 2003B-2 Bonds	205	88	-	-
Series 2003A Bonds	7,367	7,410	769	-
Series 2000 Bonds	3,455	3,471	3,473	3,470
Series 1998 Bonds (defeased 7/3/03)	-	-	1,329	5,276
Series 1993 Bonds (defeased 7/3/03)	-	-	716	2,641
Series 1998 Bonds	-	-	-	-
Total Revenue Bond Service	$13,610	$12,737	$ 6,287	$11,387
Revenue Bond Service Coverage	1.86	1.86	3.12	1.86
Required Bond Service Coverage	1.25	1.25	1.25	1.25

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2002-2005 and formerly Jacksonville Port Authority Aviation Division 1995-2001)

2001	2000	1999	1998	1997	1996
$ 6,123	$ 5,760	$ 5,749	$ 5,558	$ 4,823	$5,144
10,572	7,658	7,357	7,376	7,998	7,084
9,276	11,172	9,368	8,590	6,994	6,468
10,542	10,256	9,327	8,602	7,299	6,316
3,787	2,912	2,710	2,660	2,575	2,499
1,733	2,879	2,776	2,753	3,328	2,979
87	(27)	244	126	(22)	772
3,194	4,960	4,501	3,309	2,392	2,761
-	-	-	-	-	-
45,190	45,570	42,032	38,974	35,387	34,023
27,443	22,691	19,487	17,669	15,848	15,462
17,747	22,879	22,545	21,305	19,539	18,561
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,474	-	-	-	-	-
5,283	5,276	5,275	1,013	-	-
2,646	2,640	2,641	2,645	2,638	2,644
-	-	-	2,535	6,490	6,492
$11,403	$ 7,916	$ 7,916	$ 6,193	$ 9,128	$ 9,136
1.56	2.89	2.85	3.44	2.14	2.03
1.25	1.25	1.25	1.25	1.25	1.25

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JACKSONVILLE
AVIATION AUTHORITY

Jacksonville Aviation Authority
Jacksonville, Florida
Schedule of Insurance in Force
September 30, 2005
(unaudited)

Name of Company	Policy Number	Policy Period	Type of Coverage	Liability Limits
City of Jacksonville	NA004890A	12/14/03 – 03/01/07	Property Insurance Property Brokerage Fee	$300,522,485
City of Jacksonville	Various	10/01/05 – 09/30/06	General Liability	State Statue Limits
City of Jacksonville	Various	10/01/05 – 09/30/06	Workers Compensation	$1,200,000
ACE USA	AAPN00049931	12/30/05 – 12/30/06	Airport Liability	$50,000,000
ACE USA	N9905541	12/30/05 – 12/30/06	Airport Liability Excess	$150,000,000
Travelers	QT6600535B-218TIL04	01/27/05 – 01/27/06	Inland Marine (Fine Arts)	$311,000
ACE USA	PHF070500	05/15/05 – 5/15/06	Kidnap & Extortion	$1,000,000
Various Sureties	Various	Various Periods	Public Official Bonds	$50,000

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2002-2005 and formerly Jacksonville Port Authority Aviation Division 1995-2001)

Jacksonville Aviation Authority
Jacksonville, Florida
Jacksonville International Airport
Enplanements
(unaudited)

	2005	2005 Market Share	2004	2004 Market Share	2003
Delta Airlines	662,749	23.26%	655,680	25.24%	694,553
Southwest Airlines	559,189	19.63%	524,727	20.44%	501,883
US Airways	404,611	14.20%	338,709	13.19%	308,045
Delta Connection (Comair)	179,572	6.30%	143,187	5.58%	91,786
Northwest Airlines	138,656	4.87%	131,971	5.14%	152,108
Continental Airlines	132,766	4.66%	124,340	4.84%	144,335
Independence Air	63,409	2.23%	117,881	4.59%	-
American Airlines	135,798	4.77%	103,978	4.05%	126,527
Valuejet d/b/a Air Tran	156,876	5.51%	100,546	3.92%	107,265
Continental Express (Jet Express)	76,733	2.69%	62,679	2.44%	27,072
Delta Connection (Atlantic SE Airlines)	10,365	0.36%	48,522	1.89%	9,941
American Eagle	63,757	2.24%	44,647	1.74%	47,837
Northwest Airlink (Pinnacle)	34,385	1.21%	41,807	1.63%	18,148
Air Tran Express (Air Wisconsin)	126,734	4.45%	38,875	1.51%	9,246
Florida Gulf (Mesa)	7,326	0.26%	33,364	1.30%	5,180
American (Trans States)	26,737	0.94%	23,887	0.93%	3,499
Continental Connection (Gulfstream)	17,171	0.60%	16,426	0.64%	5,356
Charters	8,471	0.30%	5,586	0.22%	7,252
PSA Airlines (US Airways)	19,342	0.68%	3,914	0.15%	-
Delta (Chautauqua)	5,502	0.19%	3,160	0.12%	21,803
Midway Airlines (US Airways)	-	-	1,871	0.07%	18,300
Delta Connection (Skywest)	4,028	0.14%	1,829	0.07%	6,565
United Express (Atlantic Coast Airlines)	14,653	0.51%	-	-	119,459
US Airways Express (Piedmont)	-	-	-	-	7,157
TWA L.L.C.	-	-	-	-	-
Air Canada	-	-	-	-	-
United Airlines	-	-	-	-	-
Florida Air c/o Midway	-	-	-	-	-
Corporate Express Airlines	-	-	-	-	-
Air South	-	-	-	-	-
Midway Connection	-	-	-	-	-
GP Express Airlines	-	-	-	-	-
Eastwind Airlines	-	-	-	-	-
	2,848,830	100.00%	2,567,586	100.00%	2,433,734

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2002-2005 and formerly Jacksonville Port Authority Aviation Division 1995-2001)

2002	2001	2000	1999	1998	1997	1996
680,333	742,114	748,365	697,668	651,302	602,230	525,524
519,955	453,597	400,659	338,167	291,781	183,444	-
342,633	538,210	508,855	496,436	505,833	471,988	146,164
57,742	16,568	15,842	7,265	14,574	18,475	30,592
154,141	143,938	148,442	144,911	134,124	124,791	110,168
169,080	165,621	176,744	169,134	168,333	166,889	173,693
-	-	-	-	-	-	-
160,331	76,901	88,472	89,953	87,968	73,726	65,900
93,698	109,938	99,437	102,475	70,139	50,030	75,693
1,442	19,815	13,775	2,740	-	-	7,117
-	2,295	16,708	-	-	-	-
50,645	54,487	63,406	65,446	63,682	64,498	64,071
2,771	-	-	-	-	-	-
-	-	-	-	-	-	-
9,939	7,306	7,237	8,119	31,557	56,666	53,955
-	-	-	-	-	-	-
479	8,505	10,688	11,896	10,808	14,703	13,963
5,068	7,646	7,253	10,209	8,853	9,029	8,439
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,492	52,667	50,226	34,486	17,000	-	10,173
-	-	-	-	-	-	-
106,866	50,378	36,193	46,835	30,857	-	-
47,075	54,755	60,887	60,971	47,305	46,845	48,041
13,455	90,221	88,702	83,132	76,762	68,449	62,145
1,589	2,023	-	-	-	-	-
-	48,511	61,277	67,326	67,534	63,898	58,947
-	55	-	-	-	-	-
-	-	-	-	1,719	3,386	-
-	-	-	-	-	45,079	87,509
-	-	-	-	-	5,604	5,911
-	-	-	-	-	-	17,125
-	-	-	-	-	-	4,042
2,425,734	2,645,551	2,603,168	2,437,169	2,280,131	2,069,730	1,838,935

Jacksonville Aviation Authority
Jacksonville, Florida
Jacksonville International Airport
Landed Weights 1996 – 2005 (in thousands)
(unaudited)

	2005	2005 Market Share	2004	2004 Market Share	2003
Delta Airlines	980,596	23.14%	969,045	24.58%	1,036,969
Southwest Airlines	855,204	20.18%	816,057	20.70%	836,967
US Airways	518,833	12.24%	430,872	10.93%	435,565
Delta Connection (Comair)	227,052	5.36%	184,526	4.68%	125,067
Northwest Airlines	185,064	4.37%	182,994	4.64%	219,372
Continental Airlines	157,930	3.73%	169,830	4.31%	198,218
Independence Air	98,069	2.31%	144,525	3.67%	-
American Airlines	165,282	3.90%	138,474	3.51%	188,903
Valuejet d/b/a Air Tran	171,184	4.04%	131,454	3.34%	145,899
Continental Express (Jet Express)	74,934	1.77%	63,243	1.60%	32,640
Delta Connection (Atlantic SE Airlines)	12,455	0.29%	58,186	1.48%	16,638
American Eagle	67,353	1.59%	52,692	1.34%	60,468
Northwest Airlink (Pinnacle)	37,506	0.88%	45,966	1.17%	20,022
Air Tran Express (Air Wisconsin)	136,864	3.23%	44,650	1.13%	11,468
Florida Gulf (Mesa)	7,303	0.17%	40,611	1.03%	6,390
American (Trans States)	29,848	0.70%	29,189	0.74%	4,553
Continental Connection (Gulfstream)	26,281	0.62%	23,073	0.59%	7,661
PSA Airlines (US Airways)	19,880	0.47%	4,981	0.13%	-
Delta (Chautauqua)	9,781	0.23%	3,676	0.09%	24,999
Midway Airlines (US Airways)	-	-	2,303	0.06%	23,077
Delta Connection (Skywest)	4,938	0.12%	2,115	0.05%	7144
United Express (Atlantic Coast Airlines)	22,865	0.54%	-	-	138,039
US Airways Express (Piedmont)	-	-	-	-	10,585
TWA L.L.C.	-	-	-	-	-
Air Canada	-	-	-	-	-
United Airlines	-	-	-	-	-
Florida Air c/o Midway	-	-	-	-	-
Corporate Express Airlines	-	-	-	-	-
Air South	-	-	-	-	-
Midway Connection	-	-	-	-	-
GP Express Airlines	-	-	-	-	-
Eastwind Airlines	-	-	-	-	-
Total Commercial Airlines	3,809,222	89.87%	3,538,462	89.77%	3,550,644
FedEx	224,302	5.29%	233,947	5.94%	186,294
UPS	169,766	4.01%	131,441	3.33%	123,335
Airborne Express	27,806	0.66%	27,917	0.71%	26,878
Miscellaneous	4,825	0.11%	5,054	0.13%	6,932
North Star	2,437	0.06%	3,190	0.08%	3,138
Emery	-	-	1,610	0.04%	2,375
Air Cargo Carriers					
Total Cargo Airlines	429,136	10.1%	403,159	10.2%	348,952
Total Landed Weights	4,238,358	100.00%	3,941,621	100.00%	3,899,596

Source: Jacksonville Aviation Authority (formerly Jacksonville Airport Authority 2002-2005 and formerly Jacksonville Port Authority Aviation Division 1995-2001)

	2002	2001	2000	1999	1998	1997	1996
	1,110,749	1,161,835	1,096,744	1,018,741	958,532	909,914	816,929
	893,413	790,317	668,594	577,469	541,273	384,423	-
	483,275	744,256	707,351	658,072	631,163	591,965	539,105
	68,338	21,291	17,014	11,054	25,643	34,865	49,757
	186,718	185,105	188,235	184,866	172,100	174,835	156,941
	225,058	222,924	246,048	245,831	257,338	258,403	285,569
	-	-	-	-	-	-	-
	250,532	104,542	119,572	116,058	117,032	108,976	96,338
	141,404	143,990	150,611	150,987	129,774	103,851	107,195
	1,567	21,231	13,769	2,845	-	-	11,775
	-	4,371	26,085	-	-	-	-
	71,552	73,234	81,475	78,737	75,929	76,533	78,867
	20,539	-	-	-	-	-	-
	-	-	-	-	-	-	-
	18,462	13,894	14,796	17,469	65,480	103,526	99,079
	-	-	-	-	-	-	-
	789	12,719	17,259	17,501	17,742	25,436	24,509
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	18,863	64,910	67,492	51,488	27,282	-	42,240
	-	-	-	-	-	-	-
	134,091	62,040	51,747	64,390	47,470	-	-
	83,620	99,768	101,632	97,519	89,628	91,793	104,209
	23,598	129,759	131,311	110,928	108,673	109,276	105,933
	2,765	3,421	-	-	-	-	-
	-	64,327	91,283	89,990	81,564	80,559	82,782
		645	-	-	-	-	-
		-	-	-	3,122	5,682	-
		-	-	-		138,945	206,055
		-	-	-	-	10,366	8,000
		-	-	-	-	-	46,845
		-	-	-	-	-	16,947
	3,735,333	3,924,579	3,791,018	3,493,945	3,349,745	3,209,348	2,879,075
	196,303	105,292	90,233	101,197	98,844	94,102	77,124
	121,794	146,582	133,930	135,063	127,653	83,216	96,837
	26,519	33,547	43,335	42,499	34,533	27,195	25,994
	13,983	31,547	5,122	3,367	883	2,185	9,872
	3,138	3,138	400	3,116	2,915	-	-
	304	118,919	168,001	171,475	160,747	92,062	96,646
		1,695	6,757	6,736	8,816	-	-
	362,041	440,807	447,778	463,453	434,391	298,760	306,473
	4,097,374	4,365,386	4,238,796	3,957,398	3,784,136	3,508,108	3,185,548

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APPENDIX B

Summary of Certain Provisions of the Bond Resolution

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Series 2006 Bonds are being issued pursuant to the provisions of the Bond Resolution. The following is a summary of certain provisions of the Bond Resolution. This summary should not be regarded as a full statement of the document itself or of the portions summarized. For complete statements of the provisions thereof, reference is made to the Bond Resolution in its entirety, a copy of which will be available for inspection at the designated corporate trust office of the Paying Agent.

DEFINITIONS OF CERTAIN TERMS

As used herein, unless the context otherwise requires:

***"Account*"** means an account in a Fund created by the Bond Resolution.

***"Act*"** means Chapter 2004-464, Laws of Florida, amending and restating in its entirety Chapter 2001-319, Laws of Florida, as amended.

***"Airfield*"** means those portions of the Airport provided for landing, taking off and taxiing of aircraft and aircraft parking and maneuvering areas adjacent to the terminal.

***"Airport*"** means the Jacksonville International Airport owned and operated by the Issuer.

***"Airport Consultant*"** means any recognized airport consultant or firm of airport consultants having a national repute for skill and experience in the field of planning the development, operation and management of airports and aviation facilities similar to the Airport and retained by the Issuer from time to time, to perform and carry out the duties imposed on said Airport Consultant by the Bond Resolution.

***"Airport Operations*"** means the activities conducted by the Issuer relating to the planning, ownership, use, operation and maintenance of the Airport System.

***"Airport System*"** means all real property and easements, improvements thereto, structures, buildings, fixtures, machinery, equipment, vehicles, supplies and other tangible personal property, or interest in any of the foregoing now owned by the Issuer or hereafter acquired by the Issuer, less any thereof which may be consumed, sold or otherwise disposed of as permitted hereby, which are located on any airport owned or operated by the Issuer.

***"Amortization Installment*"** means the money required to be deposited in the Debt Service Fund in a given Bond Year for the payment at maturity or redemption of a portion of a series of Term Bonds during such Bond Year, as established by resolution of the Issuer at or before the delivery of that series of Term Bonds.

***"Annual Budget*"** means the budget, as amended and supplemented from time to time, prepared by the Issuer for each Fiscal Year in accordance with the Bond Resolution and the laws of the State of Florida.

***"Assumed Amortization Period*"** means, with respect to any Series of Bonds the principal and interest requirements of which are to be recast as provided in clause (v) of the definition of "Bond Service Requirement" herein contained, the period of time determined at the election of the Finance Director of the Issuer, pursuant to either paragraph (a) or paragraph (b), below:

(a) Five (5) years; or

(b) The period of time, exceeding five (5) years, set forth in an opinion delivered to the Issuer, of an investment banker, selected by the Issuer and experienced in underwriting indebtedness of the type being recast, as being not longer than the maximum period of time over which indebtedness having comparable terms and security issued or incurred by similar issuers of comparable credit standing would, if then being offered, be marketable on reasonable and customary terms.

"Assumed Interest Rate" means, with respect to any Series of Bonds the principal and interest requirements of which are to be recast as provided in clause (v) of the definition of "Bond Service Requirement" herein contained, the rate per annum (determined as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made) set forth in an opinion delivered to the Issuer of an investment banker, selected by the Issuer and experienced in underwriting indebtedness of the type being recast, as being not lower than the lowest rate of interest at which indebtedness having comparable terms, security and federal tax status amortized on a level debt service basis over a period of time equal to the Assumed Amortization Period, and issued or incurred by similar issuers of comparable credit standing would, if being offered as of such last day of the calendar month, be marketable on reasonable and customary terms; provided that such rate shall not be less than the rate specified in the Twenty Bond Index, published in *The Bond Buyer*, or successor index, as in effect on the date of such opinion or greater than the highest rate permitted by law at which Bonds could be sold on a given date.

"Authenticating Agent" means, when used with respect to any Series of Bonds, the Registrar for such Series and any bank, trust company or other person designated as an Authenticating Agent for such Series by or in accordance with the Bond Resolution, each of which (other than the Issuer or an official or employee of the Issuer) shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

"Authorized Depository" means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Issuer as a depository, which is authorized under Florida law to be a depository of municipal funds and which has complied with all applicable state and federal requirements concerning the receipt of funds of the Issuer, including but not limited to Chapter 280, Florida Statutes.

"Authorizing Resolution" means the resolution duly adopted by the Board on July 30, 1987, initially authorizing the issuance of up to $125,000,000 in principal amount of Bonds to finance the Series 1988 Project.

"Available PFC Revenues" means PFC Revenues received by the Issuer in an amount for each relevant period not to exceed 1.25 times the Bond Service Charges accruing during such period with respect to that portion of the Bonds issued to finance PFC Projects, as allocated by a certificate of an authorized officer of the Issuer.

"Award Resolution" means, when used with reference to any series of Bonds, the resolution of the Board supplemental to the Authorizing Resolution and the Details Resolution approving a Purchase Contract for the sale of such Series to the Original Purchaser of such Series and establishing certain terms of such Series of Bonds.

"Board" means when used with reference to the Issuer, the Governing Body.

"Bond Counsel" means counsel nationally recognized as being experienced in matters relating to the validity of, and the tax exemption applicable to interest on, Obligations of states and their political subdivisions.

"Bond Resolution" or ***"Bond Legislation"*** means the Authorizing Resolution as supplemented and amended by the Details Resolution and all resolutions amendatory or supplemental to either of said resolutions adopted by the Board from time to time.

"Bond Proceeds Fund" means the Fund by that name created by the Bond Resolution.

"Bond Service Charges" means at any time or for any period of time, the principal of (and appreciated principal amount of Capital Appreciation Bonds, if applicable) and interest and any premium due on the Bonds or Series of Bonds specified, and payments expected to be made or expected to be received by the Issuer under a Qualified Derivative Agreement (other than Swap Charges), for the period specified or payable at that time specified, as the case may be.

"Bond Service Requirement" for a particular Series of Bonds means for a given Bond Year the sum of:

(a) *Interest*. The amount required to pay the interest coming due and payable on Outstanding Bonds of such Series during that Bond Year, except to the extent that such interest is to be paid with Capitalized Interest;

(b) *Principal*. The amount required to pay the principal (and appreciated principal amounts) of Outstanding Serial Bonds of such Series and the principal (and appreciated principal amounts) of Outstanding Term Bonds of such Series maturing in that Bond Year that are not included in the Amortization Installments for such Term Bonds;

(c) *Amortization Installments*. The Amortization Installments for Outstanding Term Bonds of such Series for that Bond Year; and

(d) *Premium*. The premium, if any, payable on Outstanding Bonds of such Series required to be redeemed in that Bond Year;

provided, however, for purposes of determining whether the rate covenant and coverage test is met and, for purposes of determining whether the conditions to the issuance of a series of Parity Bonds are met:

(1) *Crossover Refunded Bonds* -- if any Outstanding Bonds have been refunded by any crossover refunding bonds issued under the Bond Resolution, then any principal of and premium on such crossover refunded bonds to be paid from any crossover escrow account shall be excluded (provided that such crossover refunding has theretofore been approved in writing by each insurer of any then Outstanding Bonds issued under the Bond Resolution, which consent shall not unreasonably be withheld);

(2) *Crossover Refunding Bonds* -- if any Outstanding Bonds are crossover refunding bonds issued to refund any Bonds issued under the Bond Resolution, then any interest paid or to be paid on such crossover refunding bonds from any crossover escrow account shall be excluded (provided that such crossover refunding has theretofore been approved in writing by each insurer of any then Outstanding Bonds issued under the Bond Resolution, which consent shall not unreasonably be withheld);

(3) *Variable Rate Bonds and Variable Rate Hedge Agreements* -- if any Bonds have a Variable Rate and no Hedge Agreement is associated with such Bond, or if any Bonds have a Fixed Rate and a Hedge Agreement associated with such Fixed Rate Bond provides for payment by the Issuer, other than Swap Charges, based on a variable rate or formula, the interest thereon shall be calculated in the manner provided in the definition of "Variable Rate" set forth herein;

(4) *Payment Obligations* -- at the time any Bonds are issued for which credit enhancement or liquidity facilities are provided, the potential increase in the Issuer's liability for Payment Obligations which may arise out of advances which may be made in the future to or for the benefit of the Issuer by any third party under any letter of credit, standby purchase agreement or other contractual arrangement for credit enhancement or liquidity shall not be taken into account for purposes of calculating the Bond Service Requirement of the rate covenant and coverage test and Parity Bonds test, but the Issuer's actual liability to make payments on Payment Obligations incurred with respect to a Series of Bonds shall be taken into account in calculating the Bond Service Requirement on such Series; and

(5) *Balloon Payments* -- if any Series of Bonds has a final maturity of two (2) years or longer and the principal amount due on final maturity (net of any principal amounts payable prior to final maturity by way of Amortization Installments) exceeds an amount equal to two hundred percent (200%) of the principal that would have been due at final maturity if the principal and interest on such Series of Bonds had been amortized over the stated maximum term of such Series on a level debt service basis, then, if the Governing Body of the Issuer, by resolution, has expressed an intention of refunding the same at maturity in whole or in part, in lieu of paying the same at maturity, then for purposes of calculating the Bond Service Requirement and Maximum Bond Service Requirement for purposes of the rate covenant and coverage test and the Parity Bonds test, (A) the principal due at maturity (net of any principal amounts payable prior to

maturity by way of Amortization Installments) shall be reduced by the principal amount to be refunded, and (B) the amount to be refunded with interest thereon at the Assumed Interest Rate shall be deemed to be due and payable as if amortized on a level debt service basis over the Assumed Amortization Period.

provided further, that

(1) Fixed Rate Hedge Agreement -- if a Hedge Agreement is in effect for any period during the Bond Year, and if such Hedge Agreement provides for payment by the Issuer, other than Swap Charges, based on a fixed rate, then for purposes of this definition, the interest rate for the related Series of Bonds shall be deemed a fixed rate and the deemed fixed rate on such Bonds shall be determined by taking into account the payments expected to be made and expected to be received by the Issuer under such Hedge Agreement (other than Swap Charges) during such period; and

(2) Variable Rate Hedge Agreement -- if a Hedge Agreement is in effect for any period during the Bond Year, and if such Hedge Agreement provides for payment by the Issuer, other than Swap Charges, based on a variable rate or formula, then for purposes of this definition, the interest rate for the related Series of Bonds shall be deemed a Variable Rate, and the deemed Variable Rate on such Bonds shall be determined by taking into account the payments expected to be made and expected to be received by the Issuer under such Hedge Agreement (other than Swap Charges) during such period; and

(3) Interest Rate Agreement -- if an Interest Rate Agreement is in effect for any period, the Bond Service Requirement shall be calculated based on the interest borne by the Bonds (whether at a fixed rate or pursuant to the definition of Variable Rate) and an adjustment to Bond Service Charges for such period shall be made by netting the payments expected to be made or expected to be received by the Issuer under such Interest Rate Agreement (other than Swap Charges) during such period.

"Bond Year" means the annual period beginning on the second day of October of a calendar year and ending on the first day of October of the immediately following year.

"Bondholder" means the registered owner (or such owner's authorized representative) of a Bond.

"Bonds" means the Series 2000B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2005 Bonds, the Series 2006 Bonds and all Parity Bonds, but shall exclude Special Purpose Bonds and Junior Obligations.

"Capital Recovery Fund" means the Fund with that name created by the Bond Resolution.

"Capitalized Interest" means as to any Series of Bonds that portion of the proceeds of such Series of Bonds, exclusive of accrued interest received upon the sale of such Series of Bonds, which are required by a resolution authorizing the issue or sale of such Series to be deposited into the Capitalized Interest Subaccount of the Account created for such Series in the Construction Fund.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Internal Revenue Code, as amended. References to the Code and Sections thereof include relevant successor provisions of the federal income tax laws and applicable income tax regulations.

"Completion Date" means for each Project or phase thereof, the cost of which is to be paid, in whole or in part from proceeds of a Series of Bonds, the date on which such Project or phase thereof is substantially completed (as determined by the Consulting Engineer) and placed in service.

"Construction Fund" means the fund with that name created by the Bond Resolution.

"Consulting Engineer" shall mean such qualified and recognized independent consulting engineer or architect or firm thereof of national reputation retained by the Issuer, having favorable repute or skill and experience, with respect to the services to be provided by the Consulting Engineer as required by the Bond Resolution.

"Cost" or ***"Costs"*** means expenditures relating to the acquisition, construction, equipping, financing and refinancing of any Project or relating to the refunding or advance refunding of any Bonds, Junior Obligations or Special Purpose Bonds, as more specifically described in the Bond Resolution.

"Counterparty" shall mean an entity whose long-term debt obligations, or whose payment obligations under a Derivative Agreement are guaranteed by an entity whose senior long-term debt obligations, in either case are rated (on the date the Derivative Agreement is entered into) by (i) at least one Rating Agency in a category not less than "AA" and (ii) all other Rating Agencies then rating such obligation in a rating category not less than "A."

"Cumulative Bond Service Requirement" means for a given Bond Year the sum of the Bond Service Requirements for such Bond Year on all Series of outstanding Bonds.

"Cumulative Maximum Bond Service Requirement" means, as of any particular date of calculation, the largest Cumulative Bond Service Requirement for any remaining Bond Year (including the Bond Year in which such calculation is made), except that with respect to any Term Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date of such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds to be redeemed prior to maturity from Amortization Installments.

"Debt Service Fund" means the Fund with that name created by the Bond Resolution.

"Defeasance Obligations" means, when used with respect to the defeasance of any Parity Bonds, (i) Federal Securities and (ii) Pre-refunded Obligations, which in each case are (A) non-callable prior to maturity (except at the option of the holder) or (B) have been irrevocably called for redemption on a specified future date or (C) irrevocable arrangements have been made by the obligor with a bank or trust company for the redemption thereof on a specified future date. Notwithstanding the foregoing, the resolution or resolutions pursuant to which a Series of Parity Bonds is issued may define the term "Defeasance Obligations" when used with respect to Bonds of such series to preclude providing for the defeasance of Bonds of such Series through the deposit of one or more types of Defeasance Obligations described above or may provide for the defeasance of Bonds of such Series through the deposit of one or more other types of investments, and as to such Series of Parity Bonds, the definition of Defeasance Obligations set forth in such resolution or resolutions shall control the defeasance of Parity Bonds of the Series to which such resolution relates.

"Derivative Agreement" shall mean (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Issuer entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of indebtedness, to convert any element of indebtedness from one form to another or to protect against any type of financial risk or uncertainty.

"Details Resolution" means the resolution duly adopted by the Board on June 16, 1988, which amends and supplements the Authorizing Resolution and provides for certain details of the Bonds, as amended.

"Early Termination Payment" means, with respect to a Qualified Derivative Agreement, any payment obligation of the Issuer thereunder due upon the early termination of any transaction governed by such Qualified Derivative Agreement.

"Event of Default" means an Event of Default described in the Bond Resolution.

"FAA" means the Federal Aviation Administration, or any successor agency of the Federal Government performing the same or similar functions.

"FAA Regulations" means the rules and regulations of the FAA contained in Title 14, Part 158, Code of Federal Regulations, as amended from time to time, pertaining to the imposition, collection and use of PFCs.

"Federal Securities" means Obligations of, or guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof when such obligations are secured by the full faith and credit of the United States. These include, but are not necessarily limited to:

- U.S. Treasury obligations -all direct or fully guaranteed obligations
- U.S. Export-Import Bank -direct obligations and fully guaranteed certificates of beneficial ownership
- Farmers Home Administration - certificates of beneficial ownership
- General Services Administration - participation certificates
- U.S. Maritime Administration - Guaranteed Title XI financing
- Government National Mortgage Association (GNMA) - GNMA-guaranteed mortgage-backed bonds
- GNMA-guaranteed pass-through obligations
- New Communities Debentures - U.S. Government guaranteed debentures
- U.S. Public Housing Program - U.S. Government guaranteed public housing notes and bonds
- U.S. Department of Housing & Urban Development - project notes and local authority bonds

"Finance Director" means the official charged by the Issuer to administer the fiscal affairs of the Issuer.

"Fiscal Year" means the period commencing on October 1 of each year and ending on the succeeding September 30.

"Fitch" shall mean Fitch Ratings, Inc., or its successor.

"Fund" means a Fund created by the Bond Resolution.

"Funds Trustee" means any bank or trust company designated by resolution of the Issuer to hold, in a fiduciary capacity (and not merely as a depositary), any Fund or Account.

"Governing Body" means the members of the Issuer acting as the governing body of the Issuer pursuant to the Act and other applicable law.

"Grant" means any state, federal or private grant made to the Issuer with respect to the Airport System.

"Hedge Agreement" shall mean a Qualified Derivative Agreement with respect to a Series of Bonds, designated in a certificate of the Chairman, President or Chief Financial Officer of the Issuer as a "Hedge Agreement" for purposes of this Resolution, pursuant to which the payments expected to be made or received by the Issuer (other than Swap Charges) under such agreement are netted against each other and against the debt service on the related Series of Bonds, as more specifically provided in the definition of Bond Service Requirement. A Qualified Derivative Agreement otherwise designated as a Hedge Agreement shall become an Interest Rate Agreement during any period in which the Counterparty to such Qualified Derivative Agreement is rated by any Rating Agency in a rating category less than "A."

"Holder" and "Bondholder" means the registered owner (or his authorized representative) of the Bond or Bonds, as the case may be.

"Independent Certified Public Accountant" means a person who is a certified public accountant licensed to practice certified public accounting in the State or a firm of such certified public accountants, which, in either case, is not in the regular employ of the Issuer on a salaried basis.

"Interest Payment Date" means with respect to any Bond the date on which an installment of interest thereon shall become due and payable.

"Interest Rate Agreement" shall mean a Qualified Derivative Agreement, designated in a certificate of the Chairman, President or Chief Financial Officer of the Issuer as an "Interest Rate Agreement" for purposes of this Resolution, or a Qualified Derivative Agreement during any period in which it does not qualify as a Hedge Agreement, pursuant to which the payments expected to be made or received by the Issuer (other than Swap Charges) under such agreement shall be netted against each other, with the net result being an adjustment to Bond Service Requirements, as more specifically provided in the definition of Bond Service Requirement.

"Investment Obligations" means the following obligations, but only to the extent the funds to be invested therein may, at the time such investments are made or retained any Fund or Account hereunder, lawfully be invested therein: (i) Federal Securities; (ii) Pre-refunded Obligations; (iii) Federal Housing Administration debentures; (iv) Federal Home Loan Mortgage Corporation (FHLMC) and Farm Credit Banks Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, and Federal Home Loan Bank Board (FHLBB) participation certificates and senior debt obligations; (v) Federal National Mortgage Associations (FNMA) mortgage-backed securities and senior debt obligations; (vi) Student Loan Marketing Association (SLMA) letter of credit-backed issues and senior debt obligations; (vii) the following investments fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of a bank, savings and loan association or mutual savings bank; (viii) Federal Funds, certificates of deposit and time deposits of commercial banks, savings and loan associations or mutual savings banks, either in excess of FDIC or FSLIC insurance or without FDIC or FSLIC insurance, in either case properly secured at all times by Federal Securities at levels rated "AAA" by Standard & Poor's Ratings Services and "Aaa" by Moody's Investors Service, Inc.; (ix) commercial paper rated in one of the two highest rating categories by Standard & Poor's Ratings Services and Moody's Investors Service, Inc., or commercial paper backed by a letter of credit or line of credit rated in said two highest rating categories; (x) money market funds rated "AAA" by Standard & Poor's Ratings Services and "Aaa" by Moody's Investors Service, Inc.; (xi) banker's acceptances of commercial banks (which banks must be rated for unsecured debt at the time of investment and reinvestment in the two highest categories by Standard & Poor's Ratings Services and Moody's Investors Service, Inc.) maturing not more than 365 days after the date of purchase; (xii) investment agreements acceptable to Standard & Poor's Ratings Services and Moody's Investors Service, Inc.; (xiii) bonds or other obligations of any state or territory of the United States of America or of any agency, instrumentality or local government of any such state or territory which are rated "A" or better by Standard & Poor's Ratings Services and Moody's Investors Service, Inc.; (xiv) repurchase agreements with any financial institutions the Obligations of which are rated "AAA" by Standard & Poor's Ratings Services and "Aaa" by Moody's Investors Service, Inc.; and (xv) repurchase agreements with financial institutions insured by FDIC or FSLIC or any broker-dealer with "retail customers" which falls under Securities Investors Protection Corp. (SIPC) jurisdiction provided that (a) the over-collateralization is at levels acceptable to Standard & Poor's Ratings Services and Moody's Investors Service, Inc., (b) the Issuer (or any Funds Trustee or Trustee) or a third party acting solely as agent for the Issuer (or any Funds Trustee or Trustee) has physical possession of such collateral and a perfected first priority security interest in such collateral, (c) the collateral is free and clear of third party liens, and (d) failure to maintain the requisite collateral percentage will require the Issuer (or the Funds Trustee or Trustee) to liquidate the collateral. The value of Investment Obligations shall be determined as provided in "Value" below.

"Issuer" means the Jacksonville Aviation Authority, a public body politic and corporate of the State of Florida, formerly known as the Jacksonville Airport Authority and, in the event the Airport System shall be transferred to another public body and the Issuer's obligations under the Bond Resolution shall be assumed by any other public body, the term "Issuer" shall thereafter mean such public body.

"Junior Obligation Service Charges" means at any time or for any period of time, the principal of and interest and any premium due on Junior Obligations.

"Junior Obligations" means Obligations, other than Bonds and Payment Obligations, which are payable from any of the Pledged Funds and which are junior and subordinate to the Bonds and Payment Obligations.

"Loan Agreement" means the Loan Agreement dated as of October 31, 2002, between the Issuer and Bank of America, N.A., as amended and supplemented.

"Master Lease" means the Master Equipment Lease/Purchase Agreement dated as of June 26, 2002, between the Issuer and Banc of America Leasing & Capital, LLC.

"Maximum Bond Service Requirement" means with respect to any Series of Bonds, as of any particular date of calculation, the largest Bond Service Requirement for such Series for any remaining Bond Year.

"Moody's" means Moody's Investors Service Inc., or its successor.

"Net Operating Revenues" and "Net Revenues" mean the Operating Revenues reduced by Operation and Maintenance Expenses.

"Obligations" means debt obligations and Qualified Derivative Agreements (but not Swap Charges thereunder).

"Operating Revenues" or ***"Revenues"*** means all revenues accrued (determined in accordance with generally accepted accounting principles) by the Issuer from or in connection with the ownership or operation of the Airport System, or any part thereof or the leasing or use thereof, including, but not limited to (a) rentals, (b) concession fees, (c) use charges, (d) landing fees, (e) license and permit fees (including parking permit fees), (f) service fees and charges, (g) revenues received by the Issuer from the sale, by the Issuer, of fuel, and or other merchandise after deducting therefrom the cost of goods sold and (h) any investment income which is required by the Bond Resolution to be deposited in the Operating Revenue Fund (but shall exclude all other investment income), provided, however, that Operating Revenues shall not include (A) proceeds received from the sale of Bonds or other Obligations, (B) proceeds from the sale or taking by eminent domain of any part of the Airport System, (C) gifts or Grants, or payments received in lieu of or replacement for Grants, (D) ad valorem tax revenues, (E) any passenger facility charge or tax which after the date of the Details Resolution may be authorized by Congress (unless the Issuer otherwise elects), (F) any insurance proceeds received by the Issuer (other than insurance proceeds paid as compensation for business interruption), (G) revenues received from or in connection with any Special Purpose Facility to the extent such revenues are pledged by the Issuer to pay the principal of, premium, if any, and interest on any Special Purpose Bonds and expenses relating thereto or to the extent such revenues are to be used to pay or reimburse the Issuer for costs (other than costs constituting Operation and Maintenance Expenses) occurred in connection with such Special Purpose Facility or Special Purpose Bonds, (H) amounts received by the Issuer as a repayment of an advance, such as a reimbursement of utility bills, (I) amounts received which are required to be paid to any other governmental body, including, but not limited to taxes and impact fees, and (J) any noise abatement charges.

"Operating Revenue Fund" means the Fund with that name created by the Bond Resolution.

"Operation and Maintenance Expenses" means for any period all expenses accrued by the Issuer in accordance with generally accepted accounting practices for airports of similar characteristics for the operation, maintenance, administration and ordinary current repairs of the Airport System in order to maintain and operate the Airport System in a reasonable and prudent manner, and including items normally included as essential expenses in the operating budget of governmentally owned airports and including without limiting the generality of the foregoing, insurance premiums, the Issuer's general administrative expenses allocable to the Airport System (including without limitation, engineering, architectural, legal, consultants, and accounting fees and expenses), compensation of Issuer's employees who are assigned to the Issuer's Airport Operations (including without limitation, costs of workers compensation insurance and all employee fringe benefits applicable to such employees from time to time), any taxes or assessments, whether general or special, which are lawfully imposed on the Airport System or on the revenue or income derived from the operation thereof, charges for electricity, water, telephone and other public or private utility services, and fees and expenses of any Paying Agent, Authenticating Agent, Registrar, Escrow Agent and Paying Agent under the Bond Resolution, fees and expenses of independent engineers, architects, consultants, accountants and attorneys and other professional services retained by the Issuer, from time to time, to perform and carry out duties imposed on the Issuer by the Bond Resolution, deposits required hereunder to be made to any Account in the Rebate Fund to fund the Issuer's accrued, but unpaid, liability to make payments to the United States of America imposed by Section 148(f) of the Code and other reasonable current expenses, all as calculated and determined in accordance with generally accepted accounting practices for airports of similar characteristics and the costs of capital assets or additions to or expenditures from reserves therefor in an amount not to exceed ten percent (10%) of all Operation and Maintenance Expenses budgeted for the Fiscal Year. Operation and Maintenance Expenses shall not include (i) the principal of or the premium payable on any Obligations; (ii) the interest on any Obligations; (iii) any expenses accrued for the maintenance or operation of any Special Purpose Facility; (iv) any allowance for amortization or depreciation of the Airport System except to the extent the Issuer receives payment or reimbursement therefor and includes such payment or reimbursement in Operating Revenues; (v) any other expenses for which (or to the extent to which) the Issuer is or will be paid or reimbursed from or through any source and is not included or includable as Operating Revenues; (vi) any extraordinary items arising from the early extinguishment of debt; (vii) any expenditures for unusual or extraordinary repair and maintenance items of a type not recurring annually or at longer intervals, and (viii) capital expenditures (other than those described above).

"Operation and Maintenance Fund" means the Fund with that name created by the Bond Resolution.

"Operation and Maintenance Reserve Requirement" means:

(a) as of the date of issuance of the first Series of Series 1988 Bonds, an amount equal to the budgeted Operation and Maintenance Expenses for the first calendar month following such date of issuance;

(b) as of each date on which a monthly deposit is required to be made to the Operation and Maintenance Fund (herein called a "deposit date"), an amount equal to the budgeted Operation and Maintenance Expenses for the first calendar month following such deposit date, plus

(1) if such deposit date is during the period for which interest on the first Series of Series 1988 Bonds has been capitalized, an amount equal to a fraction of the budgeted Operation and Maintenance Expenses for the second calendar month following the deposit date, the numerator of which shall be the number of days for which such interest has been capitalized which shall have accrued prior to the first day of the month next following such deposit date and the denominator of which is the total number of days for which such interest is capitalized; or

(2) if such deposit date is following the period for which interest on the first Series of Series 1988 Bonds has been capitalized, an amount equal to the budgeted Operation and Maintenance Expenses for the second calendar month following the deposit date.

"Original Purchaser" means, as to any Series of Bonds, the Person or Persons identified in the Purchase Contract relating thereto as the purchaser or purchasers of such Bonds.

"Outstanding" when used to refer to Bonds means, as of the applicable date, all Bonds referred to by the context in which the term "Outstanding" is used which have been issued and delivered (or are then being issued and delivered) pursuant hereto except:

(a) Bonds cancelled upon purchase in the open market or because of payment at or redemption prior to that date;

(b) Bonds which have become due at maturity or by call for redemption or otherwise for the payment of which there is on deposit in the Payment Fund and irrevocably committed thereto, the amount needed to pay all principal thereof and premium, if any, and unpaid interest thereon to the due date;

(c) Bonds which are defeased, deemed paid, discharged and no longer Outstanding pursuant to the Bond Resolution;

(d) Bonds issued under any supplemental resolution which, under the provisions of such supplemental resolution, are deemed to be paid, defeased or otherwise not Outstanding;

(e) Bonds in lieu of which other Bonds have been issued under the Bond Resolution; and

(f) For purposes of voting, giving directions and granting consents, Bonds held by the Issuer or by an agent of the Issuer.

"Parity Bonds" means Bonds which are issued under the Bond Resolution and secured by the Parity Security equally and ratably with the Series 2000B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2005 Bonds and the Series 2006 Bonds.

"Parity Security" means (i) Operating Revenues and Transfers, but subject to the Issuer's obligation to make payments into the Operation and Maintenance Fund and the Rebate Fund, (ii) all cash and Investment Obligations in: (A) the Operating Revenue Fund (subject to the Issuer's obligation to make payments into the Operation and Maintenance Fund and the Rebate Fund), (B) the Renewal and Replacement Fund, (C) the Surplus Fund, and (D) the Capital Recovery Fund, and (iii) Swap Receipts.

"PFCs" or ***"passenger facility charges"*** means the passenger facility charges authorized to be charged by the Issuer pursuant to the Aviation Safety and Capacity Expansion Act of 1990, as amended (now codified in Section 40117 of the United States Code), and Section 158.5 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

"PFC Fund" means the fund by that name created by the Bond Resolution.

"PFC Projects" means Projects for which the Issuer is authorized to impose and use PFCs, as confirmed by an opinion of legal counsel.

"PFC Revenues" means amounts derived by the Issuer from the imposition of PFCs, exclusive of the amounts retained by the air carriers collecting the PFCs pursuant to Section 158.53 of the Federal Aviation Regulations (Title 14, Code of Federal Regulations, Part 158).

"Paying Agent" means any bank, trust company or fiduciary designated by the Issuer to serve as a Paying Agent for any Series of Bonds that shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium if any, with respect to such Bonds to the registered owners thereof, from funds made available therefor by the Issuer, and any successors designated pursuant to the Bond Resolution.

"Payment Fund" means the fund with that name created by the Bond Resolution.

"Payment Obligations" means the obligation of the Issuer to reimburse any person who has provided credit enhancement for any Bond for the principal amount advanced by it and interest thereon.

"Permitted Encumbrances" means, as of any particular time:

(a) Liens for ad valorem taxes and special assessments not then delinquent;

(b) Agreements permitted by the Details Resolution;

(c) Contracts, leases or other agreements or contracts for the lease or use of any Special Purpose Facility;

(d) Utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions which, in the written opinion of the Airport Consultant will not interfere with or impair the operations being or to be conducted by or on the Airport System (or, if no such operations are being conducted, the operations for which the same was designed or last modified);

(e) Such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Airport System and as do not in the aggregate, in the opinion of an attorney at law, licensed to practice in the State and not an officer or full-time employee of the Issuer, materially impair the property affected thereby for the purpose for which it was acquired or is held by the Issuer; and

(f) Conditions imposed by any governmental entity as a condition to any Grant or otherwise.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Pledged Deposits" means the cash and investments in the Bond Proceeds Fund, the Construction Fund, the Operating Revenue Fund, the Operation and Maintenance Fund, the Debt Service Fund, the Reserve Fund, the Rebate Fund, the Renewal and Replacement Fund, the Payment Fund, the Surplus Fund and the Capital Recovery Fund.

"Pledged Funds" means the Pledged Revenues and the Pledged Deposits.

"Pledged Revenues" means all (i) Operating Revenues, (ii) any net casualty insurance proceeds, net eminent domain awards and net sales proceeds received with respect to the Airport System or any part thereof, (iii) investment income derived from any Pledged Deposits, and (iv) Swap Receipts, all of which are pledged pursuant to Article VII of the Bond Resolution.

"Predecessor Bond" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by the particular Bond including Bonds for which other Bonds have been issued. For the purposes of this definition, any Bond authenticated and delivered in lieu of a lost, stolen or destroyed Bond shall, except as otherwise provided in the Bond Resolution, be deemed to evidence the same debt as the lost, stolen or destroyed Bond.

"Preferred Junior Obligations" means certain fees and charges (other than Payment Obligations) payable to any Person who has provided a credit enhancement facility or liquidity facility for any of the Bonds.

"Pre-refunded Obligations" means any bonds or other Obligations of any state or territory of the United States of America or of any agency, instrumentality or local governmental unit of any such state or territory (A) which are not callable at the option of the obligor prior to the maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (B) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Securities which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, which fund is sufficient, as verified by an Independent Certified Public Accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (A) of this paragraph, as appropriate and (C) which are rated in the highest rating category of both Standard & Poor's Ratings Services or Moody's Investors Service, Inc., or any successors thereto.

"Project" means any capital project (other than a Special Purpose Facility) which relates to the Airport System or Airport Operations and which is identified by the Issuer as a "Project" (within the meaning of this resolution) in a resolution providing for the issuance or sale of any Bonds or Junior Obligations.

"Purchase Agreement" or ***"Purchase Contract"*** means, as to any Series of Bonds, the agreement or contract for the sale thereof by the Issuer on initial issuance approved or authorized by a resolution, supplemental hereto, awarding such Series to the Original Purchaser thereof.

"Qualified Derivative Agreement" shall mean a Derivative Agreement entered into by the Issuer with a Counterparty if the Issuer is legally permitted to enter into such Derivative Agreement pursuant to Florida law. Each Qualified Derivative Agreement shall be designated by the Issuer as either a Hedge Agreement or an Interest Rate Agreement at the time of its authorization.

"Rating Agency" shall mean Fitch, Moody's or S&P.

"Rebate" or ***"Rebate payment"*** means a payment to the United States of America required to be made by any Rebate Requirement.

"Rebate Bonds" means any Series of Bonds which are subject to a Rebate Requirement.

"Rebate Fund" means the Fund with that name created by the Bond Resolution.

"Rebate Requirement" means any requirement imposed upon the Issuer by Section 148(f) of the Code to make any payment to the United States of America as a condition to the interest on Bonds of a Series being excluded from the gross income of the Holder for federal income tax purposes.

"Refunded" when used with reference to any Obligations, means any Obligations being paid, refunded or advance refunded by an issue of Obligations.

"Register" means the books kept and maintained by the Registrar for registration and transfer of Bonds.

"Registrar" means, with respect to any Series of Bonds, the Issuer or any bank, trust company or other Person designated as Registrar for such Series by or pursuant to a subsequent resolution of the Governing Body of the Issuer, which (other than the Issuer, or an official or employee of the Issuer) shall be a transfer agent registered in accordance with Section 17(A)(c) of the Securities Exchange Act of 1934, as amended.

"Regular Record Date" or ***"Record Date"*** means, when used with respect to any Bond, the fifteenth day of the calendar month next preceding an Interest Payment Date applicable to that Bond unless otherwise provided in a supplemental resolution with regard to a particular Series of Bonds.

"Renewal and Replacement Fund" means the Fund with that name created by the Bond Resolution.

"Reserve Fund" means the Fund with that name created by the Bond Resolution.

"Reserve Requirement" means, when used with respect to any Series of Bonds, the aggregate amount to be deposited (either in a single deposit or by a series of deposits) in the account in the Reserve Fund for such Series as established by the Award Resolution of the Issuer providing for the sale of such Series of Bonds.

"Revenues" means "Operating Revenues."

"S&P" means Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., or its successor.

"Senior Obligations" means Bonds, any obligations on a parity with or senior to the Bonds, any related requirements to replenish any Reserve Fund, Reserve Account or other debt service reserve funds relating to obligations on a parity with or senior to the Bonds and any deposits in support of debt service thereon.

"Serial" when used with reference to Bonds means all Bonds of a Series other than "Term" Bonds.

"Series" means any Bonds issued, authenticated and delivered in a single transaction and identified as a single series pursuant to the resolution providing for the sale and issuance of such Bonds regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 2000B Bonds" means the Jacksonville Port Authority Airport Revenue Bonds, Series 2000B, dated February 1, 2000, authorized and issued pursuant to a resolution of the Issuer adopted January 25, 2000.

"Series 2003A Bonds" means the Issuer's Revenue Refunding Bonds, Series 2003A-1 and Series 2003A-2, authorized and issued pursuant to a resolution of the Issuer adopted April 21, 2003.

"Series 2003B Bonds" means the Issuer's Revenue Bonds, Series 2003B-1 and Series 2003B-2, authorized and issued pursuant to a resolution of the Issuer adopted October 20, 2003.

"Series 2005 Bonds" means the Issuer's Revenue Refunding Bonds, Series 2005, authorized and issued by the Issuer pursuant to a resolution of the Issuer adopted July 18, 2005.

"Series 2006 Bonds" means the Issuer's Revenue Bonds, Series 2006, authorized to be issued by the Issuer pursuant to a resolution of the Issuer adopted September 18, 2006.

"Special Bond Retirement Account" means a Special Bond Retirement Account in the Debt Service Fund created by the Bond Resolution.

"Special Capital Improvements Account" means a special capital improvements Account in the Construction Fund created by the Bond Resolution.

"Special Purpose Bonds" means revenue bonds or other Obligations of the Issuer, issued to finance any Special Purpose Facility, so long as:

(a) The payment of principal of, premium, if any, and interest on such obligation are payable from and secured by sources other than Pledged Funds; and

(b) The liability to pay such Operating and Maintenance expenses is limited to sources other than Pledged Funds.

If the cost of the Special Purpose Facility is paid with proceeds of Special Purpose Bonds and such Special Purpose Bonds are refunded with Bonds or Junior Obligations, then the Special Purpose Facility shall cease to be a Special Purpose Facility.

"Special Purpose Facility" means any facility, improvement, structure, equipment or assets acquired or constructed on any land or in or on any structure or building constituting a part of the Airport System, the cost of construction, acquisition, cost of operation and maintenance of which are paid for by any user or users or paid by the Issuer from the proceeds of Special Purpose Bonds or sources other than Pledged Funds.

"Special Record Date" means, with respect to any Bond, the date established by the Issuer in connection with the payment of overdue interest on that Bond.

"State" means the State of Florida.

"Surplus Fund" means the Fund with that name created by the Bond Resolution.

"Swap Charges" shall mean Early Termination Payments and all other charges payable by the Issuer to a Counterparty upon the execution, renewal or termination of any Qualified Derivative Agreement pursuant thereto, and any indemnification payments, tax gross-up payments, expenses and default interest payments, and any non-scheduled payments, exclusive of Swap Obligations.

"Swap Obligations" shall mean net payments required to be made by the Issuer under a Qualified Derivative Agreement from time to time as a result of fluctuation in hedged interest rates, or fluctuation in the value of any index of payment. Swap Obligations shall not include Swap Charges.

"Swap Receipts" shall mean net payments received by the Issuer from a Counterparty under a Qualified Derivative Agreement.

"Taxable Bond" means any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income tax purposes.

"Term" when used with reference to Bonds, means Bonds of a Series which shall be stated to mature on one date and which shall be subject to mandatory sinking fund redemption from Amortization Installments established with respect thereto by the supplemental resolution providing for the issuance or sale of such Series of Bonds.

"Transfers" means moneys from the Surplus Fund and Available PFC Revenues from the PFC Fund, which are lawfully transferred and deposited by the Issuer in the Operating Revenue Fund (other than amounts which are Operating Revenues accrued in the Fiscal Year such deposit is made).

"Unpledged Receipts Fund" means any fund or account of the Issuer that is not created by the Bond Resolution.

"Value" means, as of any particular time of determination, the market value of any investments.

"Variable Rate" when used with reference to Obligations (other than Interest Rate Agreements), means Obligations (other than Interest Rate Agreements) with a variable, adjustable, convertible or similar rate which is not fixed in percentage for the entire term thereof at the date of issue (or for the balance of its maturity from any date of calculation required hereunder). An Obligation shall not be deemed to bear a Variable Rate merely because the interest rate thereon is subject to adjustment if the interest thereon becomes includible in the gross income of the Holder for federal income tax purposes. If on the date of calculation any Obligations shall have a fixed interest rate for the balance of their maturity, such Obligations shall, for purposes of such calculations, not be deemed to be Variable Rate Obligations, and shall be deemed to have had such fixed rate in effect during any previous period material to such calculation.

If, as of the date of any calculation, (i) a Bond or proposed Parity Bond bears interest at a Variable Rate and no Hedge Agreement is associated with such Bond or Parity Bond or (ii) a Bond or proposed Parity Bond bears interest at a fixed rate and a Hedge Agreement associated with such Bond or Parity Bond bears a deemed Variable Rate pursuant to paragraph (B) of the definition of Bond Service Requirement, then for purposes of calculating the Bond Service Requirement, average annual Bond Service Requirement or Maximum Bond Service Requirement thereon, the following rules apply:

(a) for purposes of determining whether the rate covenant coverage test has been met for any period prior to the date of calculation, (x) the interest rate of such Variable Rate Bond shall be the actual weighted average Variable Rate in effect during such period and (y) the interest rate of such fixed rate Bond shall be the weighted average deemed Variable Rate under the Hedge Agreement during such period (calculated as provided in paragraph (B) of the definition of Bond Service Requirement);

(b) for purposes of determining whether Parity Bonds may be issued pursuant to the Bond Resolution, (x) the rate of interest on any such variable rate Bond then Outstanding shall be deemed to be the actual weighted average of interest borne by such Bond during the immediately preceding twelve (12) months and (y) the rate of interest on any such fixed rate Bond then Outstanding shall be deemed to be the actual weighed average of the deemed Variable Rate under the Hedge Agreement during the immediately preceding twelve (12) months (calculated as provided in paragraph (B) of the definition of Bond Service Requirement);

(c) for purposes of determining whether the Issuer may issue such Variable Rate Parity Bonds, the rate of interest on the proposed Variable Rate Parity Bonds shall be deemed to be the higher of (i) *The Bond Buyer* Revenue Bond Index in effect on the sale date for he proposed Variable Rate Parity Bonds or (ii) the initial rate of interest on the proposed Variable Rate Parity Bonds; provided, however, that if a Hedge Agreement is expected to be entered into with respect to such Variable Rate Parity Bonds, the rate of interest on the proposed Variable Rate Parity Bonds shall be determined in accordance with paragraph (A) of the definition of Bond Service Requirement; and

(d) for purposes of determining whether the Issuer may issue such fixed rate Parity Bonds, the rate of interest on the proposed fixed rate Parity Bonds shall be deemed to be the higher of (i) *The Bond Buyer* Revenue Bond Index in effect on the sale date for the proposed fixed rate Parity Bonds or (ii) the initial deemed Variable Rate under the associated Hedge Agreement (calculated as provided in paragraph (B) of the definition of Bond Service Requirement).

Notwithstanding the foregoing, if two related Series of Variable Rate Bonds taken together are intended to produce a net fixed rate payable by the Issuer, such Variable Rate Bonds shall be deemed to bear interest at the net fixed rate and the interest on such Variable Rate Bonds shall be determined collectively.

PAYMENT OBLIGATIONS AND PREFERRED JUNIOR OBLIGATIONS

The obligation of the Issuer to reimburse a third party who provides credit enhancement for the payment of Bond Service Charges for the principal amount advanced by it and interest thereon (at the rate specified in the agreement for credit enhancement) shall be a "Payment Obligation" which shall be secured by the Parity Security on a parity with the Bonds and other Payment Obligations and shall be secured by amounts on deposit in the Accounts for such Series of Bonds in the Debt Service Fund and the Reserve Fund. If any amounts are advanced by any Person providing a liquidity facility to purchase Bonds which are surrendered and cancelled, rather than being remarketed, the amounts advanced shall give rise to Payment Obligations. If the Payment Obligation is not repaid on the date of such advance and if the Issuer is liable for any fees or charges (in addition to the principal of and interest on such Payment Obligations) to the provider of such credit enhancement or liquidity facility, the Issuer's liability to pay such additional amounts shall constitute a Preferred Junior Obligation which shall have a claim to payment from Parity Security which is subordinate to the Bonds and Payment Obligations and which shall be superior in priority to all other Junior Obligations (which are not also Preferred Junior Obligations). All Preferred Junior Obligations shall be of equal priority with each other. Obligations which constitute Preferred Junior Obligations shall constitute Junior Obligations for purposes of the rate covenant and coverage test and Parity Bonds test.

SECURITY

Pledge of Pledged Funds. The Issuer irrevocably pledges and creates a lien on, pledge of and security interest in the Pledged Funds in order to secure the performance of the Issuer's covenants in the Bond Resolution as to the use and application of Pledged Funds.

Parity Security. The Bond Service Charges on the Bonds, Swap Obligations and principal and interest payments due on all Payment Obligations shall be equally and ratably secured by the Parity Security. Swap Charges shall be Junior Obligations and also shall be subordinate in right of payment and security to the Issuer's obligations under the Master Lease, the Loan Agreement and any other obligations secured and payable on a parity with the Master Lease and the Loan Agreement.

Additional Security. Bonds of each Series shall be additionally secured by (i) all cash and Investment Obligations on deposit in the Accounts created for such Series in the Bond Proceeds Fund and the Construction Fund (subject to the Issuer's right to use amounts therein for the purposes for which such Series of Bonds is issued), (ii) all cash and Investment Obligations on deposit in the Account created for such Series in the Debt Service Fund, (iii) if a Reserve Requirement has been established for such Series of Bonds, all cash, Investment obligations and any credit facility on deposit in the Account for such Series in the Reserve Fund and (iv) all cash and Investment Obligations on deposit in any Special Bond Retirement Account in the Debt Service Fund established for Bonds of such Series. Any amounts, revenues, collateral or credit enhancement facility and amounts derived therefrom pledged by supplemental resolution as an additional source of payment and security for any Series of Bonds shall be subject to such pledge for the benefit of the Holders of Bonds of such Series as provided in such supplemental resolution.

Payment Fund. Amounts in the Payment Fund held by the Paying Agent are pledged for the payment of particular Bond Service Charges for which the same are deposited in the Payment Fund.

FUNDS AND ACCOUNTS

Bond Proceeds Fund. Upon issuance of each Series of Bonds the proceeds thereof shall be deposited in the separate Account established for such Series in the Bond Proceeds Fund. Moneys on deposit in such Account shall be disbursed and used pursuant to the provisions of the Bond Resolution and a supplemental resolution providing for the sale and issuance of such Series of Bonds.

Deposits. Commencing on the day of the delivery of the first Series of Bonds and thereafter until no Bonds shall be Outstanding, the Issuer shall deposit the following amounts as heretoafter set forth: (a) upon receipt, Operating Revenues shall be deposited in the Operating Revenue Fund; Transfers, when made, shall also be deposited in the Operating Revenue Fund; and (b) upon receipt, any net casualty insurance proceeds or net eminent domain awards, with respect to any damage, destruction or taking of the Airport System or any part thereof, shall be deposited in the Capital Recovery Fund; and (c) upon receipt, net proceeds received from the sale of the Airport System or any portion or part thereof shall be deposited in the Capital Recovery Fund; (d) upon receipt all gifts, Grants and other amounts not otherwise required to be deposited in one of the Funds created by the Bond Resolution shall be deposited in one or more Unpledged Receipts Funds or otherwise used by the Issuer; and (e) upon receipt, all Swap Receipts shall be deposited in the Debt Service Account established in the Debt Service Fund for the Series of Bonds to which such Swap Receipts relate. If the Issuer receives Swap Receipts under an Interest Rate Agreement that is not related to a particular Series of Bonds, a separate Debt Service Account shall be established in the Debt Service Fund for such Swap Receipts.

The Construction Fund. A separate Account shall be established in the Construction Fund for each Series of Bonds. All moneys in the Construction Fund shall be administered by the Finance Director of the Issuer (or his designated authorized agent). Any moneys on deposit in the Construction Fund and Accounts therein that, in the opinion of the Issuer, are not immediately necessary for expenditure shall be invested. Upon substantial completion of each Project or phase thereof (as determined by the Consulting Engineer), or upon the abandonment thereof, any proceeds of any Series of Bonds or other amounts held to pay the Costs of such Project or phase thereof or to expand the scope of such Project or phase thereof then remaining in the separate Account created in the Construction Fund with respect to such Series and not reserved by the Issuer in the Capitalized Interest Subaccount established for the payment of Capitalized Interest on the Bonds of such Series or for the payment of any remaining part of the Cost of such Project or such phase, shall be utilized as follows: (i) if no Paying Agent has been appointed on account of the occurrence of an Event of Default hereunder, the Issuer may, at its option (so long as such use, in the opinion of Bond Counsel, will not adversely effect the federal income tax status of interest on the Bonds of such Series), use such amounts (A) to pay the Cost of any other capital improvements to the Airport System; or (B) such amounts may be deposited (1) in the Account for such Series in the Reserve Fund, if any, to make up deficiencies therein; (2) in the Account for such Series in the Debt Service Fund; (3) in a Special Bond Retirement Account; or (4) in the Renewal and Replacement Fund; or (ii) if a Paying Agent has been appointed because an Event of Default has occurred and is then continuing, such amounts shall be applied in the manner specified by any Paying Agent appointed as provided in the Bond Resolution.

The Operating Revenue Fund. Funds in the Operating Revenue Fund shall be applied on or before the twenty-fifth (25th) day of each month in the following manner and order of priority:

(a) First, there shall be deposited to the Operation and Maintenance Fund an amount sufficient to cause the balance therein to equal the Operation and Maintenance Reserve Requirement.

(b) Next, the Issuer shall, with respect to each Series of Outstanding Bonds on which any Bond Service Charges are payable during the Bond Year, or with respect to which Payment Obligations are payable during the Bond Year, or with respect to Swap Obligations, make the following deposits into the Account in the Debt Service Fund for such Series or Qualified Derivative Agreement (any investment income on deposit in the Operating Revenue Fund shall, subject to subsection (a) above, be first applied for such purpose for any other amounts therein are so used):

(i) With respect to Bonds or Payment Obligations on which interest is payable monthly prior to the next October 2, or Swap Obligations payable monthly prior to the next October 2, an amount equal to the interest coming due thereon on the next Interest Payment Date applicable thereto or equal to the Swap Obligation coming due on the next payment date therefor;

(ii) With respect to Bonds or Payment Obligations on which interest is payable quarterly prior to the next October 2, or Swap Obligations payable quarterly prior to the next October 2, an amount equal to one-third (1/3) of the interest coming due thereon on the next Interest Payment Date applicable thereto or equal to one-third (1/3) of the Swap Obligation coming due on the next payment date therefor;

(iii) With respect to Bonds or Payment Obligations on which interest is payable semi-annually prior to the next October 2, or Swap Obligations payable semi-annually prior to the next October 2, an amount equal to one-sixth (1/6) of the interest coming due thereon on the next Interest Payment Date applicable thereto or equal to one-sixth (1/6) of the Swap Obligation coming due on the next payment date therefor;

(iv) With respect to Bonds or Payment Obligations on which interest is payable annually prior to the next October 2, or Swap Obligations payable annually prior to the next October 2, an amount equal to one-twelfth (1/12) of the interest coming due thereon on the next Interest Payment Date applicable thereto or equal to one-twelfth (1/12) of the Swap Obligation coming due on the next payment date therefor;

(v) With respect to Bonds or Payment Obligations on which interest is payable at other intervals, or Swap Obligations payable at other intervals, an amount sufficient to fund the Issuer's accruing liability for interest or such Swap Obligation;

(vi) With respect to Bonds or Payment Obligations maturing annually prior to the next October 2, one-twelfth (1/12) of all principal maturing thereon on the next annual maturity date thereof;

(vii) With respect to Bonds or Payment Obligations maturing semi-annually prior to the next October 2, one-sixth (1/6) of all principal maturing thereon on the next semi-annual maturity date thereof;

(viii) With respect to Bonds or Payment Obligations maturing monthly prior to the next October 2, all principal maturing thereon on the next monthly maturity date thereof; and

(ix) With respect to Bonds or Payment Obligations maturing at other intervals, a ratable portion of the principal maturing thereon prior to the next October 2.

For purposes of the foregoing:

(a) Term Bonds which are subject to mandatory redemption from Amortization Installments on a specified date shall be deemed to mature on such date; and

(b) The Appreciated Principal amount at maturity or upon Mandatory Redemption of Capital Appreciation Bonds shall be deemed to be principal.

In determining the amount required to be transferred from the Operating Revenue Fund to any Account in the Debt Service Fund for the payment of interest or Swap Obligations, there shall be allowed a credit (to the extent not previously allowed as a credit) for accrued interest or Swap Receipts then on deposit in such Account and for any Capitalized Interest then being transferred to such Account from a capitalized interest subaccount in the Account in the Construction Fund for such Series of Bonds which is to be used to make such payment of interest.

In the case of Bonds or Payment Obligations bearing interest at a Variable Rate, or if any Qualified Derivative Agreement provides for payment by the Issuer (other than Swap Charges) to be made based on a Variable Rate or formula, monthly deposits relating to interest coming due on such Bonds or Payment Obligations, or coming due under such Qualified Derivative Agreements shall be based on the Issuer's accrued liability (on the date of such deposit) for interest which will be payable on the next Interest Payment Date or Swap Obligations which will be payable on the next payment date therefor, and any shortages thereby created shall be deposited in the Debt Service Fund not later than the business day immediately preceding the next Interest Payment Date or payment date therefor, as the case may be.

The foregoing deposits shall be made until there are sufficient funds then on deposit equal to the sum of all interest, principal and redemption payments due on the Bonds and Payment Obligations, or equal to the sum of all Swap Obligations due under a Qualified Derivative Agreement, during the remainder of the Bond Year. Monthly deposits shall be increased or decreased from time to time to the extent required to cause moneys on deposit in the Debt Service Fund to be sufficient, when needed, to pay principal, premium, if any, interest and Swap Obligations coming due during the remainder of the then current Bond Year.

Any amounts which are payable on any Payment Obligations with respect to any Series of Bonds shall be deposited in the Account for such Series in the Debt Service Fund provided that there shall be no duplication of such deposits for the payment of Bond Service Charges and for the payment of Payment Obligations arising as a result of amounts provided under any credit enhancement arrangement which are used or to be used to pay those same Bond Service Charges.

In addition to the foregoing monthly payments, the Issuer shall, from time to time, transfer from the Operating Revenue Fund to the Accounts in the Debt Service Fund such amounts as shall be necessary to make timely payment of Bond Service Charges which shall become due and payable on account of redemption (other than redemptions provided for by Amortization Installments).

If at any time there is a deficiency in any Account in the Debt Service Fund on account of a failure to make in full any previous deposits thereto, the amount of such deficiency shall be added to the next deposit due such Account (except to the extent such deficiency has been reduced or eliminated by deposits made therein from amounts transferred from the Surplus Fund and, if the Surplus Fund has been depleted, from the Renewal and Replacement Fund).

If, at the time deposits are required to be made to two or more Accounts in the Debt Service Fund, the amount in the Operating Revenue Fund after funding the Operation and Maintenance Fund is not sufficient to make all such deposits in full, all amounts in the Operating Revenue Fund shall be apportioned ratably among the various Accounts to which deposits are required to be made in proportion to the amount of the deposits then required to be made in each such Account.

If the period between the date a Series of Bonds is issued or a Qualified Derivative Agreement is effective and the first Interest Payment Date for the Bonds or the first payment date for the Swap Obligations, as the case may be, differs from the period between other Interest Payment Dates, principal payment dates or dates for payment of Swap Obligations, then the monthly deposits shall be adjusted prior to such first Interest Payment Date, principal payment date or payment date for Swap Obligations so that all amounts needed to pay interest on the first Interest Payment Date or first payment date for Swap Obligations in such Bond Year (less any amounts of accrued or capitalized interest to be used for such purpose) shall be deposited in equal monthly installments and so that the amount needed to pay principal on the first principal payment date in such Bond Year shall be deposited in equal monthly installments.

(a) Next, amounts in the Operating Revenue Fund shall be used to make any deposits to any Accounts in the Reserve Fund required by this subsection (c) and by any Award Resolution relating to Bonds of any Series having a Reserve Requirement, including any deposits required for the initial or periodic funding of any such Account, or to restore amounts withdrawn from any such Account to pay debt service on any Series of Bonds for which such Account was created or to compensate for any decline in value of the investments in any such Account. First, money available for deposit in the Accounts in the Reserve Fund, shall be applied so that each account having a valuation deficiency shall have deposited thereto an amount equal to one-twelfth (1/12) of such valuation deficiency. Next, moneys available for deposit to the Reserve Account shall be deposited in each Account to the extent required to restore (to the extent possible) amounts withdrawn from such Account to pay Bond Service Charges on the Series of Bonds for which such Account was created. Next, moneys available for deposit in the Reserve Fund shall be deposited in those Accounts in the Reserve Fund to the extent required for the initial periodic funding of such Accounts. No amounts in the Operating Revenue Fund shall be subject to the provisions of subsections (d), (e) or (f) under this heading, unless all deposits required by this subsection (c) have been made in full. If the amount available in the Operating Revenue Fund is not sufficient to make in full all required deposits to the various Accounts in the Reserve Fund, the amount available shall be allocated (within each of the foregoing priorities) ratably among such Accounts in proportion to the amounts required to be deposited in such Accounts at that level of priority.

(b) Next, amounts in the Operating Revenue Fund shall be used to make a deposit into the PFC Fund in an amount equal to the excess, if any, of (i) the amount of the aggregate Available PFC Revenues transferred and deposited by the Issuer into the Operating Revenue Fund, over (ii) the amount of the accrued aggregate Bond Service Charges with respect to that portion of the Bonds issued to finance PFC Projects, as allocated by a certificate of an authorized officer of the Issuer.

(c) Next, amounts in the Operating Revenue Fund shall be used to pay (or to fund a debt service trust fund for) Preferred Junior Obligations as required by the agreement giving rise to such Preferred Junior Obligations; any such debt service trust fund shall be deemed to constitute an Unpledged Receipts Fund and shall not be subject to the lien of the Bond Resolution.

(d) Next, amounts in the Operating Revenue Fund shall be used to pay (or fund a debt service account or trust fund for) Junior Obligations (other than Swap Charges), as required by the agreements giving rise to such Junior Obligations; any such debt service account or trust fund shall be deemed to constitute an Unpledged Receipts Fund and amounts therein shall not be subject to the lien hereof.

(e) Next, amounts in the Operating Revenue Fund shall be used to pay any Swap Charges due and payable to a Counterparty pursuant to a Qualified Derivative Agreement.

(f) The remaining moneys in the Operating Revenue Fund shall be deposited in the Surplus Fund.

The Operation and Maintenance Fund. Amounts on deposit in the Operation and Maintenance Fund shall be used to pay Operation and Maintenance Expenses as the same become due and payable, including the making of deposits to Accounts in the Rebate Fund.

Debt Service Fund. Moneys on deposit in each Account of the Debt Service Fund shall be used only for the purpose of making payments to the Payment Fund held by the Paying Agent for the payment of Bond Service Charges on the Series of Bonds for which such Account was created or for paying any Payment Obligations arising with respect to such Series of Bonds or Swap Obligations relating to such Series of Bonds. If the Issuer has Swap Obligations under an Interest Rate Agreement that is not related to a particular Series of Bonds, the Debt Service Account established for Swap Receipts under such Interest Rate Agreement shall be used solely for the payment of Swap Obligations under such Interest Rate Agreement. On the date any Bond Service Charges on any Series of Bonds shall become due and payable, there shall be transferred from the Account in the Debt Service Fund for such Series to the Payment Fund, moneys sufficient (after taking into account any other moneys held by the Paying Agent for the purpose of paying such Bond Service Charges) to pay such Bond Service Charges. Any balance remaining in such Account in the Debt Service Fund on October 1 after providing for the payment of Bond Service Charges and Payment Obligations due on said date shall be transferred to the Surplus Fund. On any date a payment is required to be made with respect to any Payment Obligation arising with respect to a Series of Bonds, moneys on deposit in the Account for such Series shall be used for such purpose.

Reserve Fund. Upon the issuance of any Series of Bonds for which the Issuer has established a Reserve Requirement, the Issuer may establish a separate Account for such Series or, in the supplemental resolution providing for the issuance of such Series of Bonds, specify that any then-existing separate Account shall be held for the benefit of and secure such additional Series of Bonds on a parity basis (if permitted by the resolution which established such Account). Any supplemental resolution providing for the issuance of a Series of Bonds which establishes a separate Account in the Reserve Fund shall specify whether such Account shall be held for the benefit of only such Series of Bonds or may be held for the benefit of additional Series of Bonds on a parity basis. All cash, investments and any credit facility on deposit in or held for an Account in the Reserve Fund created with respect to any Series of Bonds shall be used only for the purpose of making payments to the Payment Fund to be used by the Paying Agents to pay Bond Service Charges on Bonds of such Series or to pay Payment Obligations arising with respect to Bonds of such Series. If any Bond Service Charges on any Series of Bonds are paid by any provider of a credit facility, then any Payment Obligation resulting therefrom shall be paid from the Account for such Series in the Reserve Fund to the extent that amounts in the Account for such Series in the Debt Service Fund are not sufficient to make such payment. On any date a payment is required to be made with respect to any Payment Obligation arising with respect to a Series of Bonds, money on deposit in the Account for such Series in the Reserve Fund shall be used for such purpose to the extent needed to be added to amounts in the Account for such Series in the Debt Service Fund which are to be used for such purpose. If at any time the amount in any such Account exceeds the Reserve Requirement for the Series of Bonds for which such Account was created, the excess shall be withdrawn and deposited, at the election of the Issuer, in an Account for such Series in the Construction Fund, the Debt Service Fund, in a Special Bond Retirement Account for such Series, or in the Surplus Fund, unless otherwise provided by the Award Resolution for such Series. The Award Resolution providing for the sale and issuance of any Series of Bonds for which a Reserve Requirement is established may provide that in lieu of cash deposits into the Account in the Reserve Fund established for such Series, the Issuer may cause to be deposited into that Account, a surety bond, letter of credit, guaranty, municipal bond insurance policy, or other credit facility for the benefit of the Holders of Bonds of such Series in an amount equal to all or any portion of such Reserve Requirement and may provide that if a disbursement is made to the Payment Fund from a surety bond, letter of credit, municipal bond insurance policy, or other form of credit facility, the Issuer shall be obligated to restore the amount of any deficiency in said Account by depositing cash in such Account derived from the Operating Revenue Fund, the Surplus Fund or the Renewal and Replacement Fund or by restoring the limits of such credit facility, or by any combination of such methods.

All references in the Bond Resolution to an Account in the Reserve Fund for a particular Series of Bonds (i) shall be deemed to include an Account in the Reserve Fund which was not established by the supplemental resolution providing for the issuance of such Series of Bonds, but which is held for the benefit of and secures such Series of Bonds and one or more additional Series of Bonds on a parity basis, and (ii) shall be read to have a meaning consistent with the Issuer's options under this paragraph.

The Payment Fund. Money in the Payment Fund shall be on deposit with the Paying Agent at or prior to 10:30 a.m., Jacksonville, Florida time on the date on which Bond Service Charges become due and payable and shall be used to pay such Bond Service Charges when due. Moneys received by the Paying Agent from any Escrow Agent serving under an Escrow Deposit Agreement for the payment of specific Bond Service Charges on specific Bonds shall be deposited in the Payment Fund and used exclusively for the payment of the Bond Service Charges as provided by the Escrow Deposit Agreement relating to such Bonds.

The Renewal and Replacement Fund. The Renewal and Replacement Fund shall be deemed to be fully funded when the balance therein is $1,000,000. The funds in the Renewal and Replacement Fund shall be used only to make unusual or extraordinary repairs to facilities included as a part of the Airport System, to make required deposits to the Debt Service Fund if available amounts in the Operating Revenue Fund, the Surplus Fund and applicable Accounts in the Reserve Fund are not sufficient for such purposes and to make required deposits to the Reserve Fund and Rebate Fund if amounts in the Operating Revenue Fund and Surplus Fund are not sufficient for such purpose.

The Surplus Fund. The funds in the Surplus Fund shall be used (to the extent available and necessary) in the following order of priority:

(a) Amounts deposited in the Surplus Fund during the then current Fiscal Year shall first be used to make up deficiencies in required deposits to the following Funds and Accounts in the following order of priority: the Operation and Maintenance Fund, the Rebate Fund, the Debt Service Fund, the Reserve Fund, the PFC Fund, any debt service account or trust fund for Preferred Junior Obligations and any debt service account or trust fund for other Junior Obligations. In the case of transfers to Accounts in the Reserve Fund, the priorities set forth in subsection (c) under the heading *Operating Reserve Fund* herein shall apply;

(b) If an Event of Default has occurred, the funds in the Surplus Fund shall next be used to cure such Event of Default and to pay expenses of curing such Event of Default;

(c) To make any required deposits to any Special Capital Improvements Accounts;

(d) To make any required deposits to any Special Bond Retirement Accounts;

(e) To pay Preferred Junior Obligations which shall have become due and payable to the extent moneys in any debt service trust fund established therefor are insufficient to make such payment;

(f) To pay Junior Obligations (other than Preferred Junior Obligations) to the extent moneys in any debt service account or trust fund established therefor are insufficient to make such payment;

(g) On the first business day of each Fiscal Year, to make any Transfers the Issuer is obligated, by contract, to make to the Operating Revenue Fund;

(h) On the first business day of each Fiscal Year there shall be transferred from the Surplus Fund to the Renewal and Replacement Fund the lesser of: (A) the amount needed to eliminate any deficiency in the Renewal and Replacement Fund or (B) the entire amount remaining in the Surplus Fund.

(i) Any amounts in the Surplus Fund on the first of each Fiscal Year after making any Transfers and deposits required by (g) and (h), above, shall be transferred to one or more Unpledged Receipts Funds, and used by the Issuer for any lawful purpose, subject only to any restrictions on the use thereof imposed by contract.

The Rebate Fund. At the times and in the manner required by Section 148(f) of the Code and applicable U.S. Treasury regulations, the Finance Director shall (i) make or cause to be made such calculations as are necessary to determine the amount of the Issuer's accrued but unpaid liability to make rebate payments to the United States with respect to such Series of Rebate Bonds and (ii) create an Account in the Rebate Fund for such Series of Rebate Bonds (unless an Account in the Rebate Fund for such Series was theretofore created at the time a prior calculation was required); if the amount described in clause (i) exceeds the amount, if any, then on deposit in such Account, the Issuer shall transfer from the Operation and Maintenance Fund, or if it elects, from the Operating Revenue Fund, the Surplus Fund, the Renewal and Replacement Fund or other lawful sources, the amount of such excess so that the amount on deposit in the Rebate Fund equals the amount of such accrued but unpaid liability to make Rebate payments with respect to such Series of Rebate Bonds; if the amount, if any, then on deposit in such Account, exceeds the amount described in clause (i), the Issuer shall transfer such excess in such Account to the Surplus Fund. If, at any time the Issuer is required to make any rebate payments to the United States with respect to any Series of Rebate Bonds, the amount on deposit in the Account in the Rebate Fund for such Series of Rebate Bonds is not sufficient to make such rebate payments in full, the additional amounts needed for such purpose shall immediately be deposited in such Account from the Operation and Maintenance Fund, the Operating Revenue Fund, the Surplus Fund, the Renewal and Replacement Fund or other legally available sources. Amounts on deposit in each Account of the Rebate Fund shall be held in trust by the Issuer and used (except to the extent that excess amounts may be transferred to the Surplus Fund, as above provided) solely to make Rebate payments to the United States of America with respect to the Series of Rebate Bonds for which such Account was created and the Bondholders shall have no right to have the same applied to the payment of Bond Service Charges.

Capital Recovery Fund. Net casualty insurance proceeds (including proceeds of self insurance), net proceeds of any eminent domain award and net proceeds from the sale of property constituting a part of the Airport System which are required to be deposited in the Capital Recovery Fund shall be held in such Fund until deposited in a Special Capital Improvements Account in the Construction Fund, in a Special Bond Retirement Account in the Debt Service Fund or in the Renewal and Replacement Fund.

Special Bond Retirement Accounts. The Issuer may establish one or more Special Bond Retirement Accounts within the Debt Service Fund and deposit therein moneys derived from the following sources: amounts on deposit in the Capital Recovery Fund; amounts on deposit in the Surplus Fund; excess amounts in any Account in the Construction Fund; or other moneys of the Issuer which may lawfully be deposited therein without violating the covenants contained in the Bond Resolution. Amounts deposited in any such Special Bond Retirement Account shall be used, only for the redemption of any Bonds which may be subject to extraordinary mandatory redemption on account of any damage, destruction, taking or sale of any of the Airport System; for the payment of Payment Obligations, for the optional redemption of Bonds or to purchase Bonds for cancellation; and to defease bonds by making payments to an escrow account.

Special Capital Improvements Accounts. The Issuer, by supplemental resolution, may establish one or more Special Capital Improvements Accounts within the Construction Fund and deposit therein moneys from the sources specified in the preceding paragraph. Moneys in each such Special Capital improvements Account shall be used for the purpose of making capital improvements, the nature of which shall be specified in such supplemental resolution. No such Special Capital Improvements Account shall be established unless the Consulting Engineer has first rendered a written opinion that it is reasonable to make such capital improvements and that the amount to be deposited in such Special Capital Improvements Account is reasonably expected to be sufficient (taking into account any investment income thereon, if any is to be deposited in such Account pursuant to the Bond Resolution) to pay the costs of such capital improvements.

PFC Fund. Moneys in the PFC Fund shall be applied by the Issuer, at its discretion, to PFC Projects in accordance with applicable approvals and authorizations by the FAA and applicable FAA Regulations. The PFC Fund shall constitute an Unpledged Receipts Fund and shall not be subject to the lien of the Bond Resolution.

Custody of Funds and Accounts. The amounts held in the Funds and Accounts (other than the Payment Fund which is held by the Paying Agent) shall be administered by the Issuer or its designated agent provided that the Issuer may appoint a Funds Trustee to hold any Fund or Account.

Security For and Payment of Credit Enhanced Bonds. If any Series of Bonds is to be insured by any municipal bond insurance policy or secured by any other form of credit facility, the Issuer, by resolution, may provide (a) for the designation of a Funds Trustee and for the holding by such Funds Trustee of the Accounts created for such Series in any one or more of the following Funds: the Bond Proceeds Fund; the Construction Fund; the Debt Service Fund; the Reserve Fund; and the Rebate Fund; (b) for the administration and investment of Accounts held by such Funds Trustee which vary from the provisions which would otherwise be applicable to such Accounts; (c) for the giving of notices to the provider of such credit facility; (d) for the payment of Bond Service Charges with amounts provided pursuant to such credit facility and the subrogation of the provider of such credit facility to the rights of the Holders of Bonds paid with amounts provided by such credit facility; and (e) for the preemption of certain rights and remedies to the provider of such credit enhancement as hereinafter described.

INVESTMENTS

Investment of Moneys. Moneys in the Payment Fund shall be deemed to have been expended to pay Bond Service Charges and shall not be invested by the Issuer. Moneys held in any Account in the Rebate Fund shall be invested in Investment Obligations or otherwise as required by Section 148(f) of the Code and applicable U.S. Treasury regulations and investment income therefrom shall be deposited in such Account upon receipt. Moneys held in any Unpledged Receipts Fund may be invested without any restrictions imposed hereunder and investment income therefrom shall be deposited in such Unpledged Receipts Fund upon receipt or otherwise as the Issuer shall elect subject to any contractual or other restrictions. Moneys held for the credit of all other Funds and Accounts shall be invested in Investment Obligations. Prior to the date the Series 1988 Project or any phase thereof which is financed by any Series 1988 Bonds is substantially completed (as determined by the Consulting Engineer) the investment income earned on the Account created for such Series in the Construction Fund, the investment income earned on the Account for such Series in the Debt Service Fund and the investment income earned on the Account in the Reserve Fund for such Series shall be deposited upon receipt in the Account for such Series in the Construction

Fund. Following the Completion Date and prior to total completion and payment of all Costs of the Series 1988 Project or such phase thereof, the Director of Finance may determine the extent to which investment income from the foregoing sources is to be deposited in the Account for such Series in the Construction Fund or to be deposited in the Operating Revenue Fund. The foregoing shall be applicable to each Series of Bonds provided that as to any Series of Bonds (other than Series 1988 Bonds), the resolution authorizing such Series may provide for a different use of investment earnings on the Accounts for such Series in the Debt Service Fund, the Reserve Fund and the Construction Fund. Investment income earned on amounts on deposit in any Special Bond Retirement Account in the Debt Service Fund or any Special Capital Improvements Account in the Construction Fund shall be deposited upon receipt in such Account or in the Operating Revenue Fund, as the Finance Director shall elect. Except as otherwise provided, income earned on amounts in all Pledged Deposits shall, upon receipt, be deposited into the Operating Revenue Fund. Investments in all Funds and Accounts shall mature not later than the respective dates, as estimated by the Issuer, on which the moneys held for the credit of said Funds and Accounts will be needed for the purposes thereof. Twenty-five percent (25%) of the amounts on deposit in any Account in the Reserve Fund shall be invested in investments maturing not longer than five (5) years from the date of investment; an additional twenty-five percent (25%) shall be invested in investments maturing not longer than ten (10) years from the date of investment; and the balance may be invested without restriction as to maturity.

Investments acquired with moneys on deposit in any Fund or Account shall be deemed, at all times, to be a part of such Fund or such Account. All investment income derived by any Escrow Agent from moneys held in any Escrow Account shall be deposited in such Escrow Account and used as provided in the Escrow Deposit Agreement relating to such Escrow Account. Notwithstanding the foregoing, the Issuer may, by agreement with any Person or by supplemental resolution, limit the types and maturities of Investment Obligations in which it is permitted to invest funds hereunder.

Not earlier than October 1 and not later than October 24 of each year, the Issuer shall determine the fair market value of all Investment Obligations in each Account in the Reserve Fund as of the close of business on the last Business Day prior to such October 1. If the fair market value of Investment Obligations plus cash on deposit in any Account shall be less than the Reserve Requirement for the Series of Bonds for which such Account was created, the deficiency, less any portion of the deficiency attributable to withdrawals for the payment of debt service on such Series of Bonds, shall constitute a valuation deficiency which is required to be restored. "Fair market value" shall be determined in the manner provided by the U.S. Treasury regulations. If the net fair market value of Investment Obligations in any such Account exceeds their cost, such excess shall be credited against any withdrawals for the payment of debt service and shall reduce the amount of withdrawals that need to be restored, and if no withdrawals have been made, or if such appreciation in value exceeds such withdrawals, the excess appreciation shall be credited to any obligation of the Issuer to make initial periodic funding payments to such Account. If the fair market value of Investment Obligations in any Account plus cash on deposit in such Account exceeds the Reserve Requirement for such Account, the excess shall be transferred to the Surplus Fund.

Notwithstanding the foregoing, no investment shall be made which is prohibited by applicable law or by any Award Resolution or by any agreement with the provider of any credit facility or with any rating agency. All such investments shall be made in compliance with the following tax covenants.

Federal Income Tax Covenants. The following covenants shall not apply to any Taxable Bonds. The Issuer will restrict the use of the proceeds of Bonds of such Series in such manner and to such extent, if any, as may be necessary so that the Bonds of such Series will not constitute arbitrage bonds under Section 148 of the Code. The Finance Director or any other officer of the Issuer having responsibility for the issuance of a particular Series of Bonds shall give an appropriate certificate of the Issuer, for inclusion in the transcript of proceedings for such Series of Bonds, setting forth the reasonable expectations of the Issuer regarding the amount and use of all the proceeds of such Series of Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of interest on the Bonds of such Series. The Issuer (a) will take or cause to be taken such actions which may be required of it for the interest on each Series of Bonds to be and remain excluded from gross income for federal income tax purposes and for any Series of Bonds which are issued as "governmental purpose bonds" under the Code to be and remain governmental purpose bonds" (in lieu of "private activity bonds," as defined in the Code), and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds of such Series to the governmental purpose of the borrowing, (ii) restrict the yield on investment property acquired with those proceeds, (iii) make timely rebate payments to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. The Finance Director and other appropriate officers are authorized and directed to take any and all actions, make calculations and Rebate payments, and make or give reports and certificates, as may be appropriate to assure such exclusion of that interest and to preserve the intended federal income tax status of such Series. The Finance Director shall give due regard to the representations and covenants contained in the tax compliance certificate to be executed and delivered on behalf of the Issuer at the time each Series of Bonds (other than a Series of Taxable Bonds) are issued and shall obtain advice from Bond Counsel as he deems necessary to comply with the foregoing provisions.

COVENANTS OF THE ISSUER

Sale, Lease, Mortgage or Disposition of the Airport System.

(a) The Issuer shall maintain good and marketable title in fee simple to the real property or interests therein owned by it and comprising a part of the Airport System, subject only to Permitted Encumbrances. With respect to any portion of the Airport System not owned by the Issuer, but operated by the Issuer under any lease or other agreement, it shall comply with its obligations under such lease or other agreement during the term thereof. The Issuer shall not sell, lease, mortgage, pledge or otherwise dispose of or encumber the Airport System or any component or part thereof except as described below.

(b) The Issuer shall have the right to sell, scrap or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments or other personal property which may be determined to be part of the Airport System, or any materials used in connection therewith if the Issuer determines that such articles are no longer needed or useful in connection with the construction or maintenance of the properties constituting the Airport System or the operation of the Airport System or that such sale, scrapping or other disposition will not materially impair the operating efficiency of the Airport system or reduce the ability of the Issuer to satisfy the rate covenant and coverage test.

(c) The Issuer, free of any obligation to make any replacement thereof or substitution therefor, shall have the right to demolish or remove any real property or structure constituting a part of the Airport System provided that, in the written opinion of the Airport Consultant, such removal or demolition does not materially impair the operating efficiency of the Airport System or reduce the ability of the Issuer to satisfy the rate covenant and coverage test.

(d) Notwithstanding the provisions of (c) above, the Issuer shall have the right to demolish or remove any real property or structure constituting a part of the Airport System which, in the written opinion of the Airport Consultant, has become inadequate, unsuitable or obsolete, provided that the Issuer shall construct or acquire replacement or such substitute real property or structure (which shall become a part of the Airport System) which in the written opinion of the Airport Consultant is necessary to prevent such demolition or removal from materially impairing the operating efficiency of the Airport System or reducing the ability of the Issuer to satisfy the requirements of the rate covenant and coverage test.

(e) The Issuer may sell or otherwise transfer all, but not less than all, of the Airport System to the State or any public body or political subdivision thereof which shall assume all duties and liabilities of the Issuer under the Bond Resolution and other duties and liabilities of the Issuer relating thereto.

(f) The Issuer may enter into lease agreements, use agreements and concession agreements in the ordinary course of its Airport Operations under which third parties may obtain the exclusive use, joint use, or non-exclusive use of portions of the Airport System or obtain the exclusive, joint or non-exclusive right to provide specified services or sell specified products on property of the Airport System. Payments received by the Issuer under such agreements shall be Operating Revenues (except to the extent otherwise provided in the definition of Operating Revenues). The Issuer covenants and agrees that all leases, concessions or other use agreements entered into by Issuer after the date of the passage of the Bond Resolution, and all other understandings or agreements involving payment to the Issuer of rates, fees and charges for use of the Airport System, its products and services, shall not contain terms and conditions which would impair the Issuer's ability to perform the Issuer's covenants in the Bond Resolution.

(g) The Issuer may lease or use any land comprising a part of the Airport System or lease or use space within any building or structure comprising a part of the Airport System for use as a location for a Special Purpose Facility provided that in addition to any payments for such use which may be pledged to pay any Special Purpose Bonds issued as permitted by the Bond Resolution (i) a reasonable ground rent or space rent, or if the Issuer is to be the user of such Special Purpose Facility for the conduct of activities not related to the operation or maintenance of the Airport System, a reasonable payment in lieu of rent shall be charged (which rent or payment in lieu of rent shall constitute Operating Revenues), and (ii) the use of such property as the location of the Special Purpose Facility, the Special Purpose Facility itself, and the operations to be conducted thereat and the terms and conditions contained in any lease or other agreement of the Issuer relating thereto shall not impair the Issuer's ability to perform the Issuer's covenants in the Bond Resolution.

(h) The Issuer may sell property under threat of condemnation and the proceeds of such sale shall be deemed to constitute an eminent domain award. The net proceeds of sale shall be deposited in the Capital Recovery Fund.

(i) The Issuer may, with or without any cash consideration, grant easements and roadway rights-of-way to public utilities and public bodies in order that necessary utility services and roads may serve the Airport System; and any cash consideration received shall be deposited in the Capital Recovery Fund and applied as provided in the Bond Resolution.

(j) During any period any land comprising a part of the Airport System is not needed for activities related to aviation, the Issuer may, so long as the same does not impair the conduct of aviation activities (i) lease the same; (ii) sell timber and pulpwood growing thereon or lease rights to cut timber and pulpwood; or (iii) lease mineral rights thereon. All revenues derived therefrom shall be included in Operating Revenues.

(k) The net proceeds of any sale (other than a sale under threat of condemnation) shall be deposited in the Capital Recovery Fund and held therein until applied as follows: If the Issuer is required to construct or acquire property in replacement of or substitution for any sold property, any portion of net sales proceeds derived from the sale of any personal property or materials shall (together with any additional amounts on deposit in the Renewal and Replacement Fund or Surplus Fund or other legally available funds of the Issuer which it may elect or be required by contract to use for such purpose as may be estimated by the Issuer to be needed for such substitution or replacement) be deposited in a Special Capital Improvement Account and used for such purpose; if any amounts remain in such Special Capital Improvement Account after such substitution or replacement has been made and all costs thereof have been paid, any excess sales proceeds shall be deposited in the Renewal and Replacement Fund and any excess amounts derived from any other source shall be refunded to such source. Any net sales proceeds in the Capital Recovery Fund not required to be deposited in a Special Capital Improvements Account under this paragraph shall, at the election of the Issuer, be deposited (w) in the Renewal and Replacement Fund, or (x) in a Special Capital Improvements Account and used for paying the cost of other improvements or (y) in a Special Bond Retirement Account or (z) in any one or more of the foregoing Funds and Accounts.

Required Insurance. The Issuer shall carry adequate casualty insurance on the property of the Airport System that is subject to loss through fire, windstorm, explosion or other casualty of the types normally insured against by public airports; adequate public liability insurance; other insurance of the kinds and amounts normally carried in the operation of similar facilities and properties in Florida; and in time of war, such additional casualty insurance as may be available at reasonable cost against loss or damage by the risks and hazards of war in an amount or amounts equal to the fair market value of the Airport System as determined by the Airport Consultant. The Issuer may, upon appropriate authorization by its Governing Body and after consulting with a qualified insurance consultant or registered actuary, adopt a self-insurance program to self-insure against one or more of such risks on a basis certified by said insurance consultant to be actuarially sound. If the Issuer elects to self insure, such self insurance program shall be reviewed at least once every three (3) years by a qualified insurance consultant or registered actuary who shall deliver to the Issuer a report as to the adequacy of the reserves established thereunder in light of the claims made and the history of recovery against the Issuer for similar claims. If the report of the insurance consultant or registered actuary states that such reserves are inadequate in the light of the claims made, it shall state the amount of reserves that should be established and maintained, then unless the Issuer shall obtain a written opinion of another insurance consultant or registered actuary stating that such recommendation is unreasonable in the light of the nature of the claims and the history of recovery against the Issuer for similar claims, the Issuer shall eliminate any deficit in any insurance reserve by depositing in such insurance reserve fund in each of the next succeeding twelve (12) months one-twelfth (1/12th) of the amount of such deficit. If the Issuer elects to self-insure, in whole or in part, against any one or more of such risks it shall establish a restricted insurance reserve fund which shall be a part of the Pledge Deposits; deposits made to any such insurance reserve fund shall be paid from the Operation and Maintenance Fund and shall be deemed to constitute the payment of insurance premiums and to constitute Operation and Maintenance Expenses. Except as provided below, amounts in any restricted insurance reserve fund shall be used only to pay losses and claims covered by said self-insurance program, and any earnings on any such reserve shall be deposited in such reserve. If the written opinion of the insurance consultant or registered actuary states that any restricted insurance reserve is over-funded, then any excess in such insurance reserve shall first be used to eliminate or reduce any deficit in any other insurance reserve fund and, if there are no such deficits or if all such deficits have been eliminated the balance of such excess shall be deposited in the Operating Revenue Fund (and treated as a return of premium and as an item of Operating Revenues). If any casualty loss shall occur, the amount of such loss, as determined by the insurance consultant, shall be transferred from the casualty insurance reserve fund to the Capital Recovery Fund and shall be deemed to constitute net proceeds of casualty insurance.

Damage, Destruction and Eminent Domain. (a) If at any time prior to payment and discharge Of the Outstanding Bonds, any part of the Airport System shall be (a) destroyed or damaged by any casualty, or (b) taken under the exercise of the power of eminent domain by any governmental body or by any Person, firm or corporation acting under governmental authority (or sold under threat of condemnation), the net proceeds of any casualty insurance (including amounts deemed to be net proceeds of casualty insurance) and the net proceeds of any eminent domain award (including net proceeds of any sale under threat of condemnation) (being, in each case the gross proceeds less costs of recovering such proceeds) received by the Issuer for any such losses, taking or threatened taking shall, upon receipt, be deposited in the Capital Recovery Fund and held therein pending the making, by the Issuer, of a determination as to how such moneys shall be used pursuant to the following provisions.

(a) If any part of the Airport System shall be damaged or partially or totally destroyed by fire, flood, windstorm, or other casualty, then, unless provision shall have been made for the discharge of all Outstanding Bonds, the Issuer shall cause the net casualty insurance proceeds to be applied in one or more of the following ways:

(i) Moneys may be transferred from the Capital Recovery Fund to a Special Capital Improvements Account and used to repair, rebuild or restore such destroyed or damaged property with such changes, alterations and modifications (including the substitution and addition of any other property) as may be designated by the Issuer for the administration and operation of the Airport System and as shall, in the judgment of the Issuer and the Airport Consultant, restore the administration and operation of the Airport System to the level existing prior to such damage or destruction, and if and to the extent that such net proceeds are not sufficient for such purpose, the Issuer shall use amounts on deposit in the Renewal and Replacement Fund or the Surplus Fund or other legally available moneys for such purpose;

(ii) Moneys may be transferred from the Capital Recovery Fund (and to the extent needed from the Renewal and Replacement Fund or Surplus Fund or other lawful sources) to a Special Capital improvements Account and used to construct or acquire other property as may be designated by the Issuer for the administration and operation of the Airport System and as shall, in the judgment of the Issuer and the Airport Consultant, (A) be sufficient to replace the revenue producing capacity of the damaged or destroyed property, (B) be the property most likely, taking into account the amount of insurance proceeds available to construct or acquire the same, to maximize the Net Operating Revenues to be earned by replacement property to be acquired with insurance proceeds, or (C) cause the Net Operating Revenues from such property (when added to the other Net Operating Revenues, for the three years following the placing of such property in service), to be sufficient to make all required deposits to the Debt Service Fund, the Reserve Fund, the Rebate Fund and the Renewal and Replacement Fund; or

(iii) Moneys may be transferred from the Capital Recovery Fund to a Special Bond Retirement Account and used to redeem Bonds, defease Bonds or purchase Bonds for cancellation, provided that no part of such net casualty insurance proceeds may be applied for such redemption or purchase unless (1) all of the Bonds are to be redeemed or purchased, or (2) in the event that less than all of the Bonds are to be redeemed, the Issuer shall have obtained an opinion of the Airport Consultant stating

(x) that the property forming a part of the Airport System that was destroyed or damaged is not essential to the operation of the Airport System, or (y) that such destroyed or damaged property has been restored or replaced according to the requirements of (i) or (ii) above, or (z) that notwithstanding any such damage or destruction, the Issuer's ability to comply with the covenants of the Issuer contained in the Bond Resolution will not be impaired; provided, however, that no moneys shall be required to be deposited in any Special Bond Retirement Account unless otherwise required to be used to retire Bonds; or

(iv) Any moneys in the Capital Recovery Fund which are not deposited in a Special Capital Improvements Account or Special Bond Retirement Account shall be deposited in the Renewal and Replacement Fund.

Within ninety (90) days from the date of any such loss or destruction, the Issuer, by resolution, shall elect which one or more of the ways specified in this paragraph (b) the Issuer shall apply the net casualty insurance proceeds.

(c) In the event that title to or the temporary use of, or any part of, the Airport System shall be taken under the exercise of the power of eminent domain by (or sold under threat of condemnation to) any governmental body (or any person, firm or corporation acting under governmental authority), then, unless provision shall have been made for the discharge of all Outstanding Bonds, the Issuer shall cause the net proceeds received by it from any award in such eminent domain proceedings (or from any sale under threat of condemnation) to be applied in one or more of the following ways:

(i) Moneys may be transferred from the Capital Recovery Fund to a Special Capital Improvements Account and used to restore the remaining portion of the Airport System (including the substitution and addition of other property as may be designated by the Issuer for the administration and operation of the Airport System and as shall, in the judgment of the Issuer and the Airport Consultant, not impair or diminish the administration and operation of the Airport System), and there shall be applied for such purpose, and if and to the extent the net proceeds are not sufficient for such purpose, the Issuer shall use amounts on deposit in the Renewal and Replacement Fund or the Surplus Fund or other legally available moneys for such purpose; or

(ii) Moneys may be transferred from the Capital Recovery Fund (and to the extent needed from the Renewal and Replacement Fund or Surplus Fund or other lawful sources) to a Special Capital Improvement Account and used to construct and acquire other property as may be designated by the Issuer for the administration and operation of the Airport System and as shall, in the judgment of the Issuer and the Airport Consultant, (A) be sufficient to replace the revenue producing capacity of the condemned property, (B) be the property most likely, taking into account the amount of insurance proceeds available to construct or acquire the same, to maximize the Net Operating Revenues to be earned by replacement property to be acquired with eminent domain award proceeds, or (C) cause the Net Operating Revenues from such property (when added to the other Net Operating Revenues, for the three years following the placing of such property in service), to be sufficient to make all required deposits to the Debt Service Fund, the Reserve Fund, the Rebate Fund and the Renewal and Replacement Fund; or

(iii) Moneys may be transferred from the Capital Recovery Fund to a Special Bond Retirement Account and used to redeem Bonds, defease Bonds or to purchase Bonds for cancellation, provided that no part of any such net eminent domain award may be applied for such redemption or purchase unless (1) all of the Bonds are to be redeemed or purchased, or (2) in the event that less than all of the Bonds are to be redeemed or purchased, the Issuer shall have obtained an opinion of the Airport Consultant stating (x) that the property forming a part of the Airport System that was taken is not essential to the operation of the Airport System, or (y) that such taken property has been replaced according to the requirements of (i) or (ii), above, or (z) that notwithstanding any such taking, the Issuer's ability to comply with the covenants of the Issuer contained in the Bond Resolution will not be impaired; provided however, that no moneys shall be required to be deposited in any Special Bond Retirement Account unless otherwise required to be used to retire Bonds; or

(iv) Any moneys in the Capital Recovery Fund which are not deposited in a Special Capital Improvements Account or Special Bond Retirement Account shall be deposited in the Renewal and Replacement Fund.

Within ninety (90) days from the date of entry of a final order in any eminent domain proceedings granting condemnation (or within ninety (90) days following a sale under threat of condemnation), the Issuer, by resolution, shall elect which one or more of the ways specified in this paragraph (c) the Issuer shall apply the net proceeds of such eminent domain award.

(d) If the Issuer elects to repair, replace or restore any property which has been destroyed, damaged, taken or sold under threat of condemnation, as described above, the Issuer shall, after making such election, immediately commence the design, planning, construction or acquisition activities necessary for such purpose and shall proceed with due diligence until such repairs, replacement or restoration is completed, and shall, during the period of such repair, replacement or restoration, take all reasonable steps to minimize any adverse affect on Net Operating Revenues which may have been occasioned by such destruction, damage or taking. If during the period of repair, replacement or restoration, the Operating Revenues in the Operating Revenue Fund are insufficient to make all required deposits to the Funds and Accounts, a failure to make such deposits (other than deposits required to be made to the Operation and Maintenance Fund, the Debt Service Fund, the Reserve Fund, the Rebate Fund and the Payment Fund shall not constitute an Event of Default so long as all Operating Revenues are applied (to the extent the same are available) as provided in the Bond Resolution).

Enforcement of Collections. The Issuer shall diligently enforce its right to receive the Operating Revenues and shall diligently take action to enforce and collect the fees, rates, rentals another charges for the use of the products, services and facilities of the Airport System. The Issuer shall not take any action that will impair or adversely affect its rights to levy, collect and receive the Operating Revenues, or impair or adversely affect in any manner the pledges made herein or otherwise adversely affect the rights of the Bondholders. The Issuer shall be unconditionally and irrevocably obligated, so long as any of the Bonds are Outstanding and unpaid, to take lawful action necessary or required to enable it to comply with the coverage test.

Consulting Engineer and Airport Consultant. The Issuer shall retain a Consulting Engineer and an Airport Consultant to perform those services thereof required by the Bond Resolution.

Deposit of Federal and State Reimbursement Funds. The Issuer covenants that any funds or disbursements received by it from federal or state governmental sources that constitute or represent reimbursements of capital expenditures on the Airport System made by the Issuer from amounts withdrawn from the Pledged Deposits shall (unless such use is prohibited by the state or federal government) be deposited, at the option of the Issuer, in the Renewal and Replacement Fund, the Construction Fund or the Surplus Fund.

Assessments, Taxes and Utilities. The Issuer covenants and agrees to pay, or cause to be paid, when due all lawful assessments, levies, taxes of every kind and nature relating to the whole or any part of the Airport System, and all costs, expenses, liabilities and charges of every kind and nature, including charges for gas, electricity, water, sewer and other utilities, relating to the maintenance, repair, replacement and improvement of the Airport System or any part thereof or relating to the operations or services conducted or provided thereon or in connection therewith which may arise or accrue during the term any Bonds are Outstanding; provided, however, that nothing contained in the Bond Resolution shall be deemed to constitute an admission that the Issuer or any of the Issuer's properties are subject to assessments, levies or taxes or a consent thereto; provided further, that the Issuer shall not be under any obligation to pay any such item if and to the extent it is payable by any contractor in providing any work on any Project; provided further, that with respect to the obligations imposed upon it under this provision, the Issuer may exercise the right to contest any of the foregoing liabilities in good faith provided that by so doing it does not subject the Airport System or any part thereof to risk of material loss.

Compliance With Requirements of Law. The Issuer shall comply with all laws, rules, regulations and orders of any governmental body or officers exercising any power of regulation or supervision over it or over any part of the Airport System, and the Issuer shall make any repairs thereto or any part thereof that may be required by any of those laws, rules, regulations or orders or that may be necessary to maintain in force any insurance required hereby with respect to any part of the Airport System; provided, however, that the Issuer shall have the right in good faith to contest the validity of any law, rule, regulation or order in any reasonable manner and to delay or refuse to comply therewith if the contest will not materially affect the right of the Issuer to own, use, operate, or maintain any part of the Airport System.

No Adverse Activity. To the full extent permitted by law, the Issuer will not conduct any activity and will not grant, or cause, consent to, or allow the granting of, any franchise or permit authorizing any person, firm, corporation or body, or agency or instrumentality whatsoever to conduct any activity which the Airport Consultant determines will adversely affect the ability of the Issuer to comply with the coverage test.

Covenants With Respect to PFCs. The Issuer covenants and agrees to file such applications, submit such reports and take any and all such other actions that may be necessary or desirable to preserve its rights to impose and collect PFCs from which Available PFC Revenues are derived, to enforce with reasonable diligence its right to receive PFC Revenues from which Available PFC Revenues are derived and to use the proceeds from such Available PFC Revenues and amounts required to be deposited in the PFC Fund in the manner provided herein. Without limiting the generality of the foregoing, the Issuer covenants and agrees as follows:

(a) To apply PFC Revenues only to finance allowable costs of approved projects in accordance with the FAA Regulations and applicable FAA authorizations and approvals (including accrued aggregate Bond Service Charges with respect to that portion of Bonds issued to finance PFC Projects);

(b) To comply with the applicable requirements of Section 9304(e) and 9307 of the Airport Noise and Capacity Act of 1990 (Pub. L. 101-508, Title IX, Subtitle D);

(c) To notify the air carriers and foreign air carriers required to collect PFCs with respect to the Airport System of the FAA's approval of the imposition of such PFCs in accordance with the requirements of the FAA Regulations and to take all actions reasonably necessary to insure the proper collection and remittance of the PFC Revenues from which Available PFC Revenues are derived by the air carriers; and

(d) To comply with all reporting, recordkeeping, and auditing requirements contained in the FAA Regulations.

MUNICIPAL BOND INSURANCE FOR SERIES 2006 BONDS

[TO COME]

SPECIAL PURPOSE BONDS

The Issuer may issue Special Purpose Bonds to finance the cost of Special Purpose Facilities. Such Special Purpose Bonds shall be revenue bonds payable from (i) rentals (except ground rents, space rents or payments in lieu thereof which constitute Operating Revenues), installment purchase payments, loan payments and other payments derived by the Issuer under and pursuant to a lease, installment sale agreement, loan agreement or other agreement relating to the Special Purpose Facility entered into by and between the Issuer and such person, firm or corporation, either public or private, as shall lease, own or use the Special Purpose Facility, or (ii) moneys of the Issuer which are not Pledged Funds, or (iii) both such sources.

All fees, rentals and other charges received by the Issuer for the use of the products, services and facilities of any Special Purpose Facility under and pursuant to such leases or agreements (except ground rents, space rents and payments in lieu thereof), shall be used by the Issuer to the extent required by the terms of such Special Purpose Bonds for the payment of the principal of, premium (if any) and interest on the Special Purpose Bonds issued to finance such Special Purpose Facility and for the funding of reserves and payment of administrative costs and other expenses required by the resolution authorizing the issuance of such Special Purpose Bonds.

EVENTS OF DEFAULT AND REMEDIES

Events of Default. Each of the following events is an "Event of Default":

(a) Payment of the principal of or premium on any Bond or any Payment Obligation shall not be made when the same shall become due and payable, either at maturity or on required payment dates by proceedings for redemption or otherwise; or

(b) Payment of any installment of interest on any Bond or Payment Obligation shall not be made when the same shall become due and payable; or

(c) The occurrence of any "Event of Default" under any supplemental resolution; or

(d) The Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Bond Resolution or under any supplemental resolution to the extent that the payment of or security for the Bonds would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the Issuer becomes aware of such conditions; or

(e) An order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the Issuer, the Airport System or any of the Pledged Funds, or any part thereof (other amounts in the Surplus Fund which are permitted to be used for the payment of Junior Obligations) or the filing of a petition by the Issuer for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State, which shall not be dismissed, vacated or discharged within thirty (30) days after the filing thereof; or

(f) Any proceedings shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claim of such creditors, pursuant to any federal or state statutes now or hereafter enacted, if the claims of such creditors are under any circumstances payable from any of the Pledged Funds (other than amounts in the Surplus Fund which are permitted to be used for the payment of Junior Obligations); or

(g) The entry of a final judgment or judgments for the payment of money against the Issuer which subjects any of the Pledged Funds to a lien for the payment thereof in contravention of the provisions hereof for which there does not exist adequate insurance, reserves or appropriate surety or indemnity bonds for the timely payment thereof, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof, or

(h) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained herein or in any supplemental resolution or in any of the Bonds on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by the registered owners of not less than ten percent (10%) in aggregate principal amount (and Appreciated Principal Amount, if applicable) of any Series of Bonds Outstanding; provided, however, that the failure to pay Swap Charges will only constitute an Event of Default hereunder if the conditions for payment of such Swap Charges were met under subsection (g) of "Operating Revenue Fund."

Notwithstanding the foregoing, the occurrence of any event described in clauses (d) and (h) above, shall not be deemed to be an Event of Default if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

Notice of Default. If an Event of Default shall occur, the Issuer shall give written notice of the Event of Default, by registered or certified mail, to the Registrar, each Paying Agent and Authenticating Agent, the Original Purchasers of the Outstanding Bonds and to any Person who is then providing a credit enhancement facility or liquidity facility for any of the Bonds within five days after the Issuer has knowledge of the Event of Default unless such Event of Default shall have been cured. If an Event of Default occurs (and has not been cured) of which the Issuer has failed to give notice, then any of the foregoing or any Holder of any of the Bonds may give written notice thereof to the others. Within thirty (30) days after the giving of notice of its occurrence as aforesaid, notice shall also be given by the Issuer to the Holders of all Bonds then Outstanding as shown by the Register at the close of business fifteen (15) days prior to the mailing of that notice and to each rating agency which has issued a rating with respect to any outstanding Bonds provided that except in the case of an Event of Default described in clauses (a) or (b) of the preceding paragraph, the Issuer may withhold such notice if and so long as the Issuer has cured such Event of Default within such thirty (30) day period.

Enforcement of Remedies, Appointment of Paying Agent. Upon the happening and continuance of any Event of Default, then and in every such case the owners of not less than twenty-five percent (25%) in aggregate principal amount (and appreciated principal amount, if applicable) of any Series of the Bonds then Outstanding (or any Person providing credit enhancement for such Series of Bonds) may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Florida to serve as trustee for the benefit of the Holders of all Outstanding Bonds (the "Paying Agent"). Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than twenty-five percent (25%) in aggregate principal amount (and appreciated principal amount, if applicable) of any Series of the Bonds then Outstanding and the trust instrument under which the Paying Agent shall have agreed to serve shall be filed with the Issuer and the Paying Agent and notice of such appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first Paying Agent with regard to any default hereunder, no further Paying Agent s may be appointed with regard to such default; however, the Holders of a majority in aggregate principal amount of all the Bonds then outstanding may remove the Paying Agent initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Paying Agent was appointed is cured or waived pursuant to the Bond Resolution, the appointment of the Paying Agent shall terminate.

After a Paying Agent has been appointed, the Paying Agent may proceed, and upon the written request of Holders of twenty-five percent (25%) of the principal amount (and appreciated principal amount, if applicable) of all Bonds Outstanding shall proceed, subject to the provisions of the Bond Resolution, to protect and enforce the rights of the Holders of the Bonds by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Bond Resolution or in aid of execution of any power granted in the Bond Resolution or for the enforcement of any proper legal or equitable remedy, all as the Paying Agent, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy against the Issuer, the Paying Agent shall be entitled to sue for, enforce payment of and receive any and all amounts then due, or becoming due during the continuance of such Event of Default, and at any time remaining, from the Issuer for the principal of, premium, if any, or interest on the Bonds or otherwise becoming due under any provisions of the Bond Resolution with interest on overdue payments of principal and premium, if any, and, to the extent permitted by law, on overdue payments of interest at the rate or rates of interest specified in such Bonds together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds including reasonable fees and expenses of the Paying Agent and its counsel (which shall be expenses of Operation and Maintenance) without prejudice to any other right or remedy of the Paying Agent or of the Holders of Bonds and to recover and enforce any judgment or decree against the Issuer, but solely as provided herein and in such Bonds for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect solely from the Pledged Funds, in any manner provided by law, the moneys adjudged or decreed to be payable provided that the Issuer's liability for such fees and expenses shall be limited to and payable from (i) the Parity Security and (ii) if such judgment is for principal or interest due on Bonds of a particular Series, such amounts may be paid from any amounts on deposit in the Accounts in the Debt Service Fund and Reserve Fund created for Bonds of that Series (See heading "Preemption of Rights and Remedies" below.)

Effect of Discontinuing Proceedings. In case any proceeding taken by the Paying Agent or any Holder of Bonds on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Paying Agent or such Holder, then and in every such case the Issuer, the Paying Agent and Holders of Bonds shall be restored to their former positions respectively, and all rights, remedies and powers of the Paying Agent shall continue as though no such proceeding had been taken.

Directions to Paying Agent as to Renewal Proceedings. The Holders of a majority in principal amount of the Bonds then Outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Paying Agent, to direct the method and place of conducting all remedial proceedings to be taken by the Paying Agent under the Bond Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the Paying Agent shall have the right to decline to follow any such direction which in the opinion of the Paying Agent would be unjustly prejudicial to Holders of Bonds not parties to such direction.

Restrictions on Actions by Holders of Bonds. No Holder of Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy under the Bond Resolution unless:

(a) A Paying Agent shall have been appointed;

(b) Such Holder previously shall have given to the Paying Agent written notice of the Event of Default on account of which such suit, action or proceeding is to be taken;

(c) The Holders of not less than twenty-five percent (25%) in principal amount (and appreciated principal amount, if applicable) of the Bonds then Outstanding shall have made written request of the Paying Agent to exercise such powers or right of action, as the case may be, after such right shall have accrued, and shall have afforded the Paying Agent a reasonable opportunity either to proceed to exercise the powers granted by the Bond Resolution or to institute such action, suit or proceeding in its or their name, provided, however, where the request is a request by a Holder of a Series of Bonds for which an Account in the Reserve Fund has been created and the request relates to the use of moneys in such Account to prevent or cure a payment default on Bonds of such Series, said twenty-five percent (25%) requirement shall relate to the Holders of twenty-five percent (25%) in principal amount of the Outstanding Bonds of such Series rather than the Holders of twenty-five percent (25%) in principal amount of all Outstanding Bonds;

(d) There shall have been offered to the Paying Agent reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal): and

(e) The Paying Agent shall have refused or neglected to comply with such request within a reasonable time.

Such notification, request and offer of indemnity are declared in every such case, at the option of the Paying Agent, to be conditions precedent to the execution of the powers and trusts of the Bond Resolution or for any remedy thereunder. No one or more Holders of the Bonds shall have any right in any manner whatever by his, her, its, or their action to affect, disturb or prejudice the security of the Bond Resolution, or to enforce any right thereunder, except in the manner provided in the Bond Resolution. All proceedings at law or in equity shall be instituted, had and maintained for the benefit of all Holders of Bonds as their interest may appear. Any individual rights of action or any other right given to one or more of such Holders by law are restricted by the Bond Resolution to the rights and remedies provided therein.

Nothing contained in the Bond Resolution, however, shall affect or impair the right of any Holder of any Bond, individually, to enforce the payment of the principal of and interest on such Bond at and after the maturity thereof, at the time, place, from the source and in the manner provided in the Bond Resolution.

Application of Moneys. After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Paying Agent in the collection of moneys pursuant to any right given or action taken under the provisions of the Bond Resolution (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the Bond Resolution), all Net Operating Revenue received by the Paying Agent shall be allocated among the Accounts in the Debt Service Fund. Any amounts on deposit in the Accounts in the Reserve Fund for any Series of Bonds, any additional collateral pledged for Obligations or credit enhancement therefor shall not be taken into account in the allocation of Net

Operating Revenue among the Accounts in the Debt Service Fund. Amounts in each Account in the Debt Service Fund shall be applied as follows:

First-- To payment to the Holders entitled thereto of interest due on the Bonds of such Series and to payment to a Counterparty to any Qualified Derivative Agreement of any Swap Obligations due under such Qualified Derivative Agreement, and, if the amount available is not sufficient when added to amounts, if any, in the Account in the Reserve Fund for such Series to pay all interest in full (which amounts shall not be applied to any such Swap Obligations), then to the payment thereof ratably, according to the amounts due, to the Holders and Counterparties entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds and respective payment amounts specified in the Qualified Derivative Agreements; and

Second -- To the payment to the Holders of Bonds of such Series entitled thereto of the unpaid principal (or appreciated principal amount, as appropriate) of any of the Bonds which shall have become due (other than previously called for redemption for the payment of which moneys are held pursuant to the provisions whether at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements, and amount available when added to amounts, if any, in the Account in the Reserve Fund for such Series sufficient to pay in full the principal (or appreciated principal amount, as appropriate), then to the thereof ratably, according to the amounts of principal (or appreciated principal amount, as appropriate) due on that date, to the Holders entitled thereto, without any discrimination or privilege.

For purposes of this Section, the interest and principal payable with respect to any Payment Obligation shall be treated as interest on and principal of the Series of Bonds to which such Payment Obligation relates.

Whenever moneys are to be so applied, those moneys shall be applied at such times, and from time to time, as the Paying Agent shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys become available for application in the future. Whenever the Paying Agent shall direct the application of those moneys, it shall fix the date which the application is to be made, and upon that date, interest shall cease to accrue on the amount of principal, if any, to be paid on that date, provided the moneys are available therefor (and any appreciated principal amount to be paid shall not thereafter increase). The Paying Agent shall give notice of the deposit with the Paying Agent of any moneys and of the fixing of that date, consistent with the requirements of the Details Resolution for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Paying Agent shall not be required to make payment of principal of or premium on a Bond to the Holder thereof, until the Bond shall be presented to the Issuer for appropriate endorsement or cancellation if it is paid fully.

Waivers of Events of Default. Except as hereinafter described, at any time, in its discretion, the Paying Agent may waive any of Default hereunder and its consequences. The Paying Agent shall do so upon the written request of the Holders of,

(a) at least a majority in aggregate principal amount of all Bonds then Outstanding in respect of which an Event of Default in the payment of Bond Service Charges exists, or

(b) at least 25 percent in aggregate principal amount of all Bonds then Outstanding, in the case of any other Event Default.

There shall not be so waived, however, any Event of Default described in clauses (a) or (b) of the paragraph entitled “Events of Default” above, unless at the time of that waiver said amounts have been paid. In the case of the waiver, or in case any suit, action or proceedings taken by the Paying Agent on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Paying Agent and the Holders shall be restored to their former positions and rights hereunder, respectively. No waiver shall extend to any subsequent or other Event of Default or impair right consequent thereon.

No Acceleration. Neither the Paying Agent nor any Holder of any Bonds shall have any right to accelerate the Bonds.

AMENDMENTS

Supplemental Resolutions. The Issuer may, from time to time, adopt supplemental resolutions for the purpose of providing the issuance of one or more Series of Bonds or other purposes, provided that, after the issuance of the Series 1988 Bonds, no such supplemental or amendatory resolution shall modify or amend any provision of the Bond Resolution which adversely affects Holders of any Outstanding Bonds except as expressly permitted by the Bond Resolution.

Amendments Not Requiring Consent of Holders. Without the consent of, or notice to, any of the Holders of the Bonds, the Issuer may adopt resolutions making amendments to the Bond Resolution (which shall not, in the opinion of Bond Counsel and the Issuer's regular counsel, be materially adverse or prejudicial to the interests of the Bondholders) for any one or more of the following purposes

(a) To cure any ambiguity, inconsistency or formal defect or omission in the Bond Resolution;

(b) To grant to or confer upon the Bondholders, any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Bondholders, provided, that the granting of such rights, remedies, powers or authority to the Holders of any Bond or Bonds shall not be to the prejudice of the Holders of any other Bond or Bonds, respectively;

(c) To add to the covenants, agreements and obligations of the Issuer, other covenants, agreements and obligations to be observed for the protection of the Bondholders, or to surrender or limit any right, power or authority reserved to the Issuer, including without limitation, the limitation of rights of optional redemption so that in certain instances Bonds of different Series will be redeemed in some prescribed relationship to one another for the protection of the Holders of a particular Series of Bonds;

(d) To evidence any succession to the Issuer by any other public body and the assumption by its successor of the covenants, agreements and obligations of the Issuer hereunder and under the Bonds;

(e) To make necessary or advisable amendments or additions in connection with the issuance of Parity Bonds, provided the amendments or additions do not adversely affect the interests of Holders of any other outstanding Bonds;

(f) To permit the exchange of Bonds of any Series, at the option of the Holder or Holders thereof, for coupon Bonds of the same Series payable to bearer in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Bonds bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if, in the opinion of Bond Counsel, such an exchange would not result in the interest on any of the Outstanding Bonds becoming subject to federal income taxation;

(g) To specify further the duties and responsibilities of, and to define further the relationship among, the Issuer, the Registrar and any Authenticating Agents, Paying Agents or Funds Paying Agent;

(h) To achieve compliance with any applicable federal securities law or with the Code and applicable U.S. Treasury regulations; and

(i) To permit any other amendment, the net economic effect of which, in the opinion of the Issuer's financial advisor, is not materially adverse or prejudicial to the Holders of any of the Bonds.

Amendments Requiring Consent of Holders. Exclusive of amendments to which reference is made in the immediately preceding or following paragraph and subject to the terms, provisions and limitations contained in this paragraph, and not otherwise, the Issuer, with the consent of the Holders of not less than a majority in aggregate principal amount (and appreciated principal amount) of each Series of Bonds at the time outstanding to be affected thereby may by subsequent resolution amend the Bond Resolution adding any provisions to, changing in any manner or eliminating any of the provisions thereof or restricting in any manner the rights of the Holders of the affected Bonds. This provision shall not permit or be construed as permitting:

(a) Without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount (or appreciated principal amount) of any Bond or the rate of interest or premium thereon, (iii) a reduction in the amount or extension of the time of payment of any mandatory sinking fund requirements, (iv) a reduction in the Reserve Requirement applicable to any affected Bonds, or (v) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds;

(b) Without the consent of the Holder of each Bond so affected: (i) a reduction in the aggregate principal amount (and appreciated principal amount) of the Bonds required for consent described in this paragraph, or (ii) any reduction in the coverage requirements of the rate covenant and coverage test or Parity Bonds test.

If the Issuer shall desire to amend the Bond Resolution as described under this subheading, the Issuer shall cause notice of the proposed amendment to be given to the Holders of all Outstanding Bonds affected thereby in the same manner as notices of redemption are given. The notice shall set forth briefly the nature of the proposed amendment and shall state that copies thereof are on file at the principal office of the Issuer for inspection by all Holders and shall contain a consent form to be executed by consenting Holders and returned to the Issuer.

The Issuer shall not be subject to any liability to any Holder by reason of the Issuer's failure to mail or publish, or the failure of any Holder to receive or obtain, such notice. Any failure of that nature shall not affect the validity of the amendment when there has been consent thereto, or approval thereof, as above described.

If the Issuer shall receive, within a period prescribed by the Issuer of not less than 60 days but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Issuer does not reasonably object, purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds affected thereby then Outstanding (which instrument or document or instruments or documents shall refer to the proposed amendment in the form described in the notice and specifically shall consent to the amendment in substantially that form), the Issuer may, but shall not otherwise, adopt the resolution containing such amendment in substantially the form to which reference is made in the notice without liability or responsibility to any Holder of any Bond regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of the Bond giving the consent and upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the amendment). However, a consent may be revoked by the Holder who gave the consent or by a subsequent Holder by a written notice of revocation of such consent received by the Secretary of the Issuer prior to the adoption of such resolution. At any time after the Holders of the required percentage of Bonds shall have filed their consents to the amendment, the Issuer shall make and file with its Secretary a certificate stating that the Holders of the required percentage of Bonds have filed the required consents. That certificate shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Outstanding Bonds affected thereby shall have consented to such amendment, no Holder shall have any right (a) to object to such amendment or any of the terms and provisions contained therein, or the operation thereof, or (b) to question the propriety of the adoption of the resolution containing the same, or (c) to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Right to Consent May Be Vested in Others. Notwithstanding the foregoing, where any Series of Bonds is secured by a credit enhancement facility or liquidity facility, the resolution providing for the issuance of Bonds of such Series may provide that the right to consent to amendments affecting Bonds of such Series are vested in the Person providing such credit enhancement facility or liquidity facility for such Series rather than with Holders of the Bonds of such Series.

DEFEASANCE

Release of Lien. If (a) the Issuer shall pay all of the Outstanding Bonds or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds all Bond Service Charges due or to become due thereon, and (b) provision also shall be made for the payment of all Payment Obligations and other sums payable under the Bond Resolution, the lien on and pledge of the Pledged Funds created by the Bond Resolution shall cease, determine and become null and void, and the covenants, agreements and obligations of the Issuer shall be released, discharged and satisfied.

Payment and Discharge of Bonds.

(a) All or any part of the Bonds of any Series shall be deemed to have been paid, discharged and no longer Outstanding if (i) the Paying Agent or an Escrow Agent, or both, shall have received and shall hold in the Payment Fund or in an Escrow Fund, or both, in aggregate, in trust for and irrevocably committed thereto, moneys sufficient, or (ii) the Paying Agent or an Escrow Agent, or both in aggregate, shall have received and shall hold in the Payment Fund or in an Escrow Fund, or both, in aggregate, in trust for and irrevocably committed thereto, noncallable (except at the option of the holder) Defeasance Obligations which are certified by an Independent Certified Public Accountant to be of such maturities, irrevocable redemption dates or irrevocable repurchase dates (if the Defeasance Obligations are the subject of a repurchase agreement) and interest payment dates, and to be of such principal amounts or redemption prices to bear such interest, as will, together with any moneys described in clause (i) above, without the need for further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided herein) will be sufficient, for the payment of all principal of, premium, if any, and interest (or appreciated principal amount and premium, if any, as applicable) on those Bonds at their maturity or redemption dates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all principal of, premium, if any, and interest (or appreciated principal amount and premium, if any, as applicable) thereon to the date of the tender of payment; provided, that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Paying Agent or escrow agent shall have been duly made for the giving of that notice. The moneys and proceeds of Defeasance Obligations shall be used, to the extent needed for the foregoing purposes or to reimburse any proceeds of credit enhancement for amounts advanced for the foregoing purposes.

(b) In the event the Issuer shall provide for the issuance of Parity Bonds having a variable or floating rate, the Issuer may establish one or more other methods by which such particular Series of Parity Bonds, or any part thereof, shall be deemed to have been paid and discharged

(c) Notwithstanding the foregoing, Payment Obligations shall be discharged only (i) by actual payment or (ii) as otherwise may be provided under the instruments and documents under which such Payment Obligations arise.

MISCELLANEOUS

Meetings of Holders. A meeting of Holders of Bonds or of the Holders of any one or more Series of Bonds may be called by the Issuer at any time and from time to time to discuss the taking of action relevant to such Holders (a) authorized under any provision of the Bond Resolution to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Bonds or Bonds of that Series, or (b) authorized or permitted by law. The person to whom a Payment Obligation is owed shall be deemed to be a Holder of Bonds of the Series with respect to which such Payment Obligation arose. Notice of such meeting shall be mailed by first class mail, postage prepaid, not fewer than fifteen (15) nor more than ninety (90), days prior to the date of the meeting to the Holders at their addresses as they appear on the Register on the close of business on the fifteenth day preceding such mailing (the "Meeting Record Date"). If at any time the Holders of at least twenty-five percent (25%) in aggregate principal amount (and appreciated principal amount) of all the Bonds, or if applicable, the affected Series of Bonds then Outstanding, shall have requested the Issuer to call a meeting of such Holders, by written request setting forth purpose of the meeting, and the Issuer shall not have mailed notice of the meeting within 20 days after receipt of the request, then the Holders of such Bonds, or if applicable, the affected Series of Bonds, may determine the time and the place of the meeting and may call the meeting to take any action described in this paragraph, by mailing notice thereof as provided above. Any meetings of Holders of Bonds, or if applicable, the affected Series of Bonds, shall be valid without notice if the Holders of at least twenty-five percent (25%) in aggregate principal amount (and appreciated principal amounts) thereof are present in person or by proxy, and if the Issuer is either present by duly authorized representatives or has waived notice, before or after the meeting. To be entitled to vote at any meeting of Holders, a person must be a Holder on the Meeting Record Date or be a person appointed by an instrument or document in writing as proxy by such Holder. Each Holder or proxy shall be entitled to one vote for each $1,000 principal amount (or appreciated principal amount) of Bonds or Payment Obligations held or represented by him.

Payments Due on Saturdays, Sundays and Holidays. If any Interest Payment Date, date of maturity of the principal of any Bonds or date fixed for redemption of any Bonds is a Saturday, Sunday or a day on which (a) the Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest, principal and any redemption premium need not be made by the Paying Agent on that date, but that payment may be made on the next succeeding business day on which the Paying Agent is open for business with the same force and effect as if that payment were made on the Interest Payment Date, date of maturity or date fixed for redemption, and no interest shall accrue for the period after that date, or (b) a Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest, principal and any redemption premium need not be made by that Paying Agent on that date, but that payment may be made on the next succeeding business day on which that Paying Agent is open for business with the same force and effect as if that payment were made on the Interest Payment Date, date of maturity or date fixed for redemption and no interest shall accrue for the period after that date; provided, that if the Paying Agent is open for business on the applicable Interest Payment Date, date of maturity or date fixed for redemption, it shall make any payment required under the Bond Resolution with respect to payment of interest on Outstanding Bonds and payment of principal of and premium on Bonds presented to it for payment, regardless of whether any Paying Agent shall be open for business or closed on the applicable Interest Payment Date, date of maturity or date fixed for redemption.

Preemption of Rights and Remedies. If any Series of Bonds are secured by a municipal bond insurance policy, surety bond, letter of credit or other credit enhancement or liquidity facility, the resolution providing for the issuance thereof may preempt unto the Person providing such credit enhancement or liquidity facility (and to the exclusion of the Holders of Bonds of such Series, whether or not any Payment Obligations are owed with respect to such Series) one or more rights and remedies of the Holders of Bonds of such Series, including but not limited to rights to vote at meetings of Holders, rights to participate in the selection of a Paying Agent, rights to consent to supplemental resolutions and amendments, rights to exercise or participate in directing the exercise of remedies, and to waive or participate in the waiver of Events of Default. Such preemption and its duration may be subject to express conditions. The exercise or non-exercise by a Person providing a credit enhancement or liquidity facility for any Bonds of rights and remedies of the Holders of such Bonds which have been so preempted to it, shall be deemed to constitute the exercise or non-exercise of such rights and remedies by the Holders of such Bonds.

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APPENDIX C

Report of the Airport Consultant

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APPENDIX C

Jacksonville Aviation Authority
Jacksonville International Airport
Revenue Bonds, Series 2006

Report of the Airport Consultant

Ricondo & Associates, Inc.
36 East Fourth Street, Suite 1206
Cincinnati, OH 45202
513. 651.4700 (telephone)
513.412.3570 (facsimile)

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September 13, 2006

Mr. John D. Clark, III
Executive Director
Jacksonville Aviation Authority
14201 Pecan Park Road
Jacksonville, FL 32218

Re: ***Jacksonville Aviation Authority***
Revenue Bonds, Series 2006
Appendix C: Report of the Airport Consultant

Dear Mr. Clark:

This report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by Ricondo & Associates, Inc. (R&A), in conjunction with the planned issuance by the Jacksonville Aviation Authority (Authority) of its Revenue Bonds, Series 2006 (Series 2006 Bonds). The Authority owns and operates Jacksonville International Airport (the Airport) and three airports designated as reliever airports by the Federal Aviation Administration (FAA): Craig Airport, Herlong Airport, and Cecil Field, (collectively known as the Airport System). This report is intended for inclusion in the Official Statement for the Series 2006 Bonds as Appendix C: Report of the Airport Consultant.

The Series 2006 Bonds will provide funds, along with other available funds of the Authority, to fund components of the Capital Improvement Program (CIP) known as the 2006 Project, to fund the required Debt Service Reserve Fund with respect to the Series 2006 Bonds, and to pay costs of issuance of the Series 2006 Bonds. The 2006 Project is comprised of apron and terminal modifications related to Stage 3 of the Authority's terminal building expansion known as the Terminal Expansion Program (TEP).

This report includes examinations of the underlying economic base of the Air Trade Area (as defined in this report) for the Airport; historical and projected air traffic activity at the Airport; a description of existing Airport facilities; and projected revenues and expenses, with consideration for the anticipated impacts of the CIP through fiscal year (FY) 2015 [1].

On the basis of the assumptions and analyses described in this report, R&A is of the opinion that Authority Net Revenues and Transfers will be adequate to meet the Authority's rate covenant, as set forth in the Bond Resolution, during the projection period FY 2007 through FY 2015. Additional findings of these analyses include the following:

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1 The Authority's fiscal year is the 12-month period ending September 30.

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Economic Base

- Population growth in the Air Trade Area between 1990 and 2005 was comparable to that experienced by Florida and was higher than that experienced nationwide. Expansion in the Air Trade Area resulted in all five of the counties in the Air Trade Area having population growth that was higher than that for the nation during the same period of time. Population growth in the Air Trade Area between 2005 and 2015 is expected to exceed that projected for Florida and the nation.
- Between 1999 and 2004, per capita effective buying income (EBI), as defined herein, for the Air Trade Area increased at a compounded annual growth rate that was greater than that for both Florida and the nation. According to *Sales and Marketing Management* magazine, continued strong growth in per capita EBI for the Air Trade Area is expected between 2004 and 2009.
- Average annual unemployment rates for the Air Trade Area were generally below those for Florida and the nation between 1994 and 2005.
- With the exception of manufacturing which declined slightly, all of the major industry groups in the Air Trade Area experienced positive growth between 1995 and 2005, with the highest growth occurring in the construction and services sectors.
- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities. It has consistently been recognized by respected resources as one of the best cities in America for business expansion and relocation.
- The economic base of the Air Trade Area is stable and diversified, and is capable of supporting increased demand for air travel at the Airport during the projection period.

Air Traffic

- As of July 2006, the Airport had scheduled passenger service provided by 17 U.S. carriers; and had scheduled cargo service provided by four all-cargo carriers. Scheduled service at the Airport is provided by 12 of the nation's 16 major passenger airlines, which represent the largest group of passenger airlines in terms of their total annual revenues.
- The Airport is classified by the FAA as a medium hub facility based on its percentage of nationwide enplanements;[2] and ranked 57th nationwide in total passengers enplaned and deplaned in calendar year (CY) 2005 with 5.7 million enplaned and deplaned passengers.[3]

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2 As defined by the FAA, a medium hub airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 1.8 million to 7.0 million passengers in CY 2004, the latest calendar year for determining airport hub size.

3 *ACI Traffic Data 2005*, Airports Council International.

- Passenger activity at the Airport increased from 1.8 million enplanements in FY 1995 to 2.8 million in FY 2005, the highest enplaned passenger level at the Airport in any fiscal year to date. This increase represents a compounded annual growth rate of 4.6 percent during this period, compared to 2.4 percent growth nationwide.
- As of July 2006, daily nonstop service was provided to 22 cities with a total of 109 daily flights, with 12 daily nonstop flights to New York, the Airport's top ranked origin-destination (O&D) market in terms of number of passengers. Fifteen of the Airport's primary (i.e., top 20) O&D markets are provided nonstop service with a total of 86 daily flights.

Financial Analysis

- The 2006 Project is feasible in terms of providing facilities necessary to help alleviate capacity constraints and improve security at the Airport at a cost that will produce reasonable levels of rates and charges to the users of the Airport facilities.
- Cost per enplanement for the passenger airlines that are signatory to the Airline-Airport Use and Lease Agreement ("Airline Agreement") ("Signatory Airlines") is estimated to increase from approximately \$6.20 in budgeted FY 2007, to \$7.95 in FY 2015, a compounded annual increase of 3.2 percent. The Signatory Airlines' landing fee rate after Transfer is estimated to increase from approximately \$1.61 per thousand pounds in budgeted FY 2007, to \$1.99 per thousand pounds in FY 2015.
- Projected airline rates and charges together with other Authority revenues are sufficient to ensure that all Operation and Maintenance (O&M) expenses, debt service, and fund deposit requirements can be generated through reasonable user fees. Debt service coverage is projected to range from 1.75x to 1.94x, meeting the rate covenant requirement of the Bond Resolution in each year of the projection period.

Except as defined otherwise, the capitalized terms used in this report are as defined in the Bond Resolution. The techniques used in this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

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LIST OF EXHIBITS

Exhibit No.

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Economic Base for Air Transportation

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area (i.e. the geographical area served by an airport). This relationship is particularly true for origin-destination (O&D) passenger traffic, which has been the foremost component of demand at Jacksonville International Airport (Airport).[1] The major portion of demand for air travel at the Airport, therefore, is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity. This chapter presents data that indicate that the Airport's air trade area has an economic base capable of supporting increased demand for air travel at the Airport during the projection period.

1.1 Air Trade Area

The borders of an air trade area are influenced by the location of other metropolitan areas and their associated airport facilities. For purposes of these analyses, the ***primary air trade area*** for the Airport is the Jacksonville Metropolitan Statistical Area (MSA), as defined by the federal government's Office of Management and Budget. According to the federal government, an MSA is a geographical area with a large population nucleus, along with any adjacent communities that have a high degree of economic and social interaction with that nucleus. The Jacksonville MSA consists of the following five counties in the State of Florida (Florida): Baker, Clay, Duval (the county in which the Airport is located), Nassau, and St. Johns.[2] Approximately 94 percent of total passengers using the Airport in FY 2005 were from this five-county area.

Based on location, accessibility, and services available at other commercial service airports within nearby service areas, it is recognized that the area served by the Airport extends to a ***secondary air trade area***. The borders of this extended service area are established by Savannah/Hilton Head International to the north; Tallahassee Regional to the west; and Gainesville Regional, Daytona Beach International, and Orlando International to the south. This secondary air trade area includes an additional seven counties in Florida and eight in Georgia. Combined, the total air trade area for the Airport encompasses a 20-county area.

It is the economic strength of the Jacksonville MSA, however, that provides the primary base for supporting air transportation at the Airport. As a result, only socioeconomic data for the Jacksonville MSA (hereinafter referred to as the Air Trade Area) were analyzed in conjunction with those for Florida and the United States. **Exhibit 1.1** presents the geographical location of the Airport's primary and secondary air trade areas, as well as its proximity to alternative facilities.

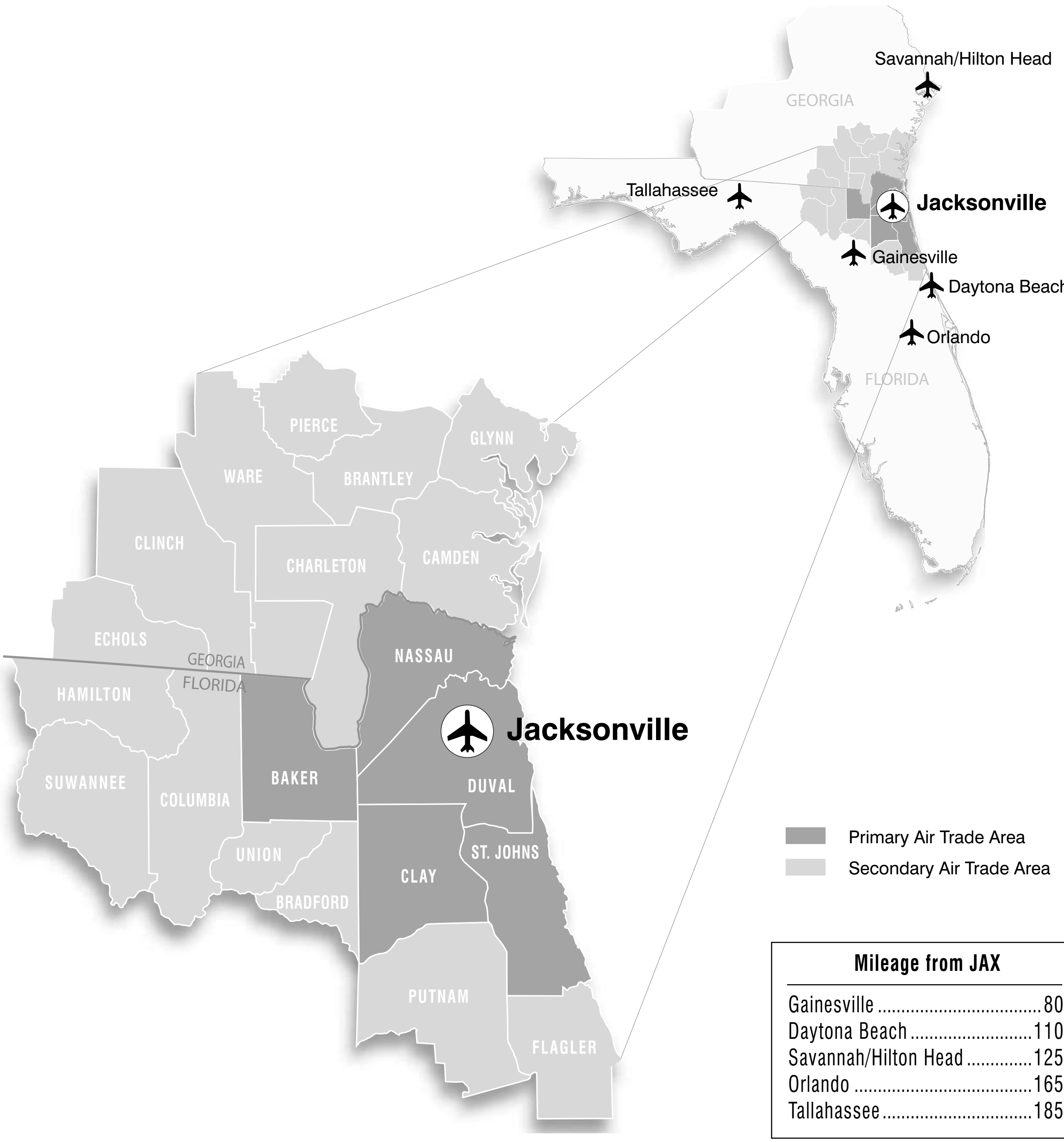
1.2 Population

Historical population for the Air Trade Area, Florida, and the United States is presented in **Table 1.1.** Population in the Air Trade Area increased from 925,213 people in 1990 to 1,122,750 people in 2000 and to 1,248,371 people in 2005. Between 1990 and 2005, the Air Trade Area experienced population growth at a compounded annual growth rate of 2.0 percent, which was comparable to that experienced for Florida yet higher than that experienced nationwide (compounded annual growth rates of 2.1 percent and 1.2 percent, respectively). All five counties in the Air Trade Area experienced higher growth in population than that experienced nationwide between 1990 and 2005, including Duval County, which comprised 66 percent of the Air Trade Area's population in 2005.

Table 1.1 also presents population projections for the Air Trade Area, Florida, and the nation for 2015. As shown, population in the Air Trade Area is expected to increase from 1,248,371 people in 2005 to 1,569,100

1 Based on U.S. DOT ticket sample data, O&D passengers accounted for approximately 94 percent of total passengers at the Airport in FY 2005 (see Table 2.5 in Chapter 2).

2 In 2003, the Office of Management and Budget revised its definition of the Jacksonville MSA to include Baker County. Previously the Jacksonville MSA consisted of four counties in Florida: Clay, Duval, Nassau, and St. Johns.



Mileage from JAX

Gainesville	80
Daytona Beach	110
Savannah/Hilton Head	125
Orlando	165
Tallahassee	185

Source: Cartesia Software, Map Art, 1998.
Prepared by: Ricondo & Associates, Inc..

Exhibit 1.1

Air Trade Area and
Alternative Facilities

Table 1.1
Historical & Projected Population

Area	Historical 1990	Historical 2000	Historical 2005	Projected 2015	Compounded Annual Growth Rate Historical 1990-2000	Historical 2000-2005	Historical 1990-2005	Projected 2005-2015
Baker County	18,486	22,259	24,569	27,400	1.9%	2.0%	1.9%	1.1%
Clay County	105,986	140,814	171,095	223,900	2.9%	4.0%	3.2%	2.7%
Duval County	672,971	778,879	826,436	1,012,300	1.5%	1.2%	1.4%	2.0%
Nassau County	43,941	57,663	64,746	83,300	2.8%	2.3%	2.6%	2.6%
St. Johns County	83,829	123,135	161,525	222,200	3.9%	5.6%	4.5%	3.2%
Air Trade Area	925,213	1,122,750	1,248,371	1,569,100	2.0%	2.1%	2.0%	2.3%
State of Florida	12,937,926	15,982,378	17,789,864	21,767,500	2.1%	2.2%	2.1%	2.0%
United States	248,709,873	281,421,906	296,410,404	312,268,000	1.2%	1.0%	1.2%	0.5%

Sources: U.S. Department of Commerce, Bureau of the Census (historical - all areas; projected - U.S.)
University of Florida, Bureau of Economic and Business Research, Bulletin No. 144, February, 2006.
(Medium-growth depicted.)
Prepared by: Ricondo & Associates, Inc.

in 2015. This increase represents a compounded annual growth rate of 2.3 percent during this period, which is higher than that projected for both Florida and the nation (compounded annual growth rates of 2.0 percent and 0.5 percent, respectively).

1.3 Income

One measure of the relative income of an area is its effective buying income (EBI). EBI is essentially disposable personal income and includes personal income less personal taxes (federal, state, and local), non-tax payments including fines and penalties, and personal contributions for social insurance. EBI is a composite measurement of market potential and indicates the general ability to purchase an available product or service. According to *Sales and Marketing Management Magazine*, of the top 300 Metropolitan and Micropolitan Statistical Areas in the nation, the Air Trade Area ranked 42nd in total EBI in 2004.[3]

Table 1.2 presents per capita EBI for the Air Trade Area, Florida, and the nation between 1999 and 2004. As shown, per capita EBI for the Air Trade Area was higher than or comparable to that for Florida and the nation each year between 1999 and 2004. Also as shown, per capita EBI for the Air Trade Area increased at a compounded annual growth rate of 3.1 percent between 1999 and 2004, which was higher than that for Florida and the nation during this same period (compounded annual growth rates of 2.8 and 1.7 percent, respectively).

Table 1.2 also presents projections of per capita EBI for 2009, the latest year for which such projections are currently available. According to *Sales and Marketing Management* magazine, per capita EBI for the Air Trade Area is projected to increase from $20,591 in 2004 to $22,976 in 2009. This increase represents a compounded annual growth rate of 2.2 percent during this period, which is equal to that projected for Florida and the nation.

An additional indicator of the market potential for air transportation demand is the percentage of households in the higher income categories. An examination of this indicator is important in that as personal income increases, air transportation becomes more affordable and, therefore, is used more frequently. Table 1.2 also presents percentages of households in selected EBI categories for 2004. As shown, 38.9 percent of households in the Air Trade Area had an EBI of $50,000 or more in 2004, which was higher than the 35.0 percent for Florida and 36.7 percent for the nation.

1.4 Employment

Recent employment trends for the Air Trade Area, Florida, and the United States are presented in **Table 1.3.** As shown, the Air Trade Area's civilian labor force increased from approximately 530,000 workers in 1995 to approximately 625,000 workers in 2005. This increase represents a compounded annual growth rate of 1.7 percent during this period, compared to 2.1 percent for Florida and 1.2 percent for the nation. As also shown in Table 1.3, average annual unemployment rates for the Air Trade Area were consistently below those for the nation each year between 1995 and 2005. Unemployment rates in the Air Trade Area were also consistently below those for Florida between 1995 and 2003 and comparable in 2004 and 2005.

An analysis of nonfarm employment trends by major industry division is presented in **Table 1.4**, which compares the Air Trade Area's employment trends to those for the nation for 1995 and 2005. As shown, nonfarm employment in the Air Trade Area increased from approximately 487,500 workers in 1995 to approximately 605,800 workers in 2005. This increase represents a compounded annual growth rate of 2.2 percent during this period, which was higher than the 1.3 percent growth rate nationwide during this same period.

[3] The Office of Management and Budget revised its geographical census definitions to include Metropolitan and Micropolitan Statistical Areas, collectively called Core Based Statistical Areas (CBSAs). The CBSA Metropolitan Areas have at least one central urbanized core area of 50,000 people and the CBSA Micropolitan Areas have at least one urbanized core area of at least 10,000 people, but fewer than 50,000.

Table 1.2
Effective Buying Income

Year	Per Capita EBI		
	Air Trade Area	State of Florida	United States
Historical			
1999	$17,707	$17,798	$17,691
2000	$18,415	$18,272	$18,426
2001	$18,740	$18,671	$18,491
2002	$19,974	$19,474	$18,375
2003	$20,023	$19,741	$18,662
2004	$20,591	$20,394	$19,289
Projected			
2009	$22,976	$22,704	$21,506
Compounded Annual Growth Rate			
1999 - 2004	3.1%	2.8%	1.7%
2004 - 2009	2.2%	2.2%	2.2%

Area	Percentage of Households in Income Categories (2004 EBI)			
	Less Than $20,000	$20,000 to $34,999	$35,000 to $49,999	$50,000 or more
Air Trade Area	19.1%	22.3%	19.7%	38.9%
State of Florida	22.3%	23.9%	18.8%	35.0%
United States	21.5%	22.5%	19.3%	36.7%

Source: Sales & Marketing Management, Survey of Buying Power, 2000-2005
Prepared by: Ricondo & Associates, Inc.

Table 1.3
Civilian Labor Force & Unemployment Rates

Year	Civilian Labor Force (000's)		
	Air Trade Area	State of Florida	United States
1995	530	7,045	132,304
1996	539	7,208	133,943
1997	552	7,409	136,297
1998	565	7,573	137,673
1999	577	7,711	139,368
2000	589	7,870	142,583
2001	596	7,998	143,734
2002	595	8,077	144,863
2003	600	8,199	146,510
2004	611	8,407	147,401
2005	625	8,654	149,320
Compounded Annual Growth Rate			
1995 - 2005	1.7%	2.1%	1.2%

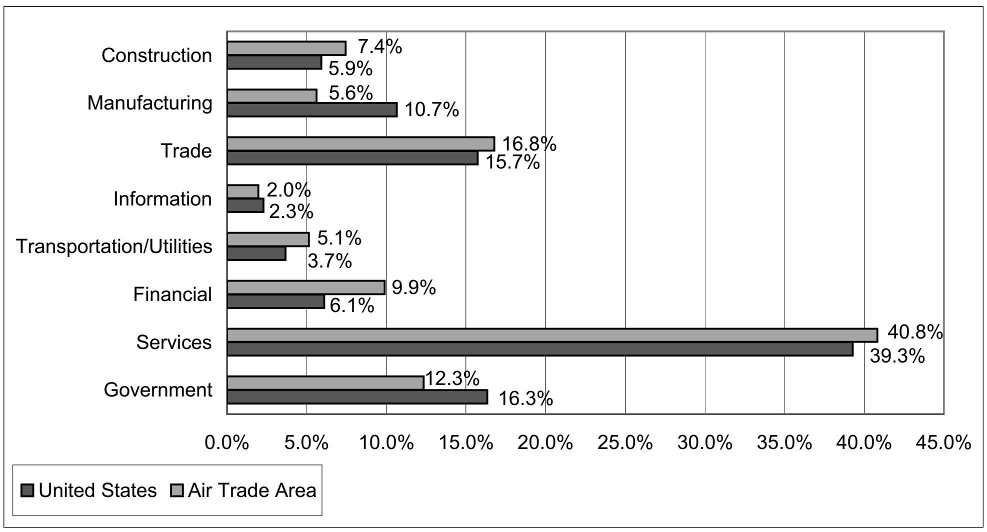
Year	Unemployment Rates		
	Air Trade Area	State of Florida	United States
1995	3.7%	5.5%	5.6%
1996	3.7%	5.3%	5.4%
1997	3.8%	5.0%	4.9%
1998	3.2%	4.5%	4.5%
1999	3.1%	4.0%	4.2%
2000	3.2%	3.8%	4.0%
2001	4.1%	4.7%	4.7%
2002	5.4%	5.7%	5.8%
2003	5.2%	5.3%	6.0%
2004	4.7%	4.7%	5.5%
2005	3.9%	3.8%	5.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics
Prepared by: Ricondo & Associates, Inc.

Table 1.4
Employment Trends by Major Industry Division

	Air Trade Area Nonfarm Employment			United States Nonfarm Employment (000's)		
Industry	1995	2005	Compounded Annual Growth Rate	1995	2005	Compounded Annual Growth Rate
Construction [1]	27,700	45,100	5.0%	5,915	7,902	2.9%
Manufacturing	36,300	34,100	-0.6%	17,241	14,232	-1.9%
Trade	86,200	101,600	1.7%	19,330	21,004	0.8%
Information [2]	11,200	11,900	0.6%	2,843	3,066	0.8%
Transportation/Utilities	29,200	31,100	0.6%	4,504	4,904	0.9%
Financial	49,100	59,900	2.0%	6,827	8,141	1.8%
Services	179,800	247,300	3.2%	41,206	52,412	2.4%
Government	68,000	74,800	1.0%	19,432	21,803	1.2%
TOTAL	487,500	605,800	2.2%	117,298	133,465	1.3%

Percent of 2005 Nonfarm Employment



[1] Includes natural resources and mining employment.
[2] The information sector includes communications, publishing, motion picture and sound recording, and on-line services.

Source: U.S. Department of Labor, Bureau of Labor Statistics
Prepared by: Ricondo & Associates, Inc.

Major employers in the Air Trade Area, as measured by the number of employees, are presented in **Table 1.5**. As shown, there are 48 firms in the Air Trade Area with 1,000 or more employees. The largest employers in the Air Trade Area include the U.S. military Naval Air Station Jacksonville (25,190 employees); the U.S. military Naval Station Mayport (16,250 employees); Duval County Public Schools (15,000 employees); the City of Jacksonville (9,400 employees); and Blue Cross & Blue Shield of Florida (8,080 employees).

The Air Trade Area is home to approximately 90 corporate and regional headquarters, including three Fortune 500 companies with corporate headquarters in the Air Trade Area: Winn Dixie Stores[4] (ranked 182nd in 2004 revenues and operator of more than 1,000 supermarkets in the southeastern United States and the Bahamas); Fidelity National Financial (261st in 2004 revenues and the nation's largest insurance underwriter); and CSX Corporation (269th in 2004 revenues and operator of the largest rail network in the eastern United States). Other Fortune 500 companies with a significant presence in the Air Trade Area include Aetna, Bank of America, BellSouth, Citigroup/Citibank Universal Card Services, Merrill Lynch, Northrop Grumman, Publix Super Markets, Wachovia, Wal-Mart Stores, and United Parcel Service.

1.5 Economic Base

This section reviews the local economy in greater detail to more clearly examine the basis for the economic strength of the Air Trade Area.

1.5.1 Construction

Construction employment in the Air Trade Area increased at a compounded annual growth rate of 5.0 percent between 1995 and 2005 (the highest-growing sector during this period), compared to 2.9 percent for the nation. In 2005, the construction sector accounted for approximately 45,100 employees in the Air Trade Area (approximately 7.4 percent of total nonfarm employment).

Table 1.6 presents major new and expanded business development in the Air Trade Area for the 12-month period ending July 3, 2006, the latest period for which data is available. As shown, approximately $320 million has been invested and approximately 3,270 new jobs have been created in the Air Trade Area due to new and expanded businesses. Two companies established new headquarters operations and 19 others relocated or expanded their businesses in the Air Trade Area during this period.

In September 2000, the residents of Jacksonville approved the $2.2 billion Better Jacksonville Plan as the centerpiece for effectively managing growth and development. The plan includes road and infrastructure improvements, public facility developments, land preservation, and other resources to maximize the economy. A primary component of the plan is the $1.5 billion Countywide Road and Infrastructure Development Program which includes road construction and widening projects planned to be completed over a 7 to 10-year time frame. Many elements of the plan were completed by the end of 2005, while other projects are ongoing.

Among the major development projects:

- **Jacksonville Veterans Memorial Arena -** This $125 million sports and entertainment facility opened in November 2004. With a capacity of 16,000 and 27,000 square feet of floor area, the arena is designed to attract national level entertainment.
- **The Baseball Grounds of Jacksonville -** This $34 million baseball park was the first of the Better Jacksonville Plan developments to be completed. Located in the Sports Complex, this new 10,000-seat ballpark officially opened in April 2003 and is home to the Southern League of Professional Baseball's Jacksonville Suns.

4 Winn Dixie Stores voluntarily filed for reorganization under Chapter 11 of the Bankruptcy Code on February 21, 2005 and plans to emerge from Chapter 11 in 2006.

Table 1.5
Major Employers [1]

Employer	Employees	Product or Service
Naval Air Station Jacksonville	25,190	U.S. Navy
Naval Station Mayport	16,250	U.S. Navy
Duval County Public Schools	15,000	Education
City of Jacksonville	9,400	City government
Blue Cross & Blue Shield of Florida	8,080	Mutual insurance company
Publix Super Markets	7,110	Supermarket chain
Baptist Health	6,930	Health care
Winn-Dixie Stores	6,540	Supermarket chain
Wal-Mart Stores	6,000	Discount retailer
Mayo Clinic Jacksonville	5,030	Multi-specialty health care center
Bank of America	4,500	Financial services
CSX Corporation	4,200	Railroad transportation
Citibank	4,000	Financial services
Clay County School Board	4,000	Education
St. Vincent's Health System	3,700	Health care
Gate Petroleum	3,500	Retail gasoline, convenience stores, & real estate development
Wachovia	3,500	Financial services
Shands Jacksonville	3,210	Hospital, health care
Florida Community College at Jacksonville	3,210	Community college
BellSouth	3,000	Telecommunications, wireless, & Internet services
Convergys	3,000	Outsource customer & employee care services
St. Johns County School District	3,000	Education
U.S. Postal Service, Jacksonville	2,920	Mail Service
Vistakon	2,500	Optical products manufacturer
Fidelity National Financial	2,300	Insurance and financial services
Catholic Diocese of St. Augustine	2,220	Religious organization
Merrill Lynch & Co.	1,900	Financial services
Memorial Hospital Jacksonville	1,780	Acute care hospital
University of North Florida	1,720	University
Target	1,700	Retail
Aetna	1,550	Health insurance
Northrop Grumman	1,550	Aircraft manufacturing
Flagler Hospital	1,500	Hospital
School Board of Nassau County	1,350	Education
Internal Revenue Service	1,340	Federal tax collection agency
St. Johns County	1,200	County government
MPS Group	1,200	Staffing and consulting
United Parcel Service	1,200	Package delivery service
The Haskell Co.	1,200	Design/build firm
Northeast Florida State Hospital	1,150	Hospital
Swisher International	1,140	Cigar manufacturer
State Farm	1,100	Insurance and financial services
Amelia Island Plantation	1,040	Resort & real estate development
America Online	1,000	Internet service & products provider
CitiStreet	1,000	Benefits administration outsourcing
Comcast Cable Communications	1,000	Communications & information services
PHH Mortgage	1,000	Mortgage
Orange Park Medical Center	1,000	Hospital

[1] Data taken from the most recently available comprehensive list of major employers as presented in the Jacksonville Business Journal 2006 Book of Lists, published in January 2006.

Source: The Business Journal, Jacksonville & Northeast Florida, 2006 Book of Lists
Prepared by: Ricondo & Associates, Inc.

Table 1.6
Recent New & Expanded Businesses [1]

Company	Products or Service	Investment	New Jobs
Mitsui O.S.K. Lines	Distribution & Logistics	$150,000,000	200
Fidelity National Financial	HQ - Customer Service	$40,000,000	200
Bridgestone/Firestone	Distribution & Logistics	$35,000,000	250
Hanson Roof Tile	Manufacturing	$23,000,000	81
Fidelity National Information Services	HQ - Information Technology	$22,000,000	600
Michael's	Distribution & Logistics	$15,000,000	60
Volvo/Mack Trucks Distribution	Distribution & Logistics	$9,000,000	52
Stock Building Supply	Distribution & Logistics	$7,455,000	95
The Hillman Group	Manufacturing	$5,500,000	80
CitiBank	Financial & Insurance Services	$2,800,000	306
Annandale Millwork/Allied Systems	Manufacturing	$2,750,000	52
Washington Mutual	Financial & Insurance Services	$2,000,000	600
The Lending Group	Financial & Insurance Services	$2,000,000	150
Nice SpA	Distribution & Logistics	$2,000,000	15
Buffet Crampon USA	Distribution & Logistics	$1,000,000	40
Select Quote Life Insurance	Financial & Insurance Services	$500,000	40
Anchor Glass Container	Manufacturing	N/A	N/A
SoBran	Distribution & Logistics	N/A	120
FlightStar Aircraft Services	Aviation	N/A	150
Comcast Corp.	Information Technology	N/A	160
JetBlue	Aviation	N/A	16
TOTAL		$320,005,000	3,267

[1] Announcements for the 12-month period ending July 3, 2006, the latest period for which such data is available.

Source: The Cornerstone Economic Development Partnership of the Jacksonville Chamber of Commerce, Economic Development Program
Prepared by: Ricondo & Associates, Inc.

- **Main Library -** This $95 million facility opened in December 2005. It is approximately three times the size of the former main library and includes an innovative children's center, an updated genealogy department, and a section dedicated to African-American history. In addition, this five-story building features a 400-seat auditorium, a 5,000 square foot multi-purpose room, a café bookstore, as well as the 600-space parking garage.

The Shipyards project, a redevelopment of riverfront property, is one of the largest planned development projects is Jacksonville and is intended to reshape the central business district. In support of this project, the City of Jacksonville is to construct a riverfront park, including 5,380 linear feet of riverwalk space, and a public pier on approximately eight acres along the St. John's River. Development of the site's remaining 32 acres is currently in the planning stages, but is expected to include offices, residential units, retail, and possibly a hotel. Total investment is estimated at approximately $450 million.

Other major commercial or residential projects occurring near the Airport include the River City Market Place, Thomas Creek Preserve, and continued development in the Jacksonville International Tradeport Business Park. The $300 million River City Market Place, anchored by a Wal-Mart supercenter, will include 1.13 million square feet of retail space, 133,000 square feet of light industrial space, 300 hotel rooms, and 900 apartments. The first phase of development was completed in early 2006 and the final phase is anticipated for completion by 2009. The Thomas Creek Preserve development will be located on 6,100-acres near the Airport and will include townhomes, condominiums, single-family homes, shopping centers, offices, public parks, six schools, a fire station, and a hotel. It is anticipated that the Thomas Creek Preserve community will be built in two phases spanning from 2007 to 2018. Upon completion, this development will bring approximately 10,000 new homes to the area. Majestic Realty, one the nation's largest privately-held commercial real estate developers, recently acquired 47-acres in the Jacksonville International Tradeport Business Park and plans to build two to three warehouse/distribution buildings totaling 833,300 square feet on the site.

Table 1.7 presents residential building permit units and valuations for the Air Trade Area, Florida, and the United States from 1995 to 2005. As shown, residential building permit units in the Air Trade Area increased from 8,672 in 1995 to 25,090 in 2005; and building permit valuation increased from $797 million to $4.5 billion during this same period. These increases represent compounded annual growth rates of 11.2 percent and 18.8 percent, respectively. As also shown, these respective growth rates were higher than those for Florida and for the nation during this same period.

1.5.2 Manufacturing

Manufacturing employment in the Air Trade Area decreased between 1995 and 2005, with a decline of approximately 2,200 employees during this period. In 2005, the manufacturing sector accounted for approximately 34,100 employees in the Air Trade Area (5.6 percent of total nonfarm employment). Although a decline in total manufacturing employment occurred over the 10-year period, as shown in Table 1.6, several manufacturing companies have recently announced plans to expand or relocate to the Air Trade Area. These expansions represent over $106 million in potential investment and approximately 190 new jobs.

With 67 percent of the Southeast's population located within 600 miles of the Air Trade Area, its central location and access to road, rail, sea, and air transportation is a key factor in the location plans of manufacturing firms. Major manufacturing industries in the Air Trade Area include aerospace, pharmaceuticals, biotechnology, and automotive.

The aerospace industry is one of the most significant components of the Air Trade Area's economy and consists of manufacturers of aircraft and parts, guided missiles, and space vehicles and parts. A prime aftermarket is maintenance, repair, and overhaul for both military and commercial aircraft. The Air Trade Area is home to several aftermarket manufacturers, including Naval Aviation Depot, Northrop Grumman, and Boeing Aerospace.

Table 1.7

Residential Building Permit Units & Valuation

Year	Air Trade Area		State of Florida		United States	
	Units	Valuation ($000)	Units	Valuation ($000)	Units	Valuation ($000)
1995	8,672	$796,955	122,903	$10,826,577	1,332,549	$120,810,731
1996	11,367	$1,000,868	125,020	$11,471,660	1,425,616	$134,175,811
1997	8,645	$910,066	133,990	$12,205,450	1,441,136	$141,004,397
1998	9,527	$1,050,851	148,603	$14,122,687	1,612,260	$165,265,706
1999	11,701	$1,222,627	164,722	$16,101,979	1,663,533	$181,246,047
2000	10,682	$1,322,644	155,269	$17,462,411	1,592,267	$185,743,681
2001	12,750	$1,572,814	167,035	$19,465,400	1,636,676	$196,242,858
2002	14,360	$1,803,893	185,431	$22,467,802	1,747,678	$219,188,681
2003	15,821	$2,277,702	213,567	$28,351,596	1,889,214	$249,693,105
2004	19,326	$2,919,521	255,893	$36,959,407	2,070,077	$292,413,691
2005	25,090	$4,471,761	285,062	$46,143,133	2,147,617	$326,519,492
Compounded Annual Growth Rate 1995 - 2005	11.2%	18.8%	8.8%	15.6%	4.9%	10.5%

Source: U.S. Department of Commerce, Bureau of the Census
Prepared by: Ricondo & Associates, Inc.

Unison Industries, a wholly owned subsidiary of GE Engine Services, also has a significant presence in the Air Trade Area. Unison's worldwide headquarters are located in the Air Trade Area and it specializes in product engineering, new product manufacturing, repair, and overhaul. Embraer, one of the world's largest aircraft manufacturers, broke ground in 2004 on an aircraft production facility in the Air Trade Area for the U.S. defense and homeland security markets.

The pharmaceutical and biotechnology industry is one of the most research-oriented sectors of the U.S. economy. The Air Trade Area hosts over 25 hospitals and clinics, including two premiere research facilities: the Mayo Clinic and Shands Jacksonville. Major pharmaceutical and biotechnology employers in the area include: Vistakon, a division of Johnson & Johnson Vision Care, Inc.; Medtronic Xomed, a leading developer, manufacturer, and marketer of surgical products for use by ear, nose, and throat specialists; and Zassi Medical Evolutions, a medical research firm. Reflecting the strength of this sector in the Air Trade Area, Jacksonville was ranked first for "Best Business Environment for Medical Equipment Manufacturing" according to the February 2004 edition of *Area Development* magazine.

With its access to deep-water ports and three major interstates, the Air Trade Area is a prime Southeastern location for automotive parts and accessories distribution:

- Cleveland-based XLO Group, an automotive supplier, established a new company, XLO Jacksonville, in the Air Trade Area. This company's $2 million plant opened in August 2003 and occupies 30,000 square feet in the CenterPoint Business Park.
- General Motors chose the Air Trade Area as the site to develop its 360,000-square-foot dealer parts distribution center, which services Georgia, South Carolina, and Florida.
- BMW of North America also selected Jacksonville as the site for its fourth regional parts distribution center, an estimated $32 million investment, including $20 million in inventory. The 140,000 square foot facility opened in late 2002.
- In 2005, Volvo Parts North America relocated it Southeastern operations distribution center to the Air Trade Area. This center also serves as the company's Southeast training center.

Other major automotive employers in the area include Southeast Toyota, the largest automotive distributor in the nation, and Dura Automotive Systems, the largest independent designer and manufacturer of driver control systems and leading supplier worldwide.

1.5.3 Trade

Trade employment in the Air Trade Area increased at a compounded annual growth rate of 1.7 percent between 1995 and 2005, higher than that for the nation (0.8 percent). In 2005, the trade sector accounted for approximately 101,600 employees in the Air Trade Area (16.8 percent of total nonfarm employment). Of that total, approximately 75 percent of these employees were engaged in retail trade.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. According to *Sales and Marketing Management Magazine*, of the top 300 Metropolitan and Micropolitan Statistical Areas in the nation, the Air Trade Area ranked 44th in total retail sales in 2005.

Encompassing more than 15 million square feet of retail space, major shopping malls in the Air Trade Area include Regency Square Mall (170 stores and 1.5 million leasable square feet); St. Johns Town Center (108 stores and 1.3 million leasable square feet); The Avenues (165 stores and 1.3 million leasable square feet); Orange Park Mall (130 stores and 938,600 leasable square feet); Gateway Shopping Center (90 stores and 621,200 leasable square feet); Regency Commons (11 stores and 344,400 leasable square feet); Regency Park (35 stores and 334,400 leasable square feet); St. Augustine Premium Outlets (85 stores and 329,000 leasable square feet); Roosevelt Square (54 stores and 309,400 leasable square feet); and Argyle Village Shopping Center (22 stores and 304,600 leasable square feet).

1.5.4 Information

The information sector includes communications, publishing, motion picture and sound recording, and online services. Information employment in the Air Trade Area increased at a compounded annual growth rate of 0.6 percent between 1995 and 2005, compared to 0.8 percent for the nation. In 2005, the information sector accounted for approximately 11,900 employees in the Air Trade Area (2.0 percent of total nonfarm employment).

The software and e-commerce industry is one of the fastest growing industries in the United States. In recent years, BellSouth has invested more than $100 million in improvements to the communications infrastructure throughout the Air Trade Area, including high-speed digital transmission, 100 percent electrical switching, self-healing fiber optic ring architecture, and enhanced voice applications. In 2001, Jacksonville became the first U.S. city to create a downtown area offering free wireless connection to the Internet. In June 2005, Jacksonville made the top 50 of Intel's third annual "Most Unwired Cities" survey of U.S. cities and regions with the greatest wireless Internet accessibility. The Air Trade Area is also the site of the nation's seventh Tier One Network Access Point, a facility that manages continental and intercontinental voice, data, and video electronic communications. This $80 million facility created approximately 100 new jobs during its construction phase, and now provides area companies with inexpensive and reliable data transmission.

1.5.5 Transportation/Utilities

Transportation/utilities employment in the Air Trade Area increased at a compounded annual growth rate of 0.6 percent between 1995 and 2005, compared to 0.9 percent for the nation. In 2005, the transportation/utilities sector accounted for approximately 31,100 employees in the Air Trade Area (5.1 percent of total nonfarm employment).

The Jacksonville Port Authority (Port Authority) owns and operates three public marine terminals and one passenger cruise terminal in the Air Trade Area. Approximately 90 passenger cruise vessels and 1,640 cargo vessels passed through the Port Authority's facilities in fiscal year (FY) 2005.[5] In terms of cargo handled, the Port Authority is one of the largest ports on the South Atlantic seaboard. In FY 2005, the Port Authority's three marine terminals handled approximately 8.4 million tons of cargo, an all-time high, including more than 544,000 vehicles, making it one of the largest vehicle-handling ports in the country. In 2003, Carnival Cruise Lines and Celebrity Cruises initiated year-round passenger cruise service from Jacksonville. To support the initiation of passenger cruise service, the Port Authority constructed a 63,000 square-foot temporary cruise terminal in 2003 and is currently studying the construction of a permanent facility. In FY 2005, approximately 117,000 cruise passengers utilized Port Authority facilities. To support Jacksonville hosting the National Football League's Super Bowl XXXIX in January 2005, the Port Authority's terminals were used to accommodate five cruise ships that were chartered to serve as floating hotels. These cruise ships provided more than 3,500 rooms, numerous restaurants, night clubs, and other amenities.

Over the past decade, the Port Authority has committed more than $200 million in capital projects to improve its marine terminals and the harbor. Dredging began in January 2002 to deepen the harbor and main shipping channel from its current depth of 38 feet to 40 feet. In 2006, the final section of the main shipping channel will be deepened to 40 feet. Recent tenant expansions at Port Authority terminals include the ICS Logistics' construction of a 553,000 square-foot warehouse and the construction of a 158 acre container-handling facility and associated infrastructure by the Port Authority and Mitsui O.S.K. Lines. Mitsui's estimated $150 million development will support container shipping between Jacksonville and lucrative Asian markets and is anticipated to create 200 new jobs upon completion, with the potential of 1,800 new jobs in future years.

CSX, owner of one of the largest rail networks in the United States, announced in February 2003 its plans to move the corporate and railroad headquarters from Richmond to the Air Trade Area. With the completion of this move, the Air Trade Area is now home to the corporate headquarters of CSX, as well as the headquarters

5 The Port Authority's fiscal year ends September 30.

for other business units of the corporation. This Fortune 500 company has 4,200 employees in the Air Trade Area, making it the Air Trade Area's twelfth-largest employer.

JEA, formerly known as Jacksonville Electric Authority, the largest municipal electric utility in Florida and the eighth largest in the United States, consolidates utility services - electric, water, and sewer - to over one million customers in Jacksonville and portions of the surrounding counties. Over a five-year period, JEA is investing over $500 million to improve the utility infrastructure in the Air Trade Area.

1.5.6 Financial

Finance/insurance/real estate employment in the Air Trade Area increased at a compounded annual growth rate of 2.0 percent between 1995 and 2005, compared to 1.8 percent for the nation. In 2005, this sector accounted for approximately 59,900 employees in the Air Trade Area (9.9 percent of total nonfarm employment).

Citibank Universal Card Services, a Citigroup business and one of the largest employers in the Air Trade Area with 4,000 employees, recently constructed a $90 million credit card operations and technology center in the Air Trade Area, which created approximately 400 new jobs. The 500,000 square foot campus is located at the Flagler Center and consolidates all its area operations into one location.

In 2003, Fidelity National Financial, the nation's largest title insurance company, relocated its corporate headquarters from Santa Barbara to the Air Trade Area. Fidelity's relocation brought approximately 750 new jobs and $53 million in capital investment. The Fortune 500 company also purchased the financial services division of Alltel's Information Services subsidiary in 2003 for approximately $1.1 billion. The combined company was renamed Fidelity Information Services. Fidelity also acquired Jacksonville-based Alltel mortgage division's 13-story headquarters and constructed an adjacent 200,000 square foot building. Both Fidelity National Financial and Fidelity National Information Services announced major expansions in the Air Trade Area in August 2005. Combined, these projects represent a total investment of approximately $62 million and are anticipated to create approximately 800 new jobs. In February 2006, Fidelity National Information Services merged with Certegy to become one of the largest financial institution technology processing and services companies in the world.

Other financial sector companies planning to expand their presence in the Air Trade Area include Merrill Lynch, Washington Mutual, PHH Mortgage, The Lending Group, and Macquarie Mortgages. Merrill Lynch is preparing to expand its Jacksonville operation with the addition of 800 new jobs. Washington Mutual and PHH Mortgage are also pursuing expansions that could increase each of their Jacksonville-area workforces by approximately 600 employees. PHH Mortgage is constructing a new 150,000 square foot office building, representing an investment of approximately $21.7 million. Macquarie Mortgages is relocating its corporate headquarters to the Air Trade Area and will begin operations in 2006.

The Air Trade Area is the location of the corporate headquarters of Blue Cross & Blue Shield of Florida. The insurance company is the fifth largest employer in the Air Trade Area with approximately 8,100 employees. In 2005, Blue Cross & Blue Shield of Florida announced an expansion in the market area comprising an investment of approximately $30.3 million with the potential to create 60 new jobs. Major insurance companies with regional headquarters located in the Air Trade Area include: Aetna U.S. Healthcare (1,550 employees); and American Heritage Life (850 employees). Other firms among the top employers in the Air Trade Area that offer financial services include: Bank of America (4,500 employees); Wachovia Bank (3,500 employees); and Merrill Lynch & Company (1,900 employees).

Table 1.8 presents total bank deposits for the Air Trade Area, Florida, and the nation for the 12 months ending June 30th between 1995 and 2005. As shown, total bank deposits in the Air Trade Area increased from $8.8 billion on June 30, 1995 to $25.3 billion on June 30, 2005. This increase represents a compounded annual growth rate of 11.1 percent during this period, which was higher than that for Florida and the nation during this same period (compounded annual growth rates of 6.8 and 6.3 percent, respectively).

Table 1.8
Total Bank Deposits
(Dollar Amounts in Thousands)

Year [1]	Total Bank Deposits		
	Air Trade Area	State of Florida	United States
1995	$8,836,000	$177,079,000	$3,214,678,000
1996	$8,647,000	$178,524,000	$3,328,303,000
1997	$12,388,000	$183,620,000	$3,496,763,000
1998	$15,198,000	$194,203,000	$3,657,849,000
1999	$10,461,000	$200,783,000	$3,783,554,000
2000	$10,234,000	$207,852,000	$4,003,744,000
2001	$11,102,000	$222,797,000	$4,326,207,000
2002	$13,676,000	$242,821,000	$4,606,092,000
2003	$16,668,000	$268,174,000	$5,132,110,000
2004	$19,693,000	$300,961,000	$5,464,782,000
2005	$25,264,000	$342,821,000	$5,933,763,000
Compounded Annual Growth Rate 1995 - 2005	11.1%	6.8%	6.3%

[1] Twelve months ending June 30.

Source: Federal Deposit Insurance Corporation (FDIC)
Prepared by: Ricondo & Associates, Inc.

1.5.7 Services

Services employment in the Air Trade Area increased at a compounded annual growth rate of 3.2 percent between 1995 and 2005 (the second highest-growing sector during this period), compared to 2.4 percent for the nation. In 2005, the services sector accounted for approximately 247,300 employees in the Air Trade Area (40.8 percent of total nonfarm employment), the highest employment level among sectors.

Travel and Tourism

In terms of employment, the travel and tourism industry is one of the largest services-related industries in the Air Trade Area with approximately 90,000 employees. In 2004, the Air Trade Area hosted approximately 6.6 million visitors that generated nearly $4.3 billion into the local economy, compared to over 4.8 million visitors that generated approximately $4.1 billion in 2003. A major tourist attraction in the Air Trade Area is its 20 miles of beaches located along the Atlantic Ocean. The coastal communities of Mayport, Atlantic Beach, Neptune Beach, Jacksonville Beach, and Ponte Vedra Beach are located within 30 minutes from downtown Jacksonville. Amelia Island is another coastal community that is a major tourist destination in the Air Trade Area. Other tourist attractions in the Air Trade Area and their estimated 2004 attendance include: Timucuan Ecological and Historical Preserve (922,000 visitors); Fort Matanzas National Monument (920,000 visitors); Jacksonville Greyhound Racing (689,000 visitors); Castillo De San Marcos National Monument (644,000 visitors); Jacksonville Zoo & Gardens (615,000 visitors); Huguenot Memorial Park (397,000 visitors); and Kathryn Abby Hanna Park (370,000 visitors).

For two consecutive years, 2002 and 2003, survey results generated by GetThere, the Sabre online meeting planning tool, Jacksonville ranked first as the most affordable city for corporate meetings nationwide. The largest meeting and convention facility in the Air Trade Area is the Prime F. Osborn III Convention Center with 156,000 square feet of meeting space and 22 meeting rooms. The Hyatt Regency Jacksonville Riverfront, formerly the Adam's Mark hotel which opened in February 2001, has received numerous honors for its excellence in meeting services and facilities. The Hyatt Regency hotel offers 110,000 square feet of meeting space, 30 meeting rooms, and nearly 1,000 guest rooms. Other major meeting facilities in the area include: Alltel Stadium (132,000 square feet of meeting space); Expo Center at Jacksonville Fairgrounds (67,300 square feet of meeting space); Sawgrass Marriott Resort and Beach Club (56,000 square feet of meeting space); Amelia Island Plantation (49,000 square feet of meeting space); University of North Florida University Center (43,000 square feet of meeting space); Museum of Science and History (41,000 square feet of meeting space); World Golf Village Renaissance Resort (40,000 square feet of meeting space), and The Ritz-Carlton, Amelia Island (32,000 square feet of meeting space).

In support of travel and tourism, the Northeast Florida region offers over 24,800 guest rooms, with approximately 2,200 rooms located in downtown Jacksonville. In addition to the Hyatt Regency Jacksonville Riverfront, the largest hotel in Jacksonville with 966 rooms, major hotels in the area include: Amelia Island Plantation (670 guest rooms); Sawgrass Marriott Resort and Beach Club (508 guest rooms); Holiday Inn-Airport (489 guest rooms); The Ritz-Carlton Amelia Island (444 guest rooms); Omni Jacksonville Hotel (354 guest rooms); Wyndham Riverwalk Hotel (322 guest rooms); Holiday Inn-Orange Park (300 guest rooms); and World Golf Village Renaissance Resort (300 guest rooms).

Recreational and Sports Activities

The Air Trade Area hosts a significant number of outdoor festivals and activities annually. Major events in the Air Trade Area and their estimated 2005 attendance include: Jacksonville Sea and Sky Spectacular (400,000 visitors); Freedom, Fanfare and Fireworks (200,000 visitors); Isle of 8 Flags Shrimp Festival (130,000 visitors); Liberty Fest (130,000 visitors); and Springing the Blues (100,000 visitors).

Also part of the Better Jacksonville Plan, recreational developments and attractions recently completed or currently under construction in the Air Trade Area include:

- **The Preservation Project -** This $312 million land acquisition project is designed to preserve environmentally sensitive lands, improve water quality, and provide greater access for the recreational use of land and water. Currently, approximately 20,000 acres of land are set aside for conservation and a total of $50 million is set aside to fund land acquisition in critical corridors.
- **Cecil Equestrian and Recreation Complex -** Construction for this $38 million complex began in November of 2002 and was completed in March 2004. The complex includes a 123,000 square foot indoor equestrian arena, an outdoor covered arena, two outdoor uncovered practice rings, a 150-stall permanent barn and 300 additional temporary stalls, an Olympic-sized pool, a softball complex, and a 37,000 square foot community center. These facilities are the first phase in a 20-year development plan for the park, which will later include soccer fields, a velodrome, and a tennis complex.
- **Neighborhood Park Improvements** - This $15 million project is designed to enhance playground and sports equipment, lighting, pathways, landscaping, and other recreational improvements through more than 180 projects.
- **Jacksonville Zoo** - The $10 million "Range of the Jaguar" exhibit at the Jacksonville Zoo opened in March 2004. Covering approximately four acres, this exhibit focuses on a neotropical rain forest and includes plants and over 100 different types of animals indigenous to that region.

Major spectator sports in the Air Trade Area include the National Football League's Jacksonville Jaguars, the Southern League of Professional Baseball's Jacksonville Suns (minor league team for the Los Angeles Dodgers), and the Southern Professional Hockey League's Jacksonville Barracudas. The Air Trade Area is also home to the Professional Golfers Association (PGA), the World Golf Village, the PGA Hall of Fame, and the Association of Tennis Professionals. Annual sporting events in the Air Trade Area include: the PGA Tour's Players Championship; the Bausch & Lomb Women's Tennis Championship; the Legends of Golf Tournament; the Mug Race (42-mile inland sailboat race); the Greater Jacksonville Kingfish Tournament; the Gate River Run (the official USA 15K National Championship); the Atlantic Coast Conference Football Championship, and the Toyota Gator Bowl. In January 2005, Jacksonville hosted the National Football League's Super Bowl XXXIX. In March 2006, Jacksonville hosted the NCAA Division 1 Men's Basketball Tournament (Rounds I and II).

Medical and Health

The Air Trade Area offers a wide range of advanced medical services. The Baptist Health System is the seventh-largest employer in the Air Trade Area with approximately 6,900 employees. Baptist Health is comprised of the 579-bed Baptist Medical Center, 180-bed Wolfson Children's Hospital, 122-bed Baptist Medical Center Beaches, 54-bed Baptist Medical Center Nassau, and the 92-suite Baptist Medical Center South opened in February 2005. Baptist Health's medical facilities include Baptist Cancer Institute, Baptist Eye Institute, Baptist Orthopedic Institute, and the Wolfson Center for Mothers and Infants. Baptist Health is also home to Life Flight, Jacksonville's first air ambulance service.

The Mayo Clinic Jacksonville is the 10th-largest employer in the Air Trade Area with approximately 5,000 employees. The Jacksonville facility opened in 1986 and was the first extension of the Mayo Clinic in Rochester. The clinic is a multi-specialty, outpatient clinic providing adult medical and surgical care. The construction of a new $255 million, 650,000 square foot Mayo Clinic Hospital began in November 2005. When complete, this six-floor, 214-bed facility will merge Mayo's inpatient and outpatient activities in a single campus.

St. Vincent's Health System is a 528-bed full service care center that employs approximately 3,700 employees in the Air Trade Area. The center was recently rated by HealthGrades in the top 5 percent of hospitals in the nation for both the treatment of stroke and for overall pulmonary services, and in the top 10 percent of national hospitals in overall cardiac services. Shands Jacksonville, an affiliate of the University of Florida, is a 696-bed academic medical center that employs approximately 3,200 employees in the Air Trade Area. It is the Air Trade Area's level one trauma center and offers a hospital-based hospice program and kidney transplant center. The University of Florida began construction of the Florida Proton Therapy Institute at Shands

Jacksonville in January 2003. This 89,800 square foot facility, with a total cost of approximately $100 million, will be operational in the summer of 2006 and will be the fourth such facility operating in the United States and the only one in the Southeast. Other major medical facilities in the Air Trade Area include: Northeast Florida State Hospital (553 beds); Memorial Hospital Jacksonville (353 beds); Flagler Hospital (321 beds); and St. Luke's Hospital (313 beds).

Higher Education

Higher education is provided in the Air Trade Area by numerous colleges and universities, including law schools, community colleges, business schools, and technical schools. In 2005, these institutions enrolled over 100,000 full-time and part-time students and offered a wide range of continuing education.

The University of North Florida, the largest university in the Air Trade Area with approximately 13,200 full and part-time students, offers 50 undergraduate and 24 graduate degree programs. The Florida Community College at Jacksonville, one of the largest community college in the United States with approximately 60,000 full and part-time students, offers an associates of art degree program for transfer to a state university, approximately 70 associate of science degree programs, and approximately 90 vocational and technical certificate programs. The Florida Coastal School of Law, with over 1,000 students, was the leader among all law schools in Florida in 2005 with 82 percent of its students passing the Florida Bar examination on their first attempt. Other colleges or universities in the Air Trade Area having enrollment of at least 1,000 students include Edward Waters College, First Coast Technical Institute, Flagler College, Jacksonville University, Logos Christian College and Graduate Schools, St. Johns River Community College, University of Phoenix-Jacksonville, and Webster University Graduate School.

1.5.8 Government

Government employment in the Air Trade Area increased at a compounded annual growth rate of 1.0 percent between 1995 and 2005, compared to 1.2 percent for the nation. In 2005, this sector accounted for approximately 74,800 employees in the Air Trade Area (12.3 percent of total nonfarm employment).

The Air Trade Area is an important center for the military. It hosts the third-largest naval concentration in the world after Norfolk and San Diego. Military facilities in the Air Trade Area include three naval bases, a coast guard station, and a marine command. Military personnel represent 20 percent of the population and have an annual economic impact of approximately $6.1 billion. In total, the Air Trade Area's naval bases employ more than 56,000 people and have a combined annual payroll of approximately $1.6 billion.

The Naval Air Station Jacksonville, the largest employer in the Air Trade Area, is a multi-mission base that hosts more than 100 tenant commands. It is the largest of the naval installations in the Air Trade Area, and third largest in the nation, occupying 3,896 acres on the west bank of the St. Johns River. The Naval Station Mayport, the second-largest employer in the Air Trade Area, is host to more than 70 tenant commands, including the aircraft carrier USS John F. Kennedy, 20 other U.S. Navy ships, and six helicopter squadrons. It covers 3,409 acres and is the third-largest naval facility in the continental United States.

1.5.9 Quality of Life

The Air Trade Area has been nationally recognized as one of the best cities in America for business expansion and relocation. *Expansion Management* magazine consistently ranks Jacksonville as one of the "Hottest Cities" in America for business relocation in its annual poll. Its 2006 poll ranked Jacksonville as the eighth hottest city based on factors such as business climate, work force quality, operating costs, incentive programs and the ease of working with the local political and economic development establishment. Jacksonville was ranked third in 2004 and has been in the top ten for seven straight years. Jacksonville is the only city to be ranked first by this magazine three times. In September 2005, *Expansion Management* ranked Jacksonville as one of the "Top 50 Cities for Logistics" and it has also ranked Jacksonville in the top 15 percent of all U.S. metro areas for fiber optic connectivity. In 2004, *Inc.* magazine ranked Jacksonville as eighth on its list of the "Top 25 Large Metropolitan Cities for Doing Business in America." In 2003, *Business Facilities Location*

Guide ranked Jacksonville twelfth on its list of "Top 15 Cities for Corporate Headquarters." *Entrepreneur* magazine ranked Jacksonville as one of the "Best Cities for Entrepreneurs" and "Best Big Cities for Small Business" list. *Business Facilities Location Guide* ranked Jacksonville as one of the "Top 15 Best Cities for Corporate Headquarters." In *Expansion Management and Transportation Distribution* magazine's 2002 annual study of "America's Most Logistics-Friendly Cities," Jacksonville ranked second out of 328 cities.

1.6 Summary

A summary of the socioeconomic trends in the Air Trade Area includes the following trends:

- Population growth in the Air Trade Area between 1990 and 2005 was comparable to that experienced by Florida and was higher than that experienced nationwide. Expansion in the Air Trade Area resulted in all five of the counties in the Air Trade Area having population growth that was higher than that for the nation during the same period of time. Population growth in the Air Trade Area between 2005 and 2015 is expected to exceed that projected for Florida and the nation.
- Between 1999 and 2004, per capita EBI for the Air Trade Area increased at a compounded annual growth rate that was greater than that for both Florida and the nation. According to *Sales and Marketing Management* magazine, continued strong growth in per capita EBI for the Air Trade Area is expected between 2004 and 2009.
- Average annual unemployment rates for the Air Trade Area were generally below those for Florida and the nation between 1994 and 2004.
- With the exception of manufacturing which declined slightly, all of the major industry groups in the Air Trade Area experienced positive growth between 1995 and 2005, with the highest growth occurring in the construction and services sectors.
- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities. It has consistently been recognized by respected resources as one of the best cities in America for business expansion and relocation.
- The economic base of the Air Trade Area is stable and diversified, and is capable of supporting increased demand for air travel at the Airport during the projection period.

Air Traffic

This chapter describes historical and projected aviation activities at the Airport and discusses key factors affecting these activity levels.

2.1 Airlines Serving the Airport

As of July 2006, the Airport had scheduled passenger service provided by 17 U.S. carriers; and had scheduled cargo service provided by four all-cargo carriers. Scheduled service at the Airport is provided by 12 of the nation's 16 major passenger airlines, which represent the largest group of passenger airlines in terms of their total annual revenues. These airlines include AirTran, American, American Eagle, Comair, Continental, Delta, ExpressJet, JetBlue, Northwest, SkyWest, Southwest, and US Airways.[1] **Table 2.1** lists the airlines serving the Airport as of July 2006.

Table 2.2 presents the historical major/national air carrier base at the Airport since FY 1996. As shown, the Airport has had the benefit of a relatively large and stable major/national air carrier base during the years depicted, which has helped promote competitive pricing and scheduling diversity in the Airport's major markets. Specific points concerning the Airport's historical major/national air carrier base are presented below:

- Seven of the 12 major U.S. passenger airlines currently providing service at the Airport operated there during each of the years 1996 through 2006 as shown in Table 2.2.
- Three low-cost carriers currently operate at the Airport. Southwest initiated its low-fare service at the Airport in January 1997 with nonstop service to Baltimore, Fort Lauderdale, Indianapolis, Nashville, New Orleans, and Tampa. It subsequently added nonstop service from the Airport to Birmingham, Houston, Long Island (discontinued in January 2003), New Orleans (discontinued in September 2005 due to the effects of Hurricane Katrina), Norfolk, and Philadelphia. AirTran initiated low-fare service at the Airport in October 1997 with three daily nonstop flights to Atlanta. This airline currently provides six daily nonstop flights from the Airport to Atlanta. JetBlue initiated its low-fare service at the Airport in June 2006 to New York (JFK) with three daily nonstop flights.
- Code-share airlines for American, Northwest, and United initiated service at the Airport between FY 2002 and FY 2005. Similar to industry trends nationwide, mainline carriers shifted certain of their markets to their code-share partners at the Airport following the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11).
- United had provided service continuously at the Airport since FY 1984; however, it discontinued mainline service at the Airport in July 2001, with its nonstop service to Chicago replaced by its then code-sharing partner Atlantic Coast (d/b/a United Express) and currently by its United Express carriers GoJet and SkyWest.
- Atlantic Coast began operating as the low-cost carrier Independence Air at the Airport in July 2004 and subsequently ended its code-share contract with United in August 2004. Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005; and ceased operations nationwide on January 6, 2006. Prior to its liquidation, Independence Air was operating three daily nonstop flights from the Airport to Washington. This market, ranked sixth in the total number of O&D

[1] As defined by the U.S. DOT, major U.S. airlines are airlines with gross operating revenues during any calendar year of more than $1 billion. Alaska, America West, ATA, and United are major U.S. passenger airlines currently not serving the Airport. Although America West and US Airways completed their merger on September 27, 2005, these airlines will maintain separate operating certificates for approximately two to three years. Once FAA approvals have been granted, the two airlines' operating certificates will be combined into one certificate.

Table 2.1
Airlines Serving the Airport [1]

Airlines (17)	Doing Business As:
AirTran	
American	
American Eagle	
Comair	Delta Connection
Continental	
Delta [2]	
ExpressJet	Continental Express
GoJet	United Express
Gulfstream	Continental Express
JetBlue	
Mesa	United Express
Northwest [3]	
Pinnacle	Northwest Airlink
Skywest	United Express
Southwest	
Trans States	American Eagle
US Airways [4]	

All-Cargo Carriers (4)
ABX
DHL
FedEx
United Parcel Service

1 As of July 2006.
2 Delta filed for reorganization under Chapter 11 of the Bankruptcy Code on September 14, 2005.
3 Northwest filed for reorganization under Chapter 11 of the Bankruptcy Code on September 14, 2005.
4 US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003. US Airways again filed for Chapter 11 bankruptcy court protection on September 12, 2004. It emerged from Chapter 11 on September 16, 2005.

Source: Jacksonville Aviation Authority
Prepared by: Ricondo & Associates, Inc.

Table 2.2
Major/National Air Carrier Base [1]

Air Carrier	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 [2]
American	●	●	●	●	●	●	●	●	●	●	●
American Eagle	●	●	●	●	●	●	●	●	●	●	●
Comair	●	●	●	●	●	●	●	●	●	●	●
Continental	●	●	●	●	●	●	●	●	●	●	●
Delta	●	●	●	●	●	●	●	●	●	●	●
Northwest	●	●	●	●	●	●	●	●	●	●	●
US Airways	●	●	●	●	●	●	●	●	●	●	●
Southwest		●	●	●	●	●	●	●	●	●	●
AirTran			●	●	●	●	●	●	●	●	●
ExpressJet				●	●	●	●	●	●	●	●
Mesa							●	●	●	●	●
Pinnacle							●	●	●	●	●
Trans States								●	●	●	●
Skywest										●	●
JetBlue											●
<u>Major/National Air Carriers No Longer Serving the Airport</u>											
Atlantic Coast/Independence Air			●	●	●	●	●	●	●	●	●
Air Wisconsin								●	●	●	●
Mesaba										●	●
Atlantic Southeast					●	●	●	●	●	●	
Midway	●	●	●	●	●	●	●	●	●		
United [3]	●	●	●	●	●	●					

1 The air carriers presented herein are U.S. airlines with gross operating revenues of at least $100 million during any calendar year.
2 As of July 2006.
3 Although United does not currently provide mainline service at the Airport, its code-share partners GoJet, Mesa, and SkyWest provide service d/b/a United Express.

Source: Official Airline Guide, Inc.
Prepared by: Ricondo & Associates, Inc.

passengers at the Airport prior to Independence Air providing service, is currently served nonstop service by Mesa and US Airways with a total of seven daily flights.

- Midway operated at the Airport as a major/national carrier between FY 1995 and FY 2002 utilizing B-737 aircraft. Subsequent to its filing for bankruptcy court protection under Chapter 11 of the Bankruptcy Code on August 14, 2001, it operated at the Airport as a regional/commuter (d/b/a US Airways Express) utilizing Canadair regional jets until it was placed into Chapter 7 liquidation by a U.S. bankruptcy court judge on November 30, 2003.

2.2 Historical Passenger Activity

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplanements by airline.

2.2.1 Enplaned Passengers

The Airport is classified by the FAA as a medium hub facility based on its percentage of nationwide enplanements;[2] and ranked 57th nationwide in total passengers enplaned and deplaned in CY 2005 with 5.7 million enplaned and deplaned passengers.[3] **Table 2.3** presents historical data for enplaned passengers at the Airport and the nation. As shown, passenger activity at the Airport increased from 1.8 million enplanements in FY 1995 to 2.8 million in FY 2005. This increase represents a compounded annual growth rate of 4.6 percent during this period, compared to 2.4 percent growth nationwide. As also shown, the Airport's share of U.S. enplanements increased from 0.341 percent in FY 1995 to 0.425 percent in FY 2005, reflective of the higher compounded annual growth rate experienced at the Airport than that for the nation during this period.

Passenger activity at the Airport decreased from 2.6 million enplanements in FY 2001 to 2.4 million in FY 2002, a decrease of 8.3 percent during this period, equal to the same percent decrease nationwide. These significant decreases in activity for the Airport and nationwide were primarily due to the terrorist attacks of September 11 and the nationwide economic slowdown.

According to the FAA, aviation activity nationwide was already in a weakened state even before September 11 and passenger demand nationwide had begun to decline in February 2001, primarily due to declining high-yield business traffic. In November 2001, the National Bureau of Economic Research officially announced that in March 2001 the U.S. economy had entered its 10th recession since the end of World War II. The loss of household wealth dampened consumer confidence and significantly reduced consumer spending. Air carrier finances turned negative in the first quarter of 2001. In addition to the direct impact on air travel, the events of September 11 accelerated the downturn in consumer spending on consumer goods and services, including spending on air travel. According to the Air Transport Association, the financial condition of the U.S. airline industry remains poor and has a long way to go before it can be declared healthy. This organization reported that in 2005 the industry added $5.6 billion to the $29.3 billion in losses incurred between 2001 and 2004 (excluding extraordinary restructuring charges and gains during this five-year period); however, those losses are expected to be approximately $2 billion in 2006, which could transition the aviation industry into profitability in 2007.

Activity at the Airport has since recovered from the effects of September 11 and the economic slowdown, as enplanements at the Airport increased from 2.4 million in FY 2002 to 2.8 million in FY 2005, the highest enplaned passenger level at the Airport in any fiscal year to date. This increase represents a compounded

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[2] As defined by the FAA, a medium hub airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 1.8 million to 7.0 million passengers in CY 2004, the latest calendar year for determining airport hub size.

[3] *ACI Traffic Data 2005*, Airports Council International.

Table 2.3
Historical Enplanements

Fiscal Year	Airport Enplanements	Airport Growth	U.S. Domestic Enplanements	U.S. Growth	Market Share
1995	1,808,936	-	530,000,000	-	0.341%
1996	1,838,935	1.7%	557,000,000	5.1%	0.330%
1997	2,069,730	12.6%	577,800,000	3.7%	0.358%
1998	2,280,387	10.2%	590,400,000	2.2%	0.386%
1999	2,437,169	6.9%	610,900,000	3.5%	0.399%
2000	2,603,168	6.8%	641,200,000	5.0%	0.406%
2001	2,645,551	1.6%	626,800,000	-2.2%	0.422%
2002	2,425,734	-8.3%	574,500,000	-8.3%	0.422%
2003	2,433,317	0.3%	587,800,000	2.3%	0.414%
2004	2,567,586	5.5%	628,500,000	6.9%	0.409%
2005	2,848,830	11.0%	669,800,000 [1]	6.6%	0.425%
Compounded Annual Growth Rate					
1995 - 2001		6.5%		2.8%	
2002 - 2005		5.5%		5.2%	
1995 - 2005		4.6%		2.4%	

[1] Estimated by the FAA.

Sources: Jacksonville Aviation Authority (Airport activity)
FAA (U.S. activity)
Prepared by: Ricondo & Associates, Inc.

annual growth rate of 5.5 percent during this period, compared to 5.2 percent for domestic passenger activity estimated nationwide by the FAA.

Specific details concerning enplaned passengers at the Airport between FY 1995 and FY 2005 are discussed below:

- **FY 1995 - FY 1998.** Enplanements at the Airport were relatively stable in FY 1995 and FY 1996. However, the Airport experienced significant growth in enplanements between FY 1996 and FY 1998, increasing from 1.8 million enplanements in FY 1996 to 2.3 million enplanements in FY 1998. The compounded annual growth rate of 11.4 percent during this period was primarily due to the "Southwest Effect" resulting from Southwest initiating service at the Airport in January 1997. It is generally recognized that Southwest stimulates traffic at an airport it serves due to its low fares and high frequency of service. Passenger increases at an airport Southwest serves are typically due to the stimulation of previously untapped passenger markets and the diversion of passengers from nearby facilities it does not serve, rather than the diversion of passengers from existing airlines serving the same facility. Further increases to enplanement levels during this period can also be attributed to AirTran and Midway initiating service at the Airport in FY 1998.
- **FY 1999 - FY 2000.** The Airport continued to experience strong growth in enplanements between FY 1998 and FY 2000, increasing from 2.3 million enplanements in FY 1998 to 2.6 million enplanements in FY 2000, primarily due to the continuation of the Southwest Effect, as well as FY 1999 being the first full fiscal year of service by AirTran and Midway.
- **FY 2001 - FY 2003.** For the first eleven months of FY 2001, enplanements at the Airport were 4.3 percent higher than for the first eleven months of FY 2000; however, the effects of September 11 resulted in an increase in enplanements of only 1.6 percent when comparing twelve months ended FY 2001 to twelve months ended FY 2000. As discussed earlier, enplanements at the Airport decreased 8.3 percent in FY 2002 from FY 2001 levels, equal to the percentage decrease nationwide, due to the effects of September 11 and the economic recession. The continued effects of these factors resulted in FY 2003 enplanements to be generally equal to FY 2002 levels.
- **FY 2004 - FY 2005.** Enplanements at the Airport increased from 2.4 million in FY 2003 to 2.8 million in FY 2005, the highest enplaned passenger level at the Airport in any fiscal year to date. This increase represents a compounded annual growth rate of 8.2 percent during this period, compared to 6.7 percent estimated nationwide by the FAA. The 5.5 percent growth in passenger activity in FY 2004 from FY 2003 levels can be attributed to recovery from the effects of 9/11 and the economic recession. Enplaned passengers increased 11.0 percent in FY 2005 from FY 2004 levels, an increase of approximately 280,000 enplanements during this period. Beyond continued recovery and normal growth, a number of factors contributed to this significant increase in enplaned passengers at the Airport, including Super Bowl XXXIX traffic; the initiation of nonstop service to Boston and Fort Lauderdale by Delta carriers; the initiation of low-fare service to Houston (Hobby) by Southwest; the first full fiscal year of low-fare nonstop service to Philadelphia by Southwest and US Airways' matching fares; and the first full fiscal year of low-fare nonstop service at the Airport by Independence Air (which ceased operations nationwide on January 6, 2006 due to bankruptcy).[4]

[4] When Independence Air initiated low-fare nonstop service to Washington (IAD) from the Airport in late FY 2004, it provided six to eight daily flights. Prior to its ceasing service nationwide in January 2006, it had reduced its activity at the Airport to three daily nonstop flights to Washington. In FY 2005, its first full fiscal year of activity at the Airport, Independence Air enplaned 63,409 passengers at the Airport, which represented only 2.2 percent of passenger activity at the Airport during this period. Due to the low-fare nature of its flights, it is not expected that all of this traffic will be shifted to carriers currently serving this market. However, a relatively high percentage of the traffic should be shifted to these carriers given the high O&D ranking of Washington at the Airport (ranked sixth in FY 2000, prior to Independence Air initiating low-fare nonstop service at the Airport).

2.2.2 Enplaned Passengers by Airline

Services at the Airport have been historically oriented toward the major/national carriers (i.e., passenger air carriers having the majority of its scheduled and/or nonscheduled service using aircraft with more than 90 seats). The majors/nationals' share of total enplanements at the Airport was 77.1 percent in FY 1995. With Southwest's initiation of service at the Airport in FY 1997, however, the majors/nationals' share increased to 88.1 percent and reached a high of 90.5 percent in FY 1998. Similar to trends at airports nationwide following the events of September 11, a shifting of mainline service from majors/nationals to their respective regional affiliates decreased this share to 77.2 percent by FY 2005.

Table 2.4 presents the historical share of enplanements by airline at the Airport between FY 2001 and FY 2005. As shown, enplanements are spread over a number of carriers, with no carrier having more than 33.6 percent of enplanements at the Airport during the years depicted. Southwest and Delta carriers combined accounted for 49.7 percent of enplanements at the Airport in FY 2005. Three other carriers combined accounted for an additional 30.8 percent of enplanements during this same period (US Airways carriers with a 14.9 percent share, Continental carriers with an 8.0 percent share, and American carriers with a 7.9 percent share).

2.3 Historical Air Service

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demands and available services and facilities. This is particularly true for the Airport, as it services primarily O&D passengers.[5] **Table 2.5** presents historical data on the Airport's primary (i.e., top 20) O&D markets. As shown, the Airport primarily served short- to medium-haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) of 846 miles in FY 2000 and 912 miles in FY 2005. The Airport's average stage lengths during these periods reflect the Airport's geographical location and strong local demand for major eastern (i.e., New York, Washington, Philadelphia, and Baltimore), and southern (i.e., Fort Lauderdale, Atlanta, and Nashville) markets.

Although some shifting in rankings occurred between FY 2000 and FY 2005, the primary O&D passenger markets remained relatively the same during these periods. The major differences during these periods include the addition of Norfolk and Pittsburgh and the loss of New Orleans and St. Louis from the top 20 O&D markets. Norfolk increased from an O&D ranking of 26th in FY 2000 to 10th in FY 2005, primarily due to Southwest initiating nonstop service to this market from the Airport in FY 2002. O&D traffic for Philadelphia increased by nearly 100,000 passengers between FY 2000 and FY 2005, primarily due to Southwest initiating nonstop service to this market in FY 2004. The largest increase in O&D traffic between FY 2000 and FY 2005 occurred in the Washington market, with over 132,000 additional passengers. This increase can be attributed to the initiation of low-fare nonstop service to this market by Independence Air in late FY 2004. Atlanta dropped from being the top-ranked O&D market in FY 2000 to being ranked 4th in FY 2005, with its O&D traffic decreasing by nearly 120,000 passengers during these periods. This decrease was primarily due to decreases in O&D passenger traffic to this market by Delta and AirTran following the events of September 11. Delta's O& D passenger traffic between the Airport and Atlanta decreased from approximately 299,460 passengers in FY 2000 to approximately 235,230 in FY 2002, and generally remained at that level through FY 2005. AirTran experienced similar trends during this same period, with its O&D passenger traffic between the Airport and Atlanta decreasing from approximately 102,100 passengers in FY 2000 to approximately 47,780 in FY 2002.

One measure of the relative profitability of O&D markets served is the revenue yield per coupon mile.[6] As also shown in Table 2.5, the revenue yield per coupon mile for 14 of the Airport's top 20 O&D markets exceeded the nationwide average in FY 2005; most notably those for Atlanta ($0.4110), Tampa ($0.4065) and

5 Based on U.S. DOT ticket sample data, O&D passengers accounted for approximately 94 percent of total passengers at the Airport in FY 2005 (see Table 2.5).
6 Average revenue received from each passenger for each mile flown on a particular route.

Table 2.4
Historical Enplaned Passengers by Airline

	FY 2001		FY 2002		FY 2003		FY 2004		FY 2005	
Airline	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share
Delta Carriers	760,977	28.8%	738,075	30.4%	827,329	34.0%	889,424	34.6%	984,857	34.6%
Southwest	453,597	17.1%	519,955	21.4%	501,883	20.6%	524,727	20.4%	559,189	19.6%
US Airways Carriers	592,965	22.4%	389,708	16.1%	333,502	13.7%	344,494	13.4%	424,018	14.9%
Continental Carriers	193,941	7.3%	171,001	7.0%	176,763	7.3%	203,445	7.9%	226,670	8.0%
American Carriers [1]	221,609	8.4%	224,431	9.3%	177,863	7.3%	172,512	6.7%	226,292	7.9%
Northwest Carriers	143,938	5.4%	156,912	6.5%	170,256	7.0%	173,778	6.8%	187,694	6.6%
AirTran Carriers	109,938	4.2%	93,698	3.9%	107,265	4.4%	100,546	3.9%	156,876	5.5%
United Carriers	98,889	3.7%	106,866	4.4%	131,204	5.4%	143,530	5.6%	11,354	0.4%
Other [2]	69,697	2.6%	25,088	1.0%	7,252	0.3%	15,130	0.6%	71,880	2.5%
AIRPORT TOTAL [3]	2,645,551	100.0%	2,425,734	100.0%	2,433,317	100.0%	2,567,586	100.0%	2,848,830	100.0%

[1] Includes data for Trans World Airlines prior to their merger.
[2] Consists of airlines no longer serving the Airport and charter airlines.
[3] Columns may not add to totals shown because of rounding.

Source: Jacksonville Aviation Authority
Prepared by: Ricondo & Associates, Inc.

Table 2.5
Primary O&D Passenger Markets

FY 2000					FY 2005					
Rank	Market	Trip Length [1]	Total O&D Passengers	Yield Per Coupon Mile	Rank	Market	Nonstop Service [2]	Trip Length [1]	Total O&D Passengers	Yield Per Coupon Mile
1	Atlanta	SH	402,030	$0.3349	1	New York	●	MH	414,820	$0.1550
2	New York	MH	363,710	$0.1713	2	Fort Lauderdale	●	SH	291,140	$0.2042
3	Fort Lauderdale	SH	272,490	$0.1744	3	Washington	●	MH	285,310	$0.1569
4	Baltimore	MH	218,140	$0.1325	4	Atlanta	●	SH	283,400	$0.4110
5	Chicago	MH	210,400	$0.1447	5	Philadelphia	●	MH	246,230	$0.1212
6	Washington	MH	153,240	$0.1787	6	Chicago	●	MH	198,980	$0.1417
7	Philadelphia	MH	152,390	$0.1718	7	Baltimore	●	MH	189,310	$0.1345
8	Dallas	MH	140,470	$0.1449	8	Dallas	●	MH	136,550	$0.1597
9	Tampa	SH	114,120	$0.3562	9	Nashville	●	SH	115,730	$0.1754
10	Boston	MH	109,810	$0.0957	10	Norfolk	●	SH	107,740	$0.1404
11	Nashville	SH	103,460	$0.1732	11	Boston	●	MH	104,380	$0.0992
12	Detroit	MH	91,950	$0.1602	12	Las Vegas		MH	97,400	$0.0645
13	Houston	MH	82,520	$0.1615	13	Los Angeles		LH	95,560	$0.0680
14	Los Angeles	LH	81,380	$0.0755	14	Detroit	●	MH	92,040	$0.1555
15	Hartford	MH	76,310	$0.0927	15	Indianapolis	●	MH	86,360	$0.1115
16	New Orleans	SH	75,420	$0.1441	16	Houston	●	MH	86,110	$0.1812
17	Denver	MH	72,240	$0.1053	17	Denver		MH	81,360	$0.0811
18	Indianapolis	MH	66,100	$0.1350	18	Tampa	●	SH	73,900	$0.4065
19	St Louis	MH	64,380	$0.2098	19	Hartford		MH	72,790	$0.0974
20	Las Vegas	LH	60,070	$0.0683	20	Pittsburgh		MH	71,190	$0.1184
	Other O&D Markets		1,920,520			Other O&D Markets			2,199,470	
	O&D Passengers		4,831,150			O&D Passengers			5,329,770	
	Total Passengers		5,214,291			Total Passengers			5,672,690	
	O&D % of Total Passengers		92.7%			O&D % of Total Passengers			94.0%	
Average					Average					
Airport [3]		846		$0.1414	Airport [3]			912		$0.1228
United States		800		$0.1403	United States			862		$0.1131

1 (SH) Short Haul = 0 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles
2 Nonstop markets for March 29, 2006.
3 Average calculated for all of the Airport's O&D markets.

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT
Prepared by: Ricondo & Associates, Inc.

Fort Lauderdale ($0.2042). The revenue yield per coupon mile for Atlanta and Tampa was nearly four times the nationwide average.

As of July 2006, daily nonstop service was provided to 22 cities with a total of 109 daily flights, with 12 daily nonstop flights to New York, the Airport's top O&D market. Fifteen of the Airport's primary O&D markets are provided nonstop service with a total of 86 daily flights. **Table 2.6** presents the Airports nonstop markets as of July 2006, including the markets served, daily flights, and airlines providing nonstop flights.

2.4 Historical Aircraft Operations and Landed Weight

This section presents historical aircraft operations (takeoffs and landings) by major user category at the Airport, as well as historical landed weight by passenger airlines and all-cargo carriers.

2.4.1 Aircraft Operations

Table 2.7 presents historical operations at the Airport by major user category. As shown, total aircraft activity at the Airport decreased from 149,705 operations in FY 2000 to 142,561 operations in FY 2001, primarily due to decreases in general aviation and military activity during this period. As also shown, the effects of September 11 and the economic recession resulted in a 12.1 percent decrease in total operations in FY 2002 from FY 2001 levels, compared to a 1.9 percent decrease nationwide. Total operations at the Airport decreased further from 125,250 in FY 2002 to 120,501 in FY 2003, a 3.8 percent decrease during this period compared to the 3.3 percent decrease nationwide. Between FY 2004 and FY 2005, total aircraft activity at the Airport averaged approximately 123,000 operations.

Specific points concerning trends in operational activity by major user category at the Airport are discussed below:

- **Majors/Nationals -** Major/national activity increased 3.4 percent in FY 2001 from FY 2000 levels, from 53,696 operations to 55,528 operations during this period. Activity by this carrier group then decreased 13.8 percent in FY 2002 from FY 2001 levels, primarily due to the shifting of certain mainline service to regional/commuter partners, including the discontinuation of United's mainline service at the Airport in FY 2001, in response to the effects of September 11 and the economic recession. Operations for this group continued to decrease from 47,844 operations in FY 2002 to 43,790 in FY 2003 due to a continued shifting of activity by these carriers. Between FY 2004 and FY 2005, major/national aircraft activity at the Airport averaged approximately 41,600 operations.
- **Regionals/Commuters -** Regional/commuter activity averaged approximately 18,700 operations between FY 2000 and FY 2001. Activity by this user group increased from 18,164 operations in FY 2001 to 20,146 in FY 2002 (a 10.9 percent increase), and to 22,830 in FY 2003 (a 13.3 percent increase) due to the shifting of mainline service from the majors/nationals to the regionals/commuters during this period. Activity by this user group increased significantly in FY 2004 from FY 2003 levels, from 22,830 operations in FY 2003 to 33,030 operations in FY 2004. This 44.7 percent increase in regional/commuter activity can be attributed to increased activity by Delta Connection carriers Comair and Atlantic Southeast, as well as increased activity by Continental Express carriers ExpressJet and Gulfstream during this period. Regional/commuter activity continued to increase in FY 2005 from FY 2004 levels, from 33,030 operations to 35,170 operations during this period.
- **General Aviation -** In addition to the Airport, Cecil Field, Craig Airport, and Herlong Airport are included in the Jacksonville Airport System, and are designated by the FAA as reliever airports for the Airport. General aviation activity at the Airport decreased from 40,993 operations in FY 2000 to 35,415 operations in FY 2001, a 13.6 percent decrease during this period. This decrease can be attributed to the Authority's acquisition of Cecil Field in FY 1999 and the resultant diversion of certain general aviation activity to this facility from the Airport. General aviation activity decreased from 35,415 operations in FY 2001 to 29,699 in FY 2002 (a 16.1 percent decrease), reflecting the continuing diversion of general aviation activity from the Airport to Cecil Field, as well as the effects

Table 2.6
Nonstop Markets

Market	Daily Nonstop Flights	Number of Airlines	Airline(s)
Atlanta	15	2	AirTran (6), Delta (9)
Baltimore	3	1	Southwest
Birmingham	1	1	Southwest
Boston	2	1	Comair
Charlotte	7	1	US Airways
Chicago	7	3	American Eagle (2), GoJet (4), Skywest (1)
Cincinnati	4	1	Comair
Dallas	4	1	American
Detroit	2	1	Northwest
Fort Lauderdale	6	1	Southwest
Houston	8	3	ExpressJet (5-IAD), Continental (2-IAD), Southwest (1-HOU)
Indianapolis	1	1	Southwest
Memphis	3	1	Pinnacle
Miami	4	1	American Eagle
Minneapolis	1	1	Northwest
Nashville	4	1	Southwest
New York	12	4	Comair (4-LGA), Continental (2-EWR), ExpressJet (3-EWR), JetBlue (3-JFK)
Norfolk	2	1	Southwest
Philadelphia	6	2	US Airways (4), Southwest (2)
St. Louis	3	1	Trans States
Tampa	7	2	Gulfstream (4), Southwest (3)
Washington, D.C.	7	2	Mesa (4-IAD), US Airways (3-DCA)
TOTAL	109		

Source: Official Airline Guide, Inc., July 19, 2006.
Prepared by: Ricondo & Associates, Inc.

Table 2.7

Historical Aircraft Operations

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Airline Total	General Aviation	All Cargo [1]	Other Air Taxi	Military	Total
2000	53,696	19,268	72,964	40,993	5,646	12,489	17,613	149,705
2001	55,528	18,164	73,692	35,415	5,856	12,139	15,459	142,561
2002	47,844	20,146	67,990	29,699	4,512	9,658	13,391	125,250
2003	43,790	22,830	66,620	27,965	3,726	9,525	12,665	120,501
2004	40,606	33,030	73,636	24,369	3,900	8,912	12,583	123,400
2005	42,596	35,170	77,766	21,293	4,100	10,121	9,180	122,460
Compounded Annual Growth Rate								
2000 - 2005	-4.5%	12.8%	1.3%	-12.3%	-6.2%	-4.1%	-12.2%	-3.9%

[1] FY 2004 and FY 2005 all-cargo operations were estimated based on seven months and nine months of actual data, respectively.

Sources: Jacksonville Aviation Authority
Official Airline Guide

Prepared by: Ricondo & Associates, Inc.

of September 11 and the economic recession. General aviation operations continued to decrease each year through FY 2005, reflecting the continued shifting to Cecil Field, as well as effects of September 11 and the economic recession during the FY 2003/early FY 2004 period. According to Authority records, total activity at Cecil Field increased from 51,919 operations in FY 2000 (the first full fiscal year of operations under Authority control) to 84,808 in FY 2005 (a compounded annual growth rate of 10.3 percent during this period).

- **All Cargo -** All cargo activity at the Airport was relatively stable between FY 2000 and FY 2001, averaging approximately 5,700 operations during this period. All-cargo operations decreased 23.0 percent in FY 2002 from FY 2001 levels due to the effects of September 11 and the economic recession. All-cargo operations continued to decrease in FY 2003 from FY 2002 levels due to these factors; however, a recovery resulted in all-cargo activity averaging approximately 4,000 operations at the Airport in FY 2004 and FY 2005.[7]
- **Other Air Taxi -** Other air taxi activity (for-hire charters, fixed base operators, etc.) averaged approximately 12,300 annual operations between FY 2000 and FY 2001. Operations for this carrier group decreased 20.4 percent in FY 2002 from FY 2001 levels, and remained relatively constant through FY 2005, averaging approximately 9,100 operations during this period.
- **Military -** The Airport is a base for a unit of the Florida Air National Guard. Although military operations decreased each year between FY 2000 and FY 2005, military activity seemed to stabilize between FY 2003 and FY 2004 at approximately 12,600 operations; however, military activity at the Airport decreased from 12,583 operations in FY 2004 to 9,180 operations in FY 2005.

2.4.2 Landed Weight by Airline

Table 2.8 presents the historical share of landed weight by passenger airlines and all-cargo carriers at the Airport between FY 2001 and FY 2005. As shown, Delta carriers and Southwest, currently the largest passenger carriers in terms of enplaned passengers, also are estimated to have the highest shares of landed weight at the Airport with a combined share of 52.4 percent in FY 2005. Four other carriers combined are estimated to account for an additional 30.8 percent of landed weight during this same period (US Airways carriers with a 12.7 percent share, American carriers with a 6.2 percent share, Continental carriers with a 6.1 percent share, and Northwest carriers with a 5.8 percent share). All-cargo carriers accounted for 10.1 percent of total landed weight at the Airport in FY 2005.

2.5 Factors Affecting Aviation Demand

The projections included herein were prepared on the basis of measurable factors (e.g., socioeconomic variables) that determine aviation activity at the Airport. This section discusses qualitative factors that could influence future aviation activity at the Airport.

2.5.1 National Economy

Air travel demand is directly correlated to income. As consumer income and business profits increase, so does air travel. Economic indicators in the nation prior to September 11 were beginning to show signs of a recession. In November 2001, the National Bureau of Economic Research officially announced that in March 2001 the U.S. economy had entered its 10th recession since the end of World War II. The loss of household wealth dampened consumer confidence and significantly reduced consumer spending. According to the Bush Administration's Council of Economic Advisers (Council), business investment slowed sharply in late 2000 and remained soft for more than 2 years. Also according to the Council, the U.S. economy lost over 900,000 jobs from December 2000 to September 2001, and then lost almost another 900,000 jobs in the three months

7 FY 2004 and FY 2005 all-cargo operations were estimated based on seven months and nine months of actual data, respectively.

Table 2.8
Historical Landed Weight by Airline [1]
(Weight in 1,000 Pound Units)

Airline	FY 2001 Landed Weight	FY 2001 Share	FY 2002 Landed Weight	FY 2002 Share	FY 2003 Landed Weight	FY 2003 Share	FY 2004 Landed Weight	FY 2004 Share	FY 2005 Landed Weight	FY 2005 Share
Delta Carriers	1,187,497	27.2%	1,179,087	28.8%	1,178,674	30.2%	1,260,649	32.0%	1,366,654	32.2%
Southwest	790,317	18.1%	893,413	21.8%	836,967	21.5%	816,057	20.7%	855,204	20.2%
US Airways Carriers	844,024	19.3%	566,895	13.8%	469,227	12.0%	438,156	11.1%	538,807	12.7%
American Carriers [1]	307,535	7.0%	345,682	8.4%	278,921	7.2%	220,352	5.6%	262,483	6.2%
Continental Carriers	256,874	5.9%	227,414	5.6%	238,519	6.1%	256,146	6.5%	259,145	6.1%
Northwest Carriers	185,105	4.2%	207,257	5.1%	239,394	6.1%	228,960	5.8%	245,435	5.8%
AirTran Carriers	143,990	3.3%	141,404	3.5%	157,367	4.0%	131,454	3.3%	171,184	4.0%
United Carriers	126,367	2.9%	134,091	3.3%	151,573	3.9%	168,719	4.3%	12,241	0.3%
All Cargo Carriers	440,808	10.1%	361,880	8.8%	348,951	8.9%	403,159	10.2%	429,136	10.1%
Other [2]	82,870	1.9%	40,090	1.0%	0	0.0%	17,347	0.4%	98,069	2.3%
AIRPORT TOTAL [3]	4,365,387	100.0%	4,097,213	100.0%	3,899,593	100.0%	3,940,999	100.0%	4,238,358	100.0%

[1] Includes data for Trans World Airlines prior to their merger.
[2] Consists of airlines no longer serving the Airport and charter airlines.
[3] Columns may not add to totals shown because of rounding.

Source: Jacksonville Aviation Authority
Prepared by: Ricondo & Associates, Inc.

following September 11.[8] The effects of September 11 accelerated the downturn in consumer spending on consumer goods and services, including spending on air travel.

According to the Council, economic conditions improved substantially in 2003 due to faster growth in household consumption, significant gains in residential investment, and strong growth in investment in equipment and software by businesses. Payroll employment experienced its low in July 2003 and began to show net gains in the latter part of the year.[9] Also according to the Council, the recovery of the national economy became a full-fledged expansion in 2004, with strong output growth and steady improvement in the labor market. In 2004, the economy (real gross domestic product) expanded 4.4 percent for the year as a whole compared to 2003 levels; and payroll employment increased by 2.2 million jobs (the largest annual gain since 1999). Such continued growth indicated to the Council that the economy has shifted from a policy-supported recovery to a self-sustaining healthy expansion.[10] This expansion of the U.S. economy continued in 2005, with the economy increasing 3.5 percent for the year compared to 2004 levels, and payroll employment increasing by 2.0 million employees.[11] The expected strong growth in the economy, considered recovered from the effects of September 11 and the economic slowdown, is a factor included in the assumptions underlying the projections included herein.

2.5.2 State of the Airline Industry

Overall

The U.S. aviation industry has been significantly affected by a number of events that occurred earlier this decade (e.g., September 11, the economic slowdown, the outbreak of SARS in Asia and Canada, and the Middle East conflicts). These events contributed to substantial financial losses for the aviation industry between 2001 and 2005. At this time, escalating fuel prices and lowered fares continue to prevent U.S. legacy carriers from being profitable on an annual basis.

Since the events of September 11 and the nationwide economic slowdown, numerous U.S. passenger airlines filed for bankruptcy court protection:

- US Airways filed for bankruptcy court protection under Chapter 11 on August 11, 2002. US Airways and seven subsidiaries subsequently emerged from Chapter 11 on March 31, 2003. US Airways again filed for Chapter 11 bankruptcy court protection on September 12, 2004. On May 19, 2005, US Airways and America West announced a merger agreement, which was subject to approval by the U.S. Bankruptcy Court overseeing US Airways' pending Chapter 11 case and transaction closing. On September 16, 2005, US Airways received final approval from the U.S. Bankruptcy Court to exit bankruptcy court protection and merge with America West. On September 27, 2005, US Airways completed its merger with America West.
- United filed for bankruptcy court protection under Chapter 11 on December 9, 2002. United emerged from Chapter 11 on February 1, 2006.
- Hawaiian filed for bankruptcy court protection under Chapter 11 on March 21, 2003. Hawaiian emerged from Chapter 11 on June 1, 2005.
- Midway was placed into Chapter 7 liquidation by a U.S. bankruptcy court judge on November 30, 2003.
- ATA filed for bankruptcy court protection under Chapter 11 on October 26, 2004. On December 21, 2004, the U.S. Bankruptcy Court granted approval for Southwest to acquire lease rights to six gates and a maintenance hangar at Midway for $40 million, to provide $47 million in financing, and to

[8] *Economic Report of the President*, February 2005.
[9] *Economic Report of the President*, February 2004.
[10] *Economic Report of the President*, February 2005.
[11] *Economic Report of the President,* February 2006.

make an investment of $30 million in ATA once it emerges from Chapter 11. The agreement created the first significant code-share arrangement for both airlines, which became effective on February 4, 2005. ATA emerged from Chapter 11 on February 28, 2006.

- Aloha filed for bankruptcy court protection under Chapter 11 on December 30, 2004. Aloha emerged from Chapter 11 on February 17, 2006.
- Delta filed for bankruptcy court protection under Chapter 11 on September 14, 2005.
- Northwest filed for bankruptcy court protection under Chapter 11 on September 14, 2005.
- Mesaba filed for bankruptcy court protection under Chapter 11 on October 13, 2005.
- Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005; and ceased operations nationwide on January 6, 2006.

According to the FAA, aviation activity nationwide was already in a weakened state even before the events of September 11 and headed toward one of its worst years in over a decade. Also according to the FAA, passenger demand began to decline in February 2001 and air carrier finances turned negative in the first quarter of CY 2001, primarily due to declining high-yield business traffic and rapidly escalating labor costs. In response to weak demand following September 11, airlines were forced to reduce fares to stimulate demand, creating a further reduction in airline revenues. According to the Air Transport Association, the financial condition of the U.S. airline industry remains poor and has a long way to go before it can be declared healthy. This organization reported that in 2005 the industry added $5.6 billion to the $29.3 billion in losses incurred between 2001 and 2004 (excluding extraordinary restructuring charges and gains during this five-year period); however, those losses are expected to be approximately $2 billion in 2006, which could transition the aviation industry into profitability in 2007. The airlines have responded to the changing nature of the industry by furloughing employees, negotiating significant wage reductions, deferring aircraft deliveries, streamlining operations, and improving productivity. However, high fuel prices coupled with intense fare competition, as well as massive debt and large unfunded pension obligations, will make the industry's financial recovery difficult in the short term.

The way airlines do business has dramatically changed over the last four years. Faced with the growth of low-cost airlines and evolving business technology, U.S. legacy airlines have been forced to change business practices. Carriers that once structured their services around the business traveler during the economic boom in the 1990s found that more and more businesses were either switching to low-cost carriers or significantly reducing or eliminating business travel. U.S. legacy carriers were therefore forced to reduce, eliminate, or switch service to smaller regional jets on unprofitable routes, reduce work force and implement pay cuts, and reduce fares in order to compete with low-cost carriers.

A major tangible change in the airline industry has been the significantly increased use of smaller, regional jets. According to the U.S. DOT, scheduled flights on regional jets increased from 91,960 departures in July 2000 to 294,698 in July 2005, a compounded annual growth rate of 26.2 percent during this period. As the U.S. airline industry continues to recover from the effects of September 11 and other factors cited earlier, other trends that have emerged include (1) more widespread use of simplified fare structures, (2) the growth of competition by low-cost carriers in long haul markets, (3) increased efficiency and productivity, and (4) declining real fares.

Most industries have one or more of three inherent structural weaknesses: labor intensive, capital intensive, and/or vulnerability to cost and supply of a key commodity (e.g., aviation fuel). Airlines have all three weaknesses. As indicated above, four of the six U.S. legacy carriers have undergone or are currently undergoing reorganization under Chapter 11 since the events of September 11. Chapter 11 protection enables these carriers the ability to pursue cuts in wages, as well as pension and health benefits for workers and retirees. American and Continental are the two U.S. legacy carriers that have not filed for bankruptcy protection since the events of September 11, which may or may not become an issue during the projection period.

2.5.3 Factors Directly Affecting the Airline Industry

Cost of Aviation Fuel

According to the Air Transport Association, the high price of fuel is preventing the U.S. airline industry from being profitable. As industry fundamentals go, the price of fuel is the most significant force affecting the industry today.[12] With the price of fuel today, compared to the price of fuel in 2000, the airlines are struggling to make a profit. The average price of jet fuel was $0.81 per gallon in 2000 compared to $1.66 in 2005. According to the Air Transport Association, every one-cent increase in the price per gallon increases annual airline operating expenses approximately $199 million.

Also according to the Air Transport Association, the airline industry paid approximately $10.4 billion more for fuel in 2005 than in 2004. The price of jet fuel has forced some airlines to find ways of becoming more fuel efficient, and some airlines have found ways to save millions of dollars by taking many steps including using newer, more fuel-efficient airplanes, using only a single engine for taxi, lowering cruise speeds, onboard weight reduction, more direct routes, and other measures. In the initial years following the events of September 11 and the nationwide economic slowdown, some U.S. airlines attempted to pass the higher fuel costs on to consumers by increasing the fuel surcharge; however, some of these attempts were unsuccessful as many airlines, particularly low-cost carriers, refused to match the increase in a number of instances. With the significant increases in fuel prices in recent months, airlines are more consistently matching fuel surcharges by other airlines.

Industrywide, airlines still spend more on labor than fuel; however, the gap is narrowing as fuel has increased to more than $2.00 per gallon in recent months and airlines have aggressively cut or restrained labor costs. According to the Air Transport Association, labor accounted for 31 percent of industry expenditures while fuel accounted for 17 percent in 2004. In 2003, these percentages were 36 percent and 13 percent, respectively. AirTran, America West, JetBlue, and US Airways reported paying more for fuel than for labor during the second quarter of 2005.

Airlines have hedged fuel prices through the purchase of oil futures contracts; however, the amount of hedged fuel cost has varied tremendously by airline and is limited by an individual airline's financial condition. The substantial increase in fuel prices has had a significant impact on profitability and future increases or sustained higher prices could affect airfares and airline service.

Airport Security

With enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created, which established different and improved security processes and procedures. 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 approximately $700 million, estimated to be the cost of providing such services prior to the events of September 11, and imposes a passenger fee of $2.50 for each flight segment, not to exceed $5.00 per one-way trip.

In November 2002, Congress enacted the Homeland Security Act, which created the Department of Homeland Security (DHS) to accomplish several primary goals: (1) prevent terrorist attacks within the United States, (2) reduce the nation's vulnerability to terrorism, (3) minimize the damage of and assist in the recovery from terrorist attacks that do occur, (4) and monitor connections between illegal drug trafficking and terrorism and coordinate efforts to sever such connections. The TSA is now a part of the DHS.

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12 *Statement for the Record before the Committee on Commerce, Science & Transportation Subcommittee on Aviation, United States Senate, Hearing on Airline Financial Stability*, Air Transport Association, July 13, 2005.

The Homeland Security Act extended the federal government's guarantee of war-risk insurance to airlines through at least August 31, 2006 and, at DHS's option, through December 31, 2006. 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 U.S. DOT for its third-party policy as of June 19, 2002. The Homeland Security Act also 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.

Threat of Terrorism

As has been the case since September 11, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Tighter security measures have restored the public's confidence in the integrity of U.S. and world aviation security systems. Any terrorist incident aimed at aviation would have an immediate and significant impact on the demand for aviation services.

Impact of the Airline Industry on the Airport

Continued increases to the cost of aviation fuel and/or an aviation-related terrorist incident during the projection period would negatively impact activity at the Airport. Higher fuel prices may delay or seriously hinder Delta's and Northwest's plans for emerging from bankruptcy court protection; and may hasten the need for other carriers serving the Airport to seek bankruptcy court protection. An aviation-related terrorist incident would further erode the health of the aviation industry and require the airlines to refine their business plans further to remain viable, which certain airlines may not be able to implement to survive. The strong and diverse economic base of the Air Trade Area, however, would insulate the Airport from a portion of the impact of one or both of these factors occurring during the projection period. In addition, the large number of airlines serving the Airport would mitigate the impact of losing service from those airlines not surviving another challenge to the aviation business model.

2.6 Projections of Aviation Demand

Projections of aviation demand were analyzed on the basis of local socioeconomic and demographic factors, the Airport's historical shares of U.S. enplanements, and anticipated trends in air carrier usage of the Airport.

In particular to the market share and socioeconomic regression methodologies for projecting enplanements at the Airport:

- **Market Share Approach -** In this methodology, judgments are made as to how and to what extent the Airport's rate of growth in domestic enplanements will differ from that projected for the nation by the FAA. On a macro scale, the U.S. projection provides a growth base reflecting how industry traffic in general is anticipated to grow in the future. The growth rate used for the Airport can be reflected as an increase or decrease in its future share of the market.
- **Socioeconomic Regression Approach -** Statistical linear regression modeling is used in this methodology, with local socioeconomic factors as the independent variable and enplaned passengers as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, and employment. Of interest in the analyses, among other factors, was how well each socioeconomic variable explained the annual variations in enplaned passengers at the Airport (i.e., the model's correlation coefficient).

The resultant projections are based on a number of underlying assumptions, including:

- Activity at the Airport has recovered from the events of September 11 and the economic recession. As a result, long-term activity at the Airport will increase as a result of expected growth in population and continued strong economic conditions in the Air Trade Area.

- The Airport will continue its role of serving primarily O&D passengers and providing nonstop service to a number of its major markets. In addition, the Airport will continue to serve primarily short and medium-haul markets.
- Low-fare service will continue to be a viable component of air service at the Airport, providing a niche of air travel demand that will continue during the projection period.
- Continued high fuel prices in the short term will likely have an adverse impact on airline profitability, as well as hamper the recovery plans and cost-cutting efforts of certain airlines. Higher fuel prices may cause changes in air service at the Airport; however, the passenger demand for its major O&D markets will continue to be served during the projection period.
- Airline consolidation/mergers that may occur during the projection period are not likely to negatively impact passenger activity levels at the Airport due to its high percentage of O&D passengers. New airline alliances, should they develop, will be restricted to code sharing and joint frequent flyer programs, and will not reduce airline competition at the Airport.
- Individual airline bankruptcies or liquidations may occur during the projection period; however, they will not adversely impact passenger activity levels projected herein. It is assumed that other carriers will fill the demand left by the specific bankrupt or liquidated carrier.
- For these analyses, and similar to the FAA's nationwide projections, it is assumed that there will not be terrorist incidents against either domestic or world aviation during the projection period.
- Economic disturbances will occur during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.

Many of the factors influencing aviation demand cannot necessarily or readily be quantified; and any projection is subject to uncertainties. As a result, the projection process should not be viewed as precise. Actual future traffic levels at the Airport may differ from projections presented herein because events and circumstances do not occur as expected, and these differences may be material.

2.6.1 Enplanement Projections

Table 2.9 presents historical and projected enplanements for the Airport's majors/nationals and regional/commuters. As shown, total passenger enplanements are projected to increase from 2.8 million in FY 2005 to 3.8 million in FY 2015. This increase represents a compounded annual growth rate of 2.8 percent during this period, compared to the 3.0 percent growth projected nationwide by the FAA. As also shown, major/national and regional/commuter enplanements are expected to increase at a compounded annual growth rate of 2.5 and 3.7 percent, respectively, between FY 2005 and FY 2015. It is anticipated that a continued shifting of services at the Airport from majors/nationals to regionals/commuters will occur; however, at lower rates during the long-term outlook. As a result, the share of regional/commuter enplanements at the Airport is expected to increase from 22.8 percent in FY 2005 to 25.0 percent in FY 2015.

2.6.2 Operations Projections

Table 2.10 presents historical and projected aircraft operations for passenger airline, general aviation, all-cargo carrier, other air taxi, and military activity. As shown, total aircraft activity at the Airport is projected to increase from 122,460 operations in FY 2005 to 139,200 in FY 2015. This increase represents a compounded annual growth rate of 1.3 percent during this period, compared to the 2.0 percent growth projected for the nation by the FAA.

Passenger airline activity at the Airport is projected to increase from 77,766 operations in FY 2005 to 96,000 in FY 2015. This increase represents a compounded annual growth rate of 2.1 percent during this period, compared to 2.7 percent projected nationwide for air carriers and air taxis combined by the FAA. In general, the passenger airline projections were developed based on historical relationships between enplaned passengers, load factors, and average seating capacities of aircraft utilized at the Airport. Specifically, average seats for the majors/nationals are projected to increase from approximately 140 seats in FY 2005 to

Table 2.9
Enplanement Projections

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Total	Regional/ Commuter Share of Total
Historical				
1995	1,393,900	415,036	1,808,936	22.9%
1996	1,458,579	380,356	1,838,935	20.7%
1997	1,823,485	246,245	2,069,730	11.9%
1998	2,062,885	217,502	2,280,387	9.5%
1999	2,199,411	237,758	2,437,169	9.8%
2000	2,328,206	274,962	2,603,168	10.6%
2001	2,378,720	266,831	2,645,551	10.1%
2002	2,140,283	285,451	2,425,734	11.8%
2003	2,041,968	391,349	2,433,317	16.1%
2004	1,985,537	582,049	2,567,586	22.7%
2005	2,199,116	649,714	2,848,830	22.8%
Projected				
2006	2,222,300	664,500	2,886,800	23.0%
2007	2,286,700	700,200	2,986,900	23.4%
2008	2,343,500	724,200	3,067,700	23.6%
2009	2,401,900	753,000	3,154,900	23.9%
2010	2,464,000	782,400	3,246,400	24.1%
2011	2,528,000	812,400	3,340,400	24.3%
2012	2,595,600	842,800	3,438,400	24.5%
2013	2,665,500	874,100	3,539,600	24.7%
2014	2,739,900	906,000	3,645,900	24.8%
2015	2,816,200	938,700	3,754,900	25.0%
Compounded Annual Growth Rate				
1995 - 2001	9.3%	-7.1%	6.5%	
2001 - 2005	-1.9%	24.9%	1.9%	
2005 - 2015	2.5%	3.7%	2.8%	

Sources: Jacksonville Aviation Authority (historical)
Ricondo & Associates, Inc. (projected)
Prepared by: Ricondo & Associates, Inc.

Table 2.10
Operations Projections

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Airline Total	General Aviation	All Cargo [1]	Other Air Taxi	Military	Total
Historical								
2000	53,696	19,268	72,964	40,993	5,646	12,489	17,613	149,705
2001	55,528	18,164	73,692	35,415	5,856	12,139	15,459	142,561
2002	47,844	20,146	67,990	29,699	4,512	9,658	13,391	125,250
2003	43,790	22,830	66,620	27,965	3,726	9,525	12,665	120,501
2004	40,606	33,030	73,636	24,369	3,900	8,912	12,583	123,400
2005	42,596	35,170	77,766	21,293	4,100	10,121	9,180	122,460
Projected								
2006	43,800	35,600	79,400	18,000	4,100	9,600	9,200	120,300
2007	44,600	37,200	81,800	18,300	4,200	9,600	9,200	123,100
2008	45,000	38,000	83,000	18,300	4,300	9,600	9,200	124,400
2009	45,600	39,200	84,800	18,400	4,400	9,600	9,200	126,400
2010	46,200	40,400	86,600	18,600	4,500	9,600	9,200	128,500
2011	46,800	41,400	88,200	18,800	4,600	9,600	9,200	130,400
2012	47,600	42,600	90,200	19,000	4,700	9,600	9,200	132,700
2013	48,200	43,800	92,000	19,100	4,800	9,600	9,200	134,700
2014	49,000	45,000	94,000	19,300	4,900	9,600	9,200	137,000
2015	49,800	46,200	96,000	19,400	5,000	9,600	9,200	139,200
Compounded Annual Growth Rate								
2000 - 2005	-4.5%	12.8%	1.3%	-12.3%	-6.2%	-4.1%	-12.2%	-3.9%
2005 - 2015	1.6%	2.8%	2.1%	-0.9%	2.0%	-0.5%	0.0%	1.3%

[1] FY 2004 and FY 2005 all-cargo operations were estimated based on seven months and nine months of actual data, respectively.

Sources: Jacksonville Aviation Authority (historical)
Ricondo & Associates, Inc. (projected)
Prepared by: Ricondo & Associates, Inc.

approximately 144 seats in FY 2015, while percentage load factors range between mid to high 70s during this period. Average seats for the regionals/commuters are projected to increase from approximately 50 seats in FY 2005 to approximately 55 seats in FY 2015, while percentage load factors stay relatively stable in the mid-70s. It is expected that some shifting from the 50-seat regional jet to the 70/90-seat regional jet will occur during the projection period.

Based on 10 months of actual data, it is expected that general aviation activity at the Airport will continue to decrease in FY 2006 from FY 2005 levels, from 21,293 operations to 18,000 operations during this period. General aviation activity thereafter is expected to increase moderately at a compounded annual growth rate of 0.8 percent, compared to 2.9 percent projected nationwide by the FAA. It is anticipated that Craig Airport, Herlong Airport, and Cecil Field will continue to accommodate the majority of general aviation activity for the Jacksonville Airport System, continuing in their role as reliever facilities for the Airport.

All-cargo activity at the Airport is expected to increase from an estimated 4,100 operations in FY 2005 to 5,000 in FY 2015. This increase represents a compounded annual growth rate of 2.0 percent during this period, compared to the 2.3 percent compounded annual growth rate projected for air carriers nationwide by the FAA.

Activity by other air taxi operators at the Airport is projected to remain constant at 9,600 operations each year during the projection period, comparable to its average activity level between FY 2002 and FY 2005.

Future military activity at the Airport will be influenced by U.S. Department of Defense policy, which largely dictates the level of military activity at an airport. As shown, military activity is projected to remain constant at its FY 2005 level of approximately 9,200 operations each year during the projection period.

2.6.3 Airline Landed Weight Projections

Table 2.11 presents historical and projected airline and all-cargo carrier landed weight at the Airport. As shown, passenger airline landed weight is projected to increase from 3,809,222 thousand pounds in FY 2005 to 4,805,123 thousand pounds in FY 2015 (a compounded annual growth rate of 2.3 percent during this period). As also shown, all-cargo landed weight is projected to increase from 429,136 thousand pounds in FY 2005 to 549,563 thousand pounds in FY 2015 (a compounded annual growth rate of 2.5 percent during this period). In general, the increases in landed weight are expected as a result of anticipated use of larger aircraft and/or increased operations at the Airport during the projection period.

Table 2.11
Landed Weight Projections
(Weight in Thousand Pounds)

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Airline Total	All Cargo	Airport Total
Historical					
2000	3,467,241	323,777	3,791,018	447,779	4,238,797
2001	3,615,386	309,193	3,924,579	440,808	4,365,387
2002	3,336,375	398,958	3,735,333	361,880	4,097,213
2003	3,061,892	488,750	3,550,642	348,951	3,899,593
2004	2,838,726	699,114	3,537,840	403,159	3,940,999
2005	3,034,093	775,129	3,809,222	429,136	4,238,358
Projected					
2006	3,041,056	806,519	3,847,575	431,282	4,278,857
2007	3,116,149	852,105	3,968,254	443,957	4,412,211
2008	3,163,820	879,969	4,043,789	456,747	4,500,536
2009	3,225,991	917,597	4,143,588	469,653	4,613,241
2010	3,288,689	955,827	4,244,516	482,675	4,727,191
2011	3,351,912	989,878	4,341,790	495,815	4,837,605
2012	3,430,073	1,029,264	4,459,337	509,072	4,968,409
2013	3,494,436	1,069,252	4,563,687	522,449	5,086,136
2014	3,541,153	1,109,842	4,650,994	535,946	5,186,940
2015	3,654,089	1,151,034	4,805,123	549,563	5,354,686
Compounded Annual Growth Rate					
2000 - 2005	-2.6%	19.1%	0.1%	-0.8%	0.0%
2005 - 2015	1.9%	4.0%	2.3%	2.5%	2.4%

Sources: Jacksonville Aviation Authority (historical)
Ricondo & Associates, Inc. (projected)
Prepared by: Ricondo & Associates, Inc.

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The 2006 Project

This chapter presents a review of the existing Airport facilities, discusses the need for the 2006 Project and summarizes the 2006 Project at the Airport that is intended to be partially funded from the proceeds of the Series 2006 Bonds. All funding sources for the 2006 Project are discussed in the next chapter of this report.

3.1 Existing Airport Facilities

Jacksonville International Airport

The Airport is a modern and growing medium hub airport serving Northeast Florida and Southeast Georgia. The 7,800-acre Airport is located in the northern portion of the City, approximately 18 miles north of the City's downtown area, and is situated west of Interstate 95 and north of Interstate 295. It is served directly by Interstate 95 and Airport Road, a principal arterial route that links the Interstate and the Airport facilities. The Airport is also served indirectly by Interstate 295 via Duval Road, Biscayne Road and Pecan Park Road; and via Lem Turner Road, Terrell Road and Pecan Park Road.

- **Airfield Facilities -** The airfield facilities at the Airport (the "Airfield") consist of two precision instrument runways, 13/31 and 7/25, together with associated taxiways, aircraft parking aprons and an air traffic control tower. Runway 13/31 is 7,700 feet long and runway 7/25, the primary runway, is 10,000 feet long. In addition, the Airfield has eight 75-foot wide and two 50-foot wide taxiways and 200,000 square yards of apron space.
- **Terminal Facilities -** The passenger terminal (the "Terminal") is an approximately 618,000 square foot facility. The Terminal consists of a 210,000 square foot landside baggage and ticketing area; an 81,300 square foot central concourse that houses the various concessions and the central passenger screening facility; and three airside concourses that provide 22 full service loading bridge gates, one international/charter loading bridge gate, one regional jet loading bridge gate and eight ground loaded gates. All three of the concourses and associated gate areas are over 40 years old and have outlived their useful lives. Nineteen of the aircraft gates are leased for exclusive use pursuant to Airline Agreements with Signatory Airlines. Three of the gates are leased to non-signatory airlines. The remaining ten gates are controlled by the Authority and are leased on an as-needed basis. Of these ten gates, five are ramp-loaded only gates. One is served by the regional jet loading bridge, and one is reserved for charter and international flights leaving three full-service gates for additional carrier uses. One of these three gates will be leased by JetBlue which initiated service from the Airport to John F. Kennedy International Airport in New York in June 2006. During construction of the Series 2006 Project, all of the available gate space at the Airport will be in use.

  The Terminal has a commuter airline facility which houses four of the ground loaded gates and the regional jet bridge gate discussed above. The facility is located at the end of Concourse B. This area is normally used as overflow and for overnight parking due to the age of the facility and the walking distance from the main terminal area. During construction of the Series 2006 Project, this area will be extensively used to provide aircraft loading for relocated passengers.

  There is a Federal Inspection Services Facility at the end of Concourse C with a 21,500 square foot passenger processing facility on the ground level of the concourse and a 19,000 square foot upper level gate area on the second level. The second level holdroom area is controlled by the Authority and can be used for domestic operations from the charter/international jet bridge on Concourse C. Ground access to the Terminal is by a one-way five-lane roadway system that separates arriving and departing passengers at the Terminal. Passengers depart the Airport using the lower level roadway.

In 2003, the Authority relocated three separate security checkpoints from concourses A, B, and C of the Terminal to a centralized location in the West Courtyard area of the Terminal. This project included the design and construction of necessary security space, public circulation and concession space to support the centralized security checkpoint. This project resulted in more efficient use of Terminal space that allows for processing for peak hour passenger demands and reduced passenger dwell times; reduced personnel costs and security equipment redundancy at the security checkpoints; expanded public circulation and concession space to permit non-ticketed meters and greeters to utilize the concession areas at the Airport; and expanded the perimeter of the existing West Courtyard for less disruptive future Terminal development.

- **Other Airport Facilities -** General aviation services are provided from a 35-acre site northeast of the Terminal that includes a new 2,500 square foot general aviation ("GA") terminal, seven large open bay hangars and 12,200 square yards of tie-down apron. In 2005, a second fixed-base operator ("FBO") started operations from another new GA terminal and two new large open bay hangars. Cargo operations are located to the south of the Terminal and currently operate from four existing air cargo buildings totaling approximately 225,000 square feet. There are also three air cargo ramps providing a total of approximately 86,600 square yards of full strength pavement. The Airport also has a 34,000 square foot aircraft maintenance facility, a regional airmail facility and a 58-acre rental car service facility. The Authority owns a 200-room, 153,000 square foot hotel, currently operated as a Clarion franchise.
- **Airport Parking -** JIA has a total of six parking facilities which represent approximately 9,200 on-airport parking spaces. The following table presents each facility:

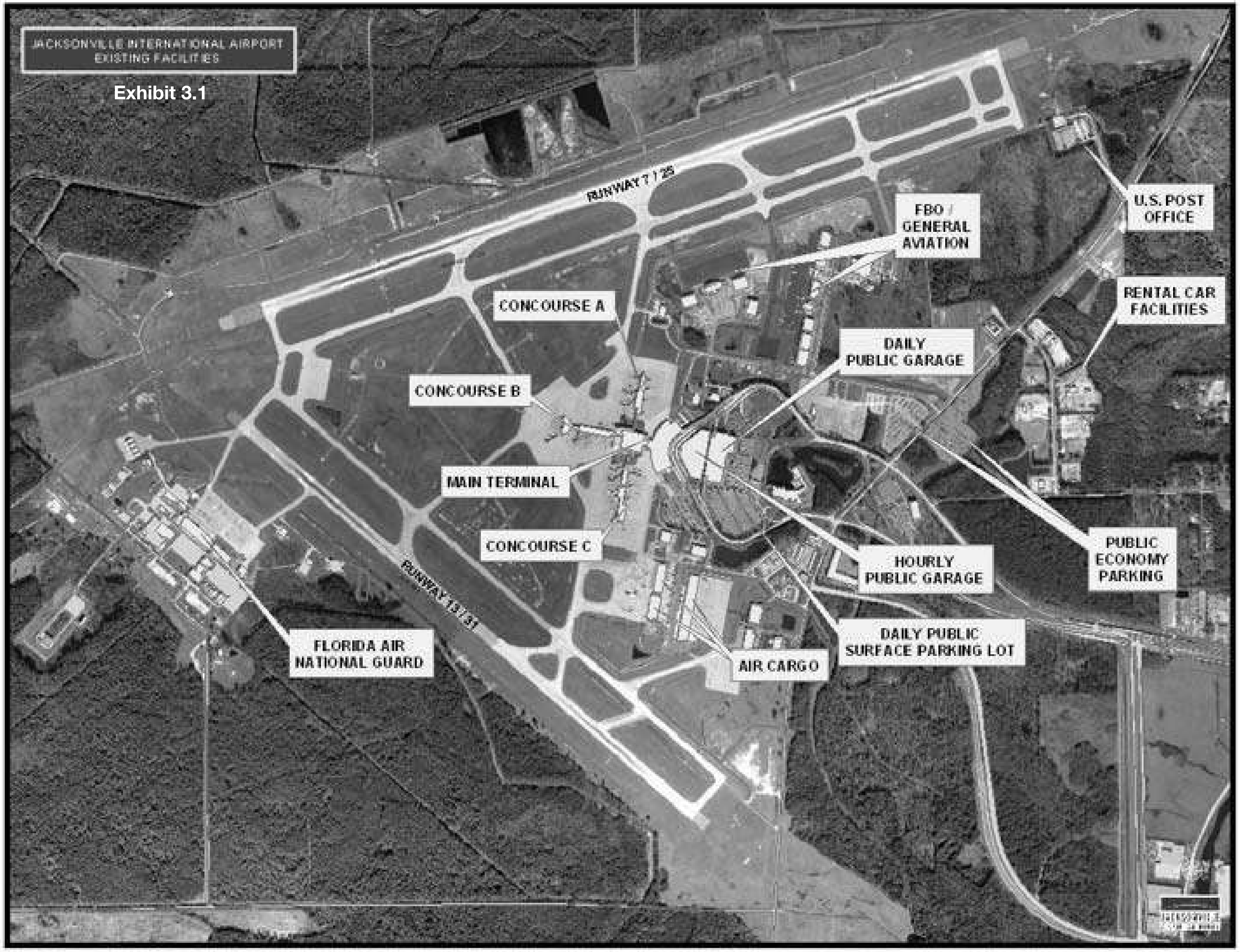
Type of Facility	Number of Spaces	Maximum Daily Rate
Short-Term Hourly Garage	820	$14
Daily Parking Garage	1947	$11
Daily Surface Lot	1963	$8
<u>Long Term Economy Lots:</u>		
Economy Lot 1	2000	$4
Economy Lot 2	1270	$4
Economy Lot 3	1200	$4
TOTAL	9200	

The two garages are located adjacent to the Terminal and are connected by a moving sidewalk to make walking from the garages to the Terminal easier. The daily surface lot is located directly behind the daily garage and may be accessed by 24-hour shuttle bus service to and from the Terminal, every 8 minutes. The three economy parking lots are located north of Pecan Park Road and may be accessed by 24-hour shuttle bus service to and from the Terminal, every 10 minutes.

Exhibit 3.1 presents an aerial photograph of the existing facilities at the Airport.

Other Airports

In addition to the Airport, the Authority also owns and operates three general aviation facilities, Craig Airport, Herlong Airport and Cecil Field.


JACKSONVILLE INTERNATIONAL AIRPORT
EXISTING FACILITIES
Exhibit 3.1
RUNWAY 7 / 25
FBO / GENERAL AVIATION
U.S. POST OFFICE
RENTAL CAR FACILITIES
CONCOURSE A
DAILY PUBLIC GARAGE
CONCOURSE B
MAIN TERMINAL
CONCOURSE C
HOURLY PUBLIC GARAGE
PUBLIC ECONOMY PARKING
RUNWAY 13 / 31
DAILY PUBLIC SURFACE PARKING LOT
FLORIDA AIR NATIONAL GUARD
AIR CARGO

- **Craig Airport & Herlong Airport -** Though both Craig Airport and Herlong Airport provide full service for general aviation operations, passengers and cargo are accommodated only by charter. Both airports occupy approximately 1,400 acres of land. Craig has two 4,000-foot runways and Herlong has a 3,500-foot and a 4,000-foot runway. Craig is located approximately nine miles east of the City's downtown area and has an air traffic control tower and capability for precision instrument operations. Craig has two Fixed Base Operators who along with their tenants provide hangar, tie down and fueling services to more than 270 aircraft based at Craig. A wide range of support companies operate at Craig, including those involved with aircraft sales, service and maintenance, avionics repair, complete airframe and power plant maintenance, electronics and instrument sales, aerial advertising, flight training, plus aircraft and automobile rentals. Herlong Airport is located approximately nine miles southwest of the City's downtown area and accommodates mostly visual flight operations. The Authority serves as the Fixed Base Operator for Herlong, providing hangar space, tie-down areas, maintenance and fueling. Herlong is primarily used by single and twin-engine aircraft, gliders, hot air balloons and ultralight aircraft.
- **Cecil Field -** In October 1999, the Authority acquired the aviation assets of former Cecil Field Naval Air Station, a 27.5 square-mile airport facility located approximately 13 miles southwest of downtown Jacksonville. The 6,100 acres acquired by the Authority include an airfield with four runways, one at 12,500 feet in length and three at 8,000 feet in length, 530,000 square yards of apron, eight aircraft hangars, and various other buildings and infrastructure used in support of airport operations. The area of Cecil Field not acquired by the Authority has been conveyed to other public entities for economic development projects, parks, recreation areas, conservation and other uses.

  Because of the length of its runways, apron space availability, and existing aircraft hangars, Cecil Field is ideally suited for corporate, National Guard and reserve military operations, and maintenance, repair and overhaul activities. All eight hangars that are owned by the Authority are leased. Over 3,000 acres of developable property are available for future expansion. Cecil Field has an air traffic control tower, aircraft rescue and firefighting services, and a full service fixed base operator. The 12,500-foot runway has a category I instrument landing system.

3.2 The 2006 Project

A portion of the 2006 Project consists of Stage 3 of the Authority's Terminal Expansion Program ("TEP"), a long-term, multi-phased program to provide for the passenger aviation facility needs of the Air Trade Area. Stage 3 of the TEP includes the replacement of the nearly forty-year old existing Concourses A and C at the Airport with the construction and installation of two new concourses, together with the acquisition and installation of fixtures, furniture and equipment for the new concourses, including a moving sidewalk people mover in each concourse, upgrades to the hold baggage screening and baggage conveyor system, modifications to the north and south curb front vestibules, and twenty new loading bridges. The new concourses will contain approximately 254,000 square feet and 20 gates and to provide holdrooms, public circulation space, restrooms, concessionaires, building utility space, concessionaire court, and space for airport maintenance use, airline operations, ground service equipment, federal inspection services and mechanical equipment. The new concourses will provide approximately 40,000 additional square feet of space for larger gate hold rooms and concessions, and gate capacity will be increased to handle newer and larger aircraft. The project also includes the design and construction of approximately 221,000 square yards of new Portland cement concrete pavement that will facilitate relocation and expansion of the existing terminal concourses and will boost the capacity of the ramp to support higher numbers of aircraft and aircraft of increased size.

Although it was originally planned to reconstruct all three concourses in the same construction project, the Authority determined that Stage 3 of the TEP could be phased over time to match the facility to the changed demand following the events of September 11 and the post September 11 economic downturn. The Authority has programmed the construction of the Concourse A & C replacement with planning for the Concourse B replacement to follow as soon as supported by increased demand. As noted in Chapter 2 of this report, the passenger demand at the Airport has already recovered the events of from September 11 and in FY 2005 exceeded 2.8 million enplaned passengers. Prior to the reconstruction of Concourse B, it will continue to provide limited bridge loaded gate capacity and ground loaded gate capacity and may be used for overflow traffic.

The 2006 Project is anticipated to be placed over a four-year construction period and construction commenced in April 2006. Due to a phased construction program, the 2006 Project will include numerous temporary construction measures, including fencing, barricades, striping and lighting.

The Authority received a Final Agency Decision from the FAA dated September 6, 2006, in which the FAA approved the Authority to impose and use Passenger Facility Charges (PFC) to pay for principal and interest payments on the Series 2006 Bonds that are being issued to partially fund the 2006 Project.

Proceeds of the Series 2006 Bonds will be deposited into the Series 2006 Construction Account and applied to the payment or reimbursement of the costs of the 2006 Project.

The total cost of this project is estimated to be approximately $169.5 million of which approximately $121.4 million is projected to be funded with Series 2006 Bond proceeds. Other funding sources of the 2006 Project include approximately $17.8 million in FAA Airport Improvement Program (AIP) grants; approximately $20 million from FDOT; and approximately $10 million of Authority funds.

The 2006 Project costs and funding sources are presented in **Table 3.1.**

3.3 Capital Improvement Program

There are a number of other projects included in the FY 2006 – FY 2011 Capital Improvement Program (CIP) that are planned to be undertaken by the Authority. These other projects total approximately $72.5 million and are also presented in Table 3.1. Funding sources for these other projects do not include any proceeds from the issuance of the Series 2006 Bonds and are not expected to be funded with future bonds.

The Authority has developed a ten- and twenty-year capital program for each airport in the Airport Master Plan Update. These long-term capital programs are more strategic in nature than the project-specific five-year plans and are contingent upon many future factors occurring. For the purpose of this financial analysis, it is assumed that the Authority will undertake capital projects that require approximately $5 million of Authority funds annually for FY 2012 through FY 2015.

Table 3.1
Capital Improvement Program FY 2006 - FY 2011 (page 1 of 2)

	Funding Sources						
	Series 2006 (PFC)	Series 2006 (Non PFC)	PFC Pay-As-You-Go	AIP	State	Authority	Total
2006 Project:							
Terminal Related Projects	$91,934,000	$6,700,000	$0	$0	$20,000,000	$7,296,000	$125,930,000
Apron Related Projects	22,763,000	0	0	17,800,000	0	3,000,000	43,563,000
2006 PROJECT TOTAL COSTS	$114,697,000	$6,700,000	$0	$17,800,000	$20,000,000	$10,296,000	$169,493,000
Other Projects:							
FY 2006:							
ARFF Vehicle	$0	$0	$850,000	$0	$0	$0	$850,000
Land Acquisition	0	0	750,000	0	0	0	750,000
Parking Lot #1 Improvements	0	0	0	0	500,000	500,000	1,000,000
Airport Master Plan Update	0	0	525,000	0	75,000	0	600,000
Security Fence and Access Control Upgrades	0	0	0	0	0	1,500,000	1,500,000
Financial System	0	0	0	0	0	50,000	50,000
Rehabilitation of Taxiways S, Q, R, N, U	0	0	200,000	0	0	0	200,000
Craig Projects	0	0	0	150,000	162,500	212,500	525,000
Herlong Projects	0	0	0	150,000	500,000	620,000	1,270,000
Cecil Field Projects	0	0	0	3,190,000	740,000	790,000	4,720,000
TOTAL FY 2006 PROJECTS	$0	$0	$2,325,000	$3,490,000	$1,977,500	$3,672,500	$11,465,000
FY 2007:							
Office Renovations	$0	$0	$0	$0	$0	$100,000	$100,000
Land Acquisition	0	0	5,250,000	0	0	0	5,250,000
JIA Comprehensive Planning	0	0	0	0	0	50,000	50,000
Re-Align Cole Flyer Road	0	0	0	0	0	300,000	300,000
Environmental Planning	0	0	0	0	0	50,000	50,000
Relocate JIA Underground Fuel Tanks	0	0	0	0	0	500,000	500,000
Voice over IP	0	0	0	0	0	275,000	275,000
Parking Security Upgrades	0	0	0	0	0	250,000	250,000
Mobile Command Post	0	0	0	0	0	200,000	200,000
Datastream Oracle Intergration	0	0	0	0	0	125,000	125,000
Electrical Distribution Upgrade	0	0	0	0	0	100,000	100,000
Craig Projects	0	0	0	150,000	125,000	175,000	450,000
Herlong Projects	0	0	0	150,000	425,000	510,000	1,085,000
Cecil Field Projects	0	0	0	3,610,000	470,000	798,500	4,878,500
TOTAL FY 2007 PROJECTS	$0	$0	$5,250,000	$3,910,000	$1,020,000	$3,433,500	$13,613,500
FY 2008 Projects:							
Office Renovations	$0	$0	$0	$0	$0	$100,000	$100,000
JIA Comprehensive Planning	0	0	0	0	0	50,000	50,000
Environmental Planning	0	0	0	0	0	50,000	50,000
Rehabilitate Runway 7/25	0	0	0	338,250	56,375	56,375	451,000
Enterprise	0	0	0	0	0	1,000,000	1,000,000
Craig Projects	0	0	0	150,000	500,000	550,000	1,200,000
Herlong Projects	0	0	0	1,150,000	1,040,600	1,055,600	3,246,200
Cecil Field Projects	0	0	0	1,825,000	1,657,500	1,167,500	4,650,000
TOTAL FY 2008 PROJECTS	$0	$0	$0	$3,463,250	$3,254,475	$4,029,475	$10,747,200
FY 2009 Projects:							
Office Renovations	$0	$0	$0	$0	$0	$100,000	$100,000
JIA Comprehensive Planning	0	0	0	0	0	50,000	50,000
Environmental Planning	0	0	0	0	0	50,000	50,000
ARFF Vehicle Acquisition	0	0	0	525,000	87,500	87,500	700,000
Improve Economy Parking Lot #3	0	0	0	0	1,000,000	1,000,000	2,000,000
Enterprise	0	0	0	0	0	1,000,000	1,000,000
Craig Projects	0	0	0	150,000	925,000	975,000	2,050,000
Herlong Projects	0	0	0	185,400	500,000	613,475	1,298,875
Cecil Field Projects	0	0	0	0	1,300,000	1,350,000	2,650,000
TOTAL FY 2009 PROJECTS	$0	$0	$0	$860,400	$3,812,500	$5,225,975	$9,898,875

Table 3.1
Capital Improvement Program FY 2006 - FY 2011 (page 2 of 2)

	Funding Sources						
	Series 2006 (PFC)	Series 2006 (Non PFC)	PFC Pay-As-You-Go	AIP	State	Authority	Total
FY 2010 Projects:							
Office Renovations	$0	$0	$0	$0	$0	$100,000	$100,000
JIA Comprehensive Planning	0	0	0	0	0	50,000	50,000
Environmental Planning	0	0	0	0	0	50,000	50,000
Taxiway F	0	0	0	1,125,000	187,500	187,500	1,500,000
Land Acquisition Parcel A-3	0	0	0	2,000,000	1,000,000	1,000,000	4,000,000
Enterprise	0	0	0	0	0	1,000,000	1,000,000
Craig Projects	0	0	0	0	1,125,000	1,275,000	2,400,000
Herlong Projects	0	0	0	2,014,500	575,000	995,250	3,584,750
Cecil Field Projects	0	0	0	625,000	612,500	662,500	1,900,000
TOTAL FY 2010 PROJECTS	$0	$0	$0	$5,764,500	$3,500,000	$5,320,250	$14,584,750
FY 2011 Projects:							
Office Renovations	$0	$0	$0	$0	$0	$100,000	$100,000
JIA Comprehensive Planning	0	0	0	0	0	50,000	50,000
Environmental Planning	0	0	0	0	0	25,000	25,000
Air Cargo Apron Pavement Rehabilitation	0	0	0	73,500	12,250	12,250	98,000
ARFF Vehicle Acquisition	0	0	0	637,500	106,250	106,250	850,000
Land Acquistion A1 & A2	0	0	0	1,500,000	500,000	500,000	2,500,000
Enterprise	0	0	0	0	0	1,000,000	1,000,000
Craig Projects	0	0	0	150,000	925,000	925,000	2,000,000
Herlong Projects	0	0	0	800,000	950,000	975,000	2,725,000
Cecil Field Projects	0	0	0	387,500	1,218,750	1,268,750	2,875,000
TOTAL FY 2011 PROJECTS	$0	$0	$0	$3,548,500	$3,712,250	$4,962,250	$12,223,000
TOTAL OTHER PROJECTS FY 2006 - FY 2011	$0	$0	$7,575,000	$21,036,650	$17,276,725	$26,643,950	$72,532,325
Estimated Projects FY 2012 - FY 2015:							
FY 2012	$0	$0	$0	$3,500,000	$4,000,000	$5,000,000	$12,500,000
FY 2013	0	0	0	3,500,000	4,000,000	5,000,000	12,500,000
FY 2014	0	0	0	3,500,000	4,000,000	5,000,000	12,500,000
FY 2015	0	0	0	3,500,000	4,000,000	5,000,000	12,500,000
TOTAL OTHER PROJECTS FY 2012 - FY 2015	$0	$0	$0	$14,000,000	$16,000,000	$20,000,000	$50,000,000
TOTAL PROJECT COSTS	$114,697,000	$6,700,000	$7,575,000	$52,836,650	$53,276,725	$56,939,950	$292,025,325

Source: Jacksonville Aviation Authority
Prepared by: Ricondo & Associates, Inc.

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Financial Analysis

This chapter examines the financial structure of the Airport; cost and financial implications of the 2006 Project, other projects included in the FY 2006 – FY 2011 CIP, and estimates of capital projects beyond FY 2011; Operation and Maintenance (O&M) Expenses and Nonairline Revenue projections; airline rates and charges projections; airline cost per enplaned passenger projections; application of Revenues; and projected debt service coverage.

4.1 Financial Structure

This section discusses Airport accounting practices, including the cost center structure utilized for airline rate-setting purposes, the requirements and provisions of the Bond Resolution, and the rate-setting mechanism in place at the Airport.

4.1.1 Airport Accounting

Expenses and revenues of the Authority are categorized into Direct Cost Centers and Indirect Cost Centers as defined in the Airline Agreement. Direct Cost Centers include those areas or functional activities of the Airport System used for the purposes of accounting for Revenues, O&M Expenses, and Debt Service. Indirect Cost Centers do not generally have revenues associated with them and include those areas or functional activities of the Airport System used for the purposes of accounting for O&M Expenses and Debt Service. The expenses included in Indirect Cost Centers are allocated to the Direct Cost Centers as defined in the Airline Agreement.

Direct Cost Centers defined in the Airline Agreement include, but are not necessarily limited to:

- **Airfield -** Includes all Debt Service, all Direct and Indirect O&M Expenses, Capital Expenditures, and Operating Revenues for the Airfield. The Airfield includes the Landing Area and Ramp Area.
- **Terminal -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for the Terminal, which consists of airline terminal facilities at the Airport.
- **Non-Aviation -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for Airport areas related to non-aviation purposes that provide support functions (e.g., hotel, rental car maintenance areas, and miscellaneous ground areas and facilities leased by Airport tenants).
- **Ground Transportation -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for terminal access roadways (including the enplanement/deplanement drives), all Airport roads, Airport parking facilities and other areas and facilities accommodating ground transportation.
- **Aviation -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for air cargo, general aviation, flight kitchen, and military activities.
- **Herlong -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for all activities and facilities at Herlong Airport.
- **Craig -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for all activities and facilities at Craig Airport.
- **Cecil Field -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for all activities and facilities at Cecil Field.

Indirect Cost Centers defined in the Airline Agreement include, but are not necessarily limited to:

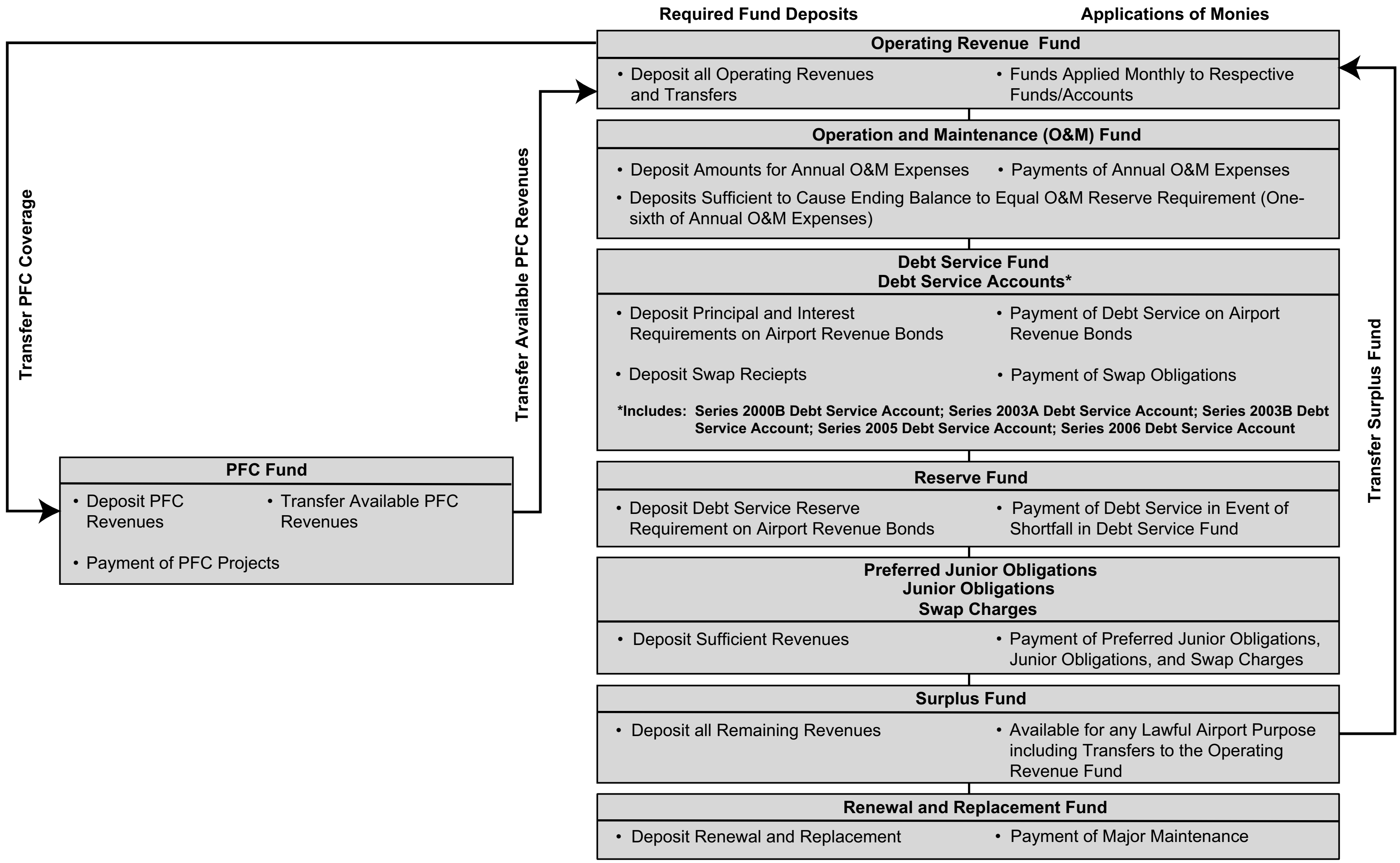
- **Public Safety -** Includes all Direct O&M Expenses for police activities and facilities, including those required under CFR 1541 and 1542, curbside traffic control, and general Airport security. Public Safety O&M Expenses are allocated to direct Cost Centers to the extent possible based on actual man-hours charged to each respective direct Cost Center, and other O&M Expenses that can be directly charged.
- **Crash/Fire/Rescue -** Includes all Direct O&M Expenses for crash, fire, and rescue activities and facilities. Crash/Fire/Rescue O&M Expenses are allocated to direct Cost Centers to the extent possible based on actual man-hours charged to each respective direct Cost Center, and other O&M Expenses that can be directly charged.
- **Maintenance -** Includes all Direct O&M Expenses for maintenance activities and facilities of the Airport System. Maintenance O&M Expenses are allocated to direct Cost Centers to the extent possible based on actual man-hours charged to each respective direct Cost Center, and other O&M Expenses that can be directly charged.
- **Administration -** Includes all Direct O&M Expenses for all administration activities and facilities, including charges for Authority administrative services provided on behalf of the Airport System (e.g. accounting, finance, data processing services). Administration O&M Expenses are allocated based on each direct Cost Center's share of O&M Expenses attributable to all direct cost centers.

4.1.2 Bond Resolution

The Bond Resolution and subsequent amendments authorize the issuance of Airport Revenue Bonds by the Authority. The requirements of the Bond Resolution and the methodology contained in the Airline Agreement were utilized to develop the application of revenues included in these financial analyses. The principal funds and accounts created in the Bond Resolution are presented in **Exhibit 4.1.** Sections of the Bond Resolution as they pertain to this report are summarized below:

- Revenues (or "Operating Revenues") as defined in the Bond Resolution, include all revenue accrued from the ownership or operation of the Airport System, including all rentals, concession fees, use charges, landing fees, license and permit fees, service fees and charges, revenues received from the sale of fuel or other merchandise, and investment income.
- The Authority has covenanted to make transfers of all Available PFC Revenues monthly from the PFC Fund into the Operating Revenue Fund. "Available PFC Revenues" are amounts derived by the Authority from the imposition of passenger facility charges in an amount not exceeding 1.25 times the Bond Service Charges accruing during a period with respect to that portion of the Jacksonville Aviation Authority Revenue Bonds, Series 2003B (Series 2003B Bonds) and Series 2006 Bonds issued to finance PFC Projects.
- An O&M Reserve requirement was established in an amount equal to one-sixth of annual O&M Expenses.
- Under the Rate Covenant, the Authority has covenanted to collect Net Operating Revenues plus Transfers in each Fiscal Year at least equal to the greater of (i) 1.25 times the aggregate Bond Service Requirement for all Series of Bonds for the Bond Year ending on the day following the close of such Fiscal Year or (ii) the sum of the amounts required to be deposited in the Debt Service Fund, the Rebate Fund, the Reserve Fund and the Renewal and Replacement Fund in the Bond Year, plus amounts necessary to pay debt service on Junior Obligations due in the Bond Year.

A summary of certain provisions of the Bond Resolution may be found in Appendix B, "Summary of Certain Provisions of the Bond Resolution," of the Official Statement.



Prepared by: Ricondo & Associates, Inc.

Exhibit 4.1

Flow of Funds under the Bond Resolution

4.1.3 Rate-Setting Mechanism

The Airline Agreement between the Authority and the Signatory Airlines expires at the end of FY 2007. The Signatory Airlines include Air Tran, American, Continental, Delta, JetBlue, Northwest, Southwest, and US Airways. The Authority has offered a five-year extension of the existing agreement to the Signatory Airlines, which all but two of the airlines have verbally accepted. The two airlines that have not agreed to extend the existing agreement, Delta and Northwest, have both filed for bankruptcy. The only significant change to the agreement is to change the nature of certain space in the terminal from being leased on an exclusive basis to a preferential basis. This allows much of the proposed new terminal construction cost to be PFC-eligible whereas the space would not have been eligible for PFC funding if it had remained leased on an exclusive basis. For the purpose of this analysis, it is assumed that the rate-making structure in place for FY 2008 through FY 2015 will be the same as the structure currently in place.

The Airline Agreement includes the following key elements:

- A "compensatory" average terminal rental rate for the Terminal Building using total rentable square feet as the divisor. Differential Terminal Rental Rates are calculated for the purpose of differentiating space by location and function.
- A "residual" landing fee rate for the Airfield using total landed weight as the divisor.
- A revenue sharing provision which transfers a portion (40 percent) of Funds Remaining to the Signatory Airlines in the subsequent year.

4.2 Financing Plan

As discussed earlier, the proceeds of the Series 2006 Bonds will fund, in part, the 2006 Project as described in Chapter 3. **Table 4.1** presents the estimated funding sources for the 2006 Project. As shown, the total cost associated with the 2006 Project is approximately $169.5 million, with approximately $121.4 million funded from the proceeds of the Series 2006 Bonds. A list of the estimated sources and uses of funds for the Series 2006 Bonds is presented in **Table 4.2**.

The Authority's financial advisor for the Series 2006 Bonds, based on expenditure estimates developed by the Authority, provided the required bond issue size and debt service estimates based upon the following assumptions:

- In October 2006, fixed rate securities will be issued.
- Approximately $122.4 million of the Series 2006 Bonds will be repaid from available PFC revenues (PFC portion) and approximately $7.8 million of the Series 2006 Bonds will be repaid from all other airport revenues (Non-PFC portion).
- The PFC portion of the Series 2006 Bonds will be structured with level debt service for 30 years.
- The PFC and Non-PFC portion of the Series 2006 Bonds will have a debt service reserve requirement that is funded with bond proceeds to fund the incremental increases in the Reserve Requirement as defined in the Bond Resolution.
- The Non-PFC portion of the Series 2006 Bonds will be structured to "wrap" around outstanding debt service (Series 2000B, Series 2003A-1, Series 2003A-2, Series 2003B-1 and Series 2003B-2 with a variable rate assumption of 4.00 percent, 2005 with a variable rate assumption of 4.455 percent and the Series 2006 PFC portion) through 2018 to achieve aggregate level debt service.
- A portion of the Series 2006 Bonds proceeds will be used to pay 100 percent of the interest through October 1, 2008 and 50 percent of the interest through October 1, 2009 attributable to the approximately $6.7 million par amount 2006 bonds that are not eligible to be paid from PFCs.

Table 4.1
Funding for the 2006 Project

	Funding Sources					
	Series 2006 PFC Eligible Projects	Series 2006 Non PFC Projects	AIP	State [1]	Authority	Total
Terminal Related Projects	$91,934,000	$6,700,000	$0	$20,000,000	$7,296,000	$125,930,000
Apron Related Projects	22,763,000	0	17,800,000	0	3,000,000	43,563,000
2006 PROJECT TOTAL COSTS	$114,697,000	$6,700,000	$17,800,000	$20,000,000	$10,296,000	$169,493,000

[1] FDOT funded projects initially funded with short term debt; FDOT receipts will be used to reimburse JAA.

Source: Jacksonville Aviation Authority
Prepared by Ricondo & Associates, Inc.

Table 4.2
Estimated Sources and Uses of Funds

Sources:		2006 Non PFC Projects	2006 PFC Projects	Total
Bond Proceeds:				
	Par Amount	$7,820,000	$122,385,000	$130,205,000
	Premium	338,563	3,397,926	3,736,489
		$8,158,563	$125,782,926	$133,941,489

Uses:		2006 Non PFC Projects	2006 PFC Projects	Total
Project Fund Deposits:				
	Non-PFC Eligible Projects	$6,700,000		$6,700,000
	PFC Eligible Projects		114,697,454	114,697,454
		$6,700,000	$114,697,454	$121,397,454
Other Fund Deposits:				
	Capitalized Interest Fund	$1,014,624		$1,014,624
	Debt Service Reserve Fund	307,246	8,640,613	8,947,858
		$1,321,869	$8,640,613	$9,962,482
Delivery Date Expenses:				
	Cost of Issuance	$24,024	$375,976	$400,000
	Underwriter's Discount	24,910	385,087	409,997
	Insurance @ 65bps	83,443	1,682,891	1,766,334
		$132,376	$2,443,955	$2,576,331
Other Uses of Funds:				
	Additional Proceeds	$4,318	$904	$5,222
		$8,158,563	$125,782,926	$133,941,489

Source: Public Financial Management, July 14, 2006
Prepared by Ricondo & Associates, Inc.

Table 4.3 presents the annual estimated debt service requirements resulting from the issuance of the Series 2006 Bonds as well as the existing Airport debt service on all outstanding series. As presented in Table 4.3, annual debt service requirements in FY 2010, the first full year of debt service, on the Series 2006 Bonds is estimated to be approximately $9.2 million, with aggregate annual debt service thereafter estimated to be approximately $22.6 million.

4.3 O&M Expenses

The following table illustrates historical O&M Expenses from FY 2001 through budget FY 2006:

Historical O&M Expenses

Fiscal Year Ended	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Budget 2006	Compounded Annual Growth Rate
Total O&M Expenses ($000)	$25,274	$23,215	$29,358	$33,902	$36,421	$39,682	9.4%
Enplaned Passengers (000)	2,646	2,426	2,433	2,568	2,849	2,887	1.8%
O&M Expenses per Passenger	$9.55	$9.57	$12.07	$13.20	$12.78	$13.75	

Source: Jacksonville Aviation Authority

Historical O&M Expenses from FY 2001 to FY 2006 increased at a compounded annual growth rate of 9.4 percent, higher than inflationary impacts. This annual increase can be attributed to the addition of three additional departments and 27 additional staff positions during those years. Staff was increased to take advantage of additional revenue opportunities in parking and pursue nonairline sources of revenue. Staff was also added to manage the new baggage system. Insurance, Cost of Fuel and Electricity were also major contributors to the increase in expenses.

Table 4.4 presents O&M Expenses at the Airport by type of expense and by Direct Cost Center for actual FY 2005, budgeted FY 2006, budgeted FY 2007, and projected FY 2008 through FY 2015. As shown, O&M Expenses are budgeted to be approximately $39.7 million in FY 2006 and $41.7 million in FY 2007 and projected to increase to $66.7 million by FY 2015. The increase in O&M Expenses projected between FY 2007 and FY 2015 represents a compounded annual growth rate of 6.0 percent. In general, projections of future O&M Expenses were based on a review of historical trends, the anticipated impacts of inflation, and impacts due to capital improvements.

As discussed earlier, there are twelve Direct and Indirect Cost Centers included in the Airport's financial structure. The major expense categories include the following:

- **Salaries -** These expenses represent the salaries and wages associated with employment of all Airport personnel. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 6.6 percent.
- **Employee Benefits -** These expenses represent other costs associated with employment of all Airport personnel, including fringe benefits, and other employee compensation and requirements. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 6.6 percent.
- **Services -** This category includes services provided by outside contractors such as professional (accounting, auditing, consulting, etc.), custodial, equipment maintenance, ambulance, and indirect

Table 4.3
Estimated Debt Service Requirements

	Actual	Budget	Budget	Projected							
Fiscal Year Ended	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Debt Service by Series[1]:											
Series 2000B	$2,473,629	$3,471,987	$191,583	$191,583	$561,583	$1,197,343	$1,198,530	$1,196,290	$0	$0	$0
Series 2003A	7,414,790	7,408,391	7,412,390	7,406,040	7,406,840	7,397,540	7,411,971	7,409,006	7,411,219	7,404,000	7,397,750
Series 2003B-1 (PFC)[2]	2,257,742	2,483,545	2,730,644	2,636,621	2,690,892	2,617,852	2,644,060	2,616,854	2,560,607	2,580,425	2,545,529
Series 2003B-2 (PFC starting in FY 2007)[2]	204,948	288,782	351,000	351,402	350,598	351,000	351,000	351,402	350,598	351,000	351,000
Series 2005[3]	299,572	0	2,866,550	2,865,218	2,496,881	1,867,801	1,865,227	1,867,431	3,059,189	3,062,487	3,062,890
Series 2006 (PFC)[3]	0	1,362,701	8,398,582	8,635,863	8,638,363	8,637,163	8,640,463	8,637,713	8,638,913	8,638,513	8,636,238
Series 2006 (Non PFC)	0	0	0	70,000	236,581	537,338	497,113	523,813	583,863	570,338	612,088
TOTAL REVENUE BOND DEBT SERVICE	$12,650,681	$15,015,406	$21,950,748	$22,156,726	$22,381,738	$22,606,035	$22,608,364	$22,602,508	$22,604,388	$22,606,762	$22,605,494
Total PFC-Eligible GARB Debt Service by Cost Center[4]:											
Airfield	$0	$289,963	$1,787,096	$1,837,586	$1,838,118	$1,837,863	$1,838,565	$1,837,980	$1,838,235	$1,838,150	$1,837,666
Terminal	2,257,742	3,556,283	9,342,129	9,786,299	9,841,735	9,768,152	9,796,958	9,767,989	9,711,883	9,731,787	9,695,101
Non-aviation	0	0	0	0	0	0	0	0	0	0	0
Ground Transportation	0	0	0	0	0	0	0	0	0	0	0
Aviation	0	0	0	0	0	0	0	0	0	0	0
Craig Airport	0	0	0	0	0	0	0	0	0	0	0
Herlong Airport	0	0	0	0	0	0	0	0	0	0	0
Cecil Field	0	0	0	0	0	0	0	0	0	0	0
TOTAL PFC-ELIGIBLE REVENUE BOND DEBT SERVICE	$2,257,742	$3,846,246	$11,129,225	$11,623,885	$11,679,853	$11,606,015	$11,635,523	$11,605,968	$11,550,118	$11,569,937	$11,532,766
Total GARB Debt Service by Cost Center:											
Airfield	$364,066	$363,752	$363,948	$363,637	$363,676	$363,219	$363,928	$363,782	$363,891	$363,536	$363,230
Terminal	4,202,703	4,199,076	4,552,343	4,267,743	4,434,778	4,730,263	4,698,218	4,723,237	4,784,541	4,766,925	4,805,132
Non-aviation	0	0	0	0	0	0	0	0	0	0	0
Ground Transportation	5,621,222	6,317,550	5,905,231	5,901,460	5,903,431	5,906,538	5,910,695	5,909,520	5,905,838	5,906,364	5,904,366
Aviation	204,948	288,782	0	0	0	0	0	0	0	0	0
Craig Airport	0	0	0	0	0	0	0	0	0	0	0
Herlong Airport	0	0	0	0	0	0	0	0	0	0	0
Cecil Field	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE BOND DEBT SERVICE	$10,392,939	$11,169,160	$10,821,523	$10,532,841	$10,701,885	$11,000,021	$10,972,841	$10,996,540	$11,054,270	$11,036,825	$11,072,727
Total Debt Service by Cost Center:											
Airfield	$364,066	$653,715	$2,151,044	$2,201,223	$2,201,794	$2,201,082	$2,202,493	$2,201,762	$2,202,126	$2,201,686	$2,200,895
Terminal	6,460,445	7,755,359	13,894,472	14,054,043	14,276,513	14,498,415	14,495,176	14,491,226	14,496,424	14,498,712	14,500,233
Non-aviation	0	0	0	0	0	0	0	0	0	0	0
Ground Transportation	5,621,222	6,317,550	5,905,231	5,901,460	5,903,431	5,906,538	5,910,695	5,909,520	5,905,838	5,906,364	5,904,366
Aviation	204,948	288,782	0	0	0	0	0	0	0	0	0
Craig Airport	0	0	0	0	0	0	0	0	0	0	0
Herlong Airport	0	0	0	0	0	0	0	0	0	0	0
Cecil Field	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE BOND DEBT SERVICE	$12,650,681	$15,015,406	$21,950,748	$22,156,726	$22,381,738	$22,606,035	$22,608,364	$22,602,508	$22,604,388	$22,606,762	$22,605,494

1 Annual Debt Service by issue for FY 2006 - FY 2015 provided by Public Financial Management, July 14, 2006

2 Variable rate debt. Interest rate is assumed to be 4.455 percent. (Source: Public Financial Management)

3 Variable rate debt. Interest rate is assumed to be 4.0 percent. (Source: Public Financial Management)

4 Includes Series 2003 B-1 and a portion of Series 2006. JAA received FAA approval to use PFC revenues to repay interest on Series 2003 B-2 to be eligible starting in FY 2007.

Prepared by: Ricondo & Associates, Inc.

Table 4.4
Summary of Projected O&M Expenses

	Actual	Budget	Budget	Projected							
Fiscal Year Ended	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total O&M Expenses by Type of Expense											
Salaries	$12,269,685	$13,181,013	$12,933,920	$13,766,271	$14,677,891	$15,649,975	$16,686,540	$17,791,871	$18,970,534	$20,227,403	$21,567,675
Employee Benefits	4,185,402	4,126,650	4,245,226	4,520,331	4,819,672	5,138,866	5,479,232	5,842,177	6,229,202	6,641,905	7,081,993
Services	10,263,896	10,295,237	11,423,720	12,360,216	13,139,182	13,730,445	14,348,315	14,993,990	15,668,719	16,373,812	17,110,633
Insurance	924,704	1,295,000	1,396,600	1,487,379	1,554,311	1,624,255	1,697,347	1,773,727	1,853,545	1,936,954	2,024,117
Supplies	2,197,272	2,696,446	2,430,753	2,599,799	2,716,790	2,839,046	2,966,803	3,100,309	3,239,823	3,385,615	3,537,968
Travel	331,517	496,304	611,531	653,917	683,344	714,094	746,228	779,809	814,900	851,571	889,891
Promotions	1,260,061	627,726	572,949	602,572	629,687	658,023	687,634	718,578	750,914	784,705	820,017
Utilities	3,037,922	3,301,129	4,156,067	4,724,614	5,331,713	5,700,020	6,093,788	6,514,780	6,964,879	7,446,099	7,960,594
Special Projects	1,950,084	2,212,687	2,471,988	2,639,185	2,757,948	2,882,056	3,011,748	3,147,277	3,288,904	3,436,905	3,591,566
Contingencies	0	1,450,000	1,500,000	1,567,500	1,638,038	1,711,749	1,788,778	1,869,273	1,953,390	2,041,293	2,133,151
TOTAL	$36,420,542	$39,682,192	$41,742,753	$44,921,785	$47,948,576	$50,648,529	$53,506,414	$56,531,790	$59,734,811	$63,126,262	$66,717,605
Total O&M Expenses by Cost Center											
Airfield	$9,044,011	$9,908,247	$10,578,548	$11,371,491	$12,097,636	$12,757,996	$13,456,005	$14,193,900	$14,974,055	$15,798,992	$16,671,387
Terminal	16,009,907	16,651,027	17,219,728	18,675,342	20,123,015	21,321,692	22,594,020	23,944,641	25,378,494	26,900,837	28,517,268
Non-aviation	932,567	1,031,790	1,005,862	1,086,351	1,165,528	1,234,272	1,307,199	1,384,571	1,466,665	1,553,777	1,646,222
Ground Transportation	5,670,673	5,840,275	5,824,822	6,221,074	6,560,365	6,899,504	7,256,802	7,633,269	8,029,970	8,448,034	8,888,655
Aviation	1,064,906	1,208,369	1,192,117	1,282,337	1,367,740	1,445,220	1,527,259	1,614,133	1,706,138	1,803,586	1,906,811
Craig Airport	653,840	721,135	641,994	689,318	736,658	781,307	828,723	879,080	932,564	989,374	1,049,718
Herlong Airport	1,232,152	1,353,026	1,459,770	1,556,319	1,641,773	1,730,276	1,823,718	1,922,383	2,026,573	2,136,608	2,252,826
Cecil Field	1,771,725	2,104,687	2,107,557	2,250,142	2,385,925	2,524,179	2,670,673	2,825,909	2,990,421	3,164,776	3,349,577
Expenses Not Included in Rates & Charges	40,761	863,636	1,712,355	1,789,411	1,869,934	1,954,082	2,042,015	2,133,906	2,229,932	2,330,279	2,435,141
TOTAL O&M EXPENSES	$36,420,542	$39,682,192	$41,742,753	$44,921,785	$47,948,576	$50,648,529	$53,506,414	$56,531,790	$59,734,811	$63,126,262	$66,717,605

Prepared by: Ricondo & Associates, Inc.

charges. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 5.2 percent.

- **Insurance -** These expenses include the cost of general liability, worker's compensation, terminal operator and other insurance. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 4.7 percent.
- **Supplies -** This category of expenditures includes office and operating supplies that are ordinarily used within one year after placed into service. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 4.8 percent.
- **Travel -** These expenses include travel related expenses for Airport staff. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 4.8 percent.
- **Promotions -** This category includes expenses incurred for advertising and other promotional programs. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 4.6 percent.
- **Utilities -** Utilities expenses include the cost of gas, electricity, water, and waste disposal for the Airport System. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 8.5 percent.
- **Special Projects -** This category includes major non-routine repairs, estimated to be greater than or equal to $12,000, of building structures and other integral systems which significantly prolong or protect the useful life of an asset, but are replacements rather than improvements. The compounded annual growth rate for these expenses for the period FY 2007-FY 2015 is 4.8 percent.

Specific points concerning the projections of O&M Expenses by direct cost center are discussed below:

4.3.1 Airfield

O&M Expenses in the Airfield Cost Center are expected to increase from approximately $10.6 million budgeted in FY 2007 to approximately $16.7 million in FY 2015. This increase represents a compounded annual growth rate of 5.9 percent during this period.

4.3.2 Terminal

O&M Expenses in the Terminal Cost Center are expected to increase from approximately $17.2 million budgeted in FY 2007 to approximately $28.5 million in FY 2015. This increase represents a compounded annual growth rate of 6.5 percent during this period.

4.3.3 Non-Aviation

O&M Expenses in the Non-Aviation Cost Center are expected to increase from approximately $1.0 million budgeted in FY 2007 to approximately $1.6 million in FY 2015. This increase represents a compounded annual growth rate of 6.4 percent during this period.

4.3.4 Ground Transportation

O&M Expenses in the Ground Transportation Cost Center are expected to increase from approximately $5.8 million budgeted in FY 2007 to approximately $8.9 million in FY 2015. This increase represents a compounded annual growth rate of 5.4 percent during this period.

4.3.5 Aviation

O&M Expenses in the Aviation Cost Center are expected to increase from approximately $1.2 million budgeted in FY 2007 to approximately $1.9 million in FY 2015. This increase represents a compounded annual growth rate of 6.0 percent during this period.

4.3.6 Craig Airport

O&M Expenses in the Craig Airport Cost Center are expected to increase from approximately $0.6 million budgeted in FY 2007 to approximately $1.0 million in FY 2015. This increase represents a compounded annual growth rate of 6.3 percent during this period.

4.3.7 Herlong Airport

O&M Expenses in the Herlong Airport Cost Center are expected to increase from approximately $1.5 million budgeted in FY 2007 to approximately $2.3 million in FY 2015. This increase represents a compounded annual growth rate of 5.6 percent during this period.

4.3.8 Cecil Field

O&M Expenses in the Cecil Field Cost Center are expected to increase from $2.1 million in FY 2007 to $3.3 million in FY 2015, a compounded annual increase of 6.0 percent.

4.4 Nonairline Revenues

The following table illustrates historical Nonairline Revenues from FY 2001 through budget FY 2006:

Historical Nonairline Revenues

Fiscal Year Ended	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Budget 2006	Compounded Annual Growth Rate
Total Nonairline Revenues ($000)	$28,208	$29,300	$30,008	$33,837	$42,098	$42,272	8.4%
Enplaned Passengers (000)	2,646	2,426	2,433	2,568	2,849	2,887	1.8%
Nonairline Revenue per Passenger	$10.66	$12.08	$12.33	$13.17	$14.77	$14.64	

Source: Jacksonville Aviation Authority

Historical nonairline revenues from FY 2001 to FY 2006 increased at a compounded annual growth rate of 8.4 percent. This annual increase can be attributed to JAA's addition of an Enterprise Division whose goal is to develop new sources of Nonairline Revenue and enhance existing sources. Cecil Field's facilities continue to be developed and have resulted in increases rental revenues. Higher fuel prices yielded additional revenues attributable to utility reimbursement and sale of fuel.

Table 4.5 presents nonairline revenues at the Airport by Direct Cost Center for actual FY 2005, budgeted FY 2006, budgeted FY 2007, and projected FY 2008 through 2015. As shown, nonairline revenues are budgeted to be approximately $42.8 million in FY 2007 and projected to increase to approximately $60.1 million in FY 2015. This increase represents a compounded annual growth rate of 4.3 percent for FY 2007 through FY 2015. In general, projections of future nonairline revenues were based on a review of historical trends, the anticipated impacts of inflation, expected rate/revenue increases, impacts related to CIP and the projected growth in activity. Specific points concerning these projections are discussed below:

4.4.1 Airfield

The major sources of nonairline revenues in the Airfield Cost Center are air handling charges, gas and oil commissions, charter fees, utility sales, ramp fees and fuel farm revenues. These revenues are expected to

Table 4.5
Nonairline Revenues
(Page 1 of 2)

Fiscal Year Ended	Actual 2005	Budget 2006	Budget 2007	Projected 2008	2009	2010	2011	2012	2013	2014	2015
Airfield											
Facility Rentals	$12,285	$0	$12,816	$13,200	$13,596	$14,004	$14,425	$14,857	$15,303	$15,762	$16,235
Sale of Utilities	77,774	77,215	85,900	91,484	97,430	103,763	110,507	117,690	125,340	133,487	142,164
Gas/Oil Commissions - JIA	490,764	461,189	505,487	520,652	536,271	552,359	568,930	585,998	603,578	621,685	640,336
Fuel Farm	158,050	12,816	205,500	211,665	218,015	224,555	231,292	238,231	245,378	252,739	260,321
Landing Fees - Air Cargo	832,172	825,593	825,593	782,659	811,566	835,365	858,573	875,817	898,012	926,467	951,003
Landing Fees - Charters	222,116	40,400	319,700	303,074	314,268	323,484	332,471	339,149	347,743	358,762	368,263
Ramp Fees	74,223	468,920	51,000	48,348	50,133	51,604	53,037	54,103	55,474	57,231	58,747
Security User Fees - Air Cargo	1,617,272	1,505,928	1,540,500	1,586,715	1,634,316	1,683,346	1,733,846	1,785,862	1,839,438	1,894,621	1,951,459
Security User Fees - General Aviation	9,769	10,112	10,700	11,021	11,352	11,692	12,043	12,404	12,776	13,160	13,554
Miscellaneous	(3)	0	54,000	55,620	57,289	59,007	60,777	62,601	64,479	66,413	68,406
SUBTOTAL	$3,494,422	$3,402,173	$3,611,196	$3,624,437	$3,744,236	$3,859,180	$3,975,903	$4,086,712	$4,207,521	$4,340,327	$4,470,489
Terminal											
Sale of Utilities	$88,721	$65,670	$156,354	$166,517	$177,341	$188,868	$201,144	$214,219	$228,143	$242,972	$258,765
Nonairline Terminal Rentals	304,810	369,993	368,917	379,985	391,384	403,126	415,219	427,676	440,506	453,721	467,333
News and Gift	1,782,281	1,610,409	1,529,250	1,625,158	1,756,875	1,862,558	1,974,552	2,093,675	2,220,087	2,354,828	2,497,580
Advertising	604,633	1,510,000	1,012,482	1,042,856	1,074,142	1,106,366	1,139,557	1,173,744	1,208,956	1,245,225	1,282,582
Baggage	249,865	396,336	203,768	209,881	216,177	222,663	229,343	236,223	243,310	250,609	258,127
Food and Beverage	1,546,967	1,549,738	1,567,660	1,665,976	1,801,002	1,909,340	2,024,146	2,146,261	2,275,849	2,413,974	2,560,311
ID Badges	82,813	88,992	88,992	91,662	94,412	97,244	100,161	103,166	106,261	109,449	112,732
Security User Fees - Other	59,060	49,810	46,966	48,933	51,862	54,981	58,287	61,804	65,535	69,513	73,727
Miscellaneous	10,161	81,743	13,125	13,519	13,924	14,342	14,772	15,215	15,672	16,142	16,626
SUBTOTAL	$4,729,312	$5,722,691	$4,987,514	$5,244,486	$5,577,120	$5,859,487	$6,157,183	$6,471,983	$6,804,320	$7,156,433	$7,527,784
Non-Aviation											
Facility Rentals	$604,107	$571,099	$559,742	$576,534	$593,830	$611,645	$629,995	$648,894	$668,361	$688,412	$709,064
Sale of Utilities	15,222	471,100	218,800	233,022	248,168	264,299	281,479	299,775	319,260	340,012	362,113
Other Rentals	119,105	0	99,270	103,737	108,405	113,284	118,381	123,708	129,275	135,093	141,172
Ground Rentals - Other	52,801	138,190	54,438	56,888	59,448	62,123	64,918	67,840	70,892	74,083	77,416
Ground Rentals - Rental Cars	264,931	328,912	323,567	338,128	353,343	369,244	385,860	403,223	421,368	440,330	460,145
Airport Hotel	66,086	84,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286
Timber Sales	665,842	248,000	224,000	230,720	237,642	244,771	252,114	259,677	267,468	275,492	283,756
Miscellaneous	73,237	23,674	20,836	21,461	22,105	22,768	23,451	24,155	24,879	25,626	26,394
SUBTOTAL	$1,861,331	$1,864,975	$1,562,453	$1,624,144	$1,688,505	$1,755,664	$1,825,754	$1,898,916	$1,975,297	$2,055,053	$2,138,348

Table 4.5

Nonairline Revenues

(Page 2 of 2)

	Actual	Budget	Budget	Projected							
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Ground Transportation											
Long-term Parking	$13,446,662	$12,282,496	$13,989,908	$13,906,312	$14,301,602	$15,893,695	$16,353,900	$16,833,687	$18,715,472	$19,277,529	$19,853,861
Other Parking	707,342	708,686	748,839	744,364	765,523	850,743	875,377	901,058	1,001,785	1,031,870	1,062,719
Taxi and Limo	262,847	424,112	344,224	358,639	380,105	402,969	427,200	452,972	480,322	509,473	540,358
Rental Car	7,573,942	7,550,298	7,264,681	7,568,910	8,021,926	8,504,475	9,015,841	9,559,758	10,136,961	10,752,188	11,403,997
Off-Airport Rental Cars	35,658	14,400	36,372	37,895	40,163	42,579	45,140	47,863	50,753	53,833	57,096
Courtesy Vehicles	397,423	363,293	365,103	380,393	403,160	427,412	453,112	480,447	509,456	540,376	573,134
Security User Fees - Ground Transportation	2,379,277	2,110,152	2,426,863	2,499,669	2,574,659	2,651,899	2,731,456	2,813,399	2,897,801	2,984,735	3,074,277
Miscellaneous	863	0	860	886	912	940	968	997	1,027	1,058	1,089
SUBTOTAL	$24,804,015	$23,453,437	$25,176,850	$25,497,069	$26,488,050	$28,774,712	$29,902,992	$31,090,182	$33,793,576	$35,151,062	$36,566,532
Aviation											
Facility Rentals	$1,044,521	$995,487	$993,681	$1,023,491	$1,054,196	$1,085,822	$1,118,397	$1,151,949	$1,186,507	$1,222,102	$1,258,765
Sale of Utilities	$262,429	$265,555	$237,552	$252,993	$269,437	$286,951	$305,603	$325,467	$346,622	$369,153	$393,148
Flight Kitchen	207,350	151,656	150,352	150,352	150,352	150,352	150,352	150,352	150,352	150,352	150,352
Fixed Base Rental	216,235	257,744	179,374	179,374	179,374	179,374	179,374	179,374	179,374	179,374	179,374
Ground Rentals	212,229	549,498	222,900	229,587	236,475	243,569	250,876	258,402	266,154	274,139	282,363
Operating Permits	372,261	276,500	225,600	232,368	239,339	246,519	253,915	261,532	269,378	277,460	285,783
Miscellaneous	18	0	0	0	0	0	0	0	0	0	0
SUBTOTAL	$2,315,042	$2,496,440	$2,009,459	$2,068,165	$2,129,173	$2,192,587	$2,258,516	$2,327,076	$2,398,388	$2,472,579	$2,549,785
Craig Airport Revenues	615,598	590,747	$594,165	$611,990	$630,350	$649,260	$668,738	$688,800	$709,464	$730,748	$752,670
Herlong Airport Revenues	1,199,330	1,280,442	1,201,534	1,237,580	1,274,707	1,312,949	$1,352,337	$1,392,907	$1,434,694	$1,477,735	$1,522,067
Cecil Airport Revenues	3,079,309	3,461,424	3,615,678	3,724,148	3,835,873	3,950,949	$4,069,477	$4,191,562	$4,317,309	$4,446,828	$4,580,233
TOTAL NONAIRLINE REVENUES	$42,098,359	$42,272,329	$42,758,849	$43,632,020	$45,368,015	$48,354,789	$50,210,900	$52,148,137	$55,640,569	$57,830,766	$60,107,908

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increase from approximately $3.6 million budgeted in FY 2007 to approximately $4.5 million in FY 2015. This increase represents a compounded annual growth rate of 2.7 percent during this period, and is the result of anticipated growth in nonsignatory activity and inflationary impacts during the projection period

4.4.2 Terminal

Nonairline revenues from the Terminal Cost Center are primarily comprised of concession rents and fees from news & gift and food & beverage operators, advertisers, and miscellaneous concessionaires as well as terminal use charges and utility fees. These revenues are expected to increase from approximately $5.0 million budgeted in FY 2007 to approximately $7.5 million in FY 2015. This increase represents a compounded annual growth rate of 5.3 percent during this period, and is the result of anticipated growth in enplanements and inflationary impacts during the projection period as well as additional concession revenues resulting from the 2007 Project.

4.4.3 Non-Aviation

Revenues from the Non-Aviation Cost Center consist of various ground and building rents including rental car building rentals and revenues from the hotel located on Airport property. These revenues are expected to increase from approximately $1.6 million budgeted in FY 2007 to approximately $2.1 million in FY 2015. This increase represents a compounded annual growth rate of 4.0 percent during this period and is the result of inflationary impacts during the projection period.

4.4.4 Ground Transportation

Revenues from the Ground Transportation Cost Center are primarily comprised of auto parking revenues, taxi and limo parking fees and rental car concession fees. Total Ground Transportation revenues are expected to increase from approximately $25.2 million budgeted in FY 2007 to approximately $36.6 million in FY 2015. This increase represents a compounded annual growth rate of 4.8 percent during this period. It is expected that growth in enplanements and parking rate increases every three years will contribute to the projected increase in Ground Transportation revenues.

4.4.5 Aviation

Revenues from the Aviation Cost Center consist of facility and ground rents, flight kitchen revenues, fixed base operator (FBO) rentals, operating permits, utility sales and miscellaneous revenues. These revenues are expected to increase from approximately $2.0 million budgeted in FY 2007 to approximately $2.5 million in FY 2015. This increase represents a compounded annual growth rate of 3.0 percent during this period, and is the result of inflationary impacts during the projection period.

4.4.6 Craig Airport & Herlong Airport

Revenues from these reliever general aviation airports are expected to increase by a compounded annual growth rate of 3.0 percent during this period, as a result of anticipated inflationary impacts during the projection period.

4.4.7 Cecil Field

Most of the revenues for Cecil Field are derived from hangar leases. All eight hangars are currently leased. Revenues are also generated from timber sales and fuel flowage fees from the FBO. Revenues from Cecil Field are expected to increase by a compounded annual growth rate of 3.0 percent during this period, as a result of anticipated inflationary impacts during the projection period.

4.5 Airline Revenues

The balance of the revenues generated at the Airport is comprised of terminal rentals, landing fees and other fees and charges payable by the airlines. In general, the airline rate-base for the terminal rental rate and landing fee calculations is comprised of the following elements:

- **O&M Expenses -** These expenses are attributed to the various rate-setting areas for terminal and airfield and the allocated portion of indirect O&M Expenses.
- **O&M Reserve -** This requirement represents the amount necessary to fund and replenish the O&M Reserve Fund equal to one-sixth of O&M Expenses.
- **Debt Service -** Debt service requirements attributable to the rate-setting areas resulting from the outstanding bonds and the Series 2006 Bonds. Total debt service attributed to the individual cost centers was presented in Table 4.3.
- **Amortization -** This amount represents the year's capital expenditures that were initially funded by the City and then amortized through the airline rate base over the useful life of the project.
- **Debt Service Coverage -** As required by the Bond Resolution, revenue bond debt service coverage is equal to 1.25 times annual debt service.
- **Nonamortized Capital Expenditures -** This amount represents the year's capital projects less than $50,000[1] each that are initially funded by the Authority and included in that year's airline rate base.

Offsetting these rate base items are certain terminal and airfield revenues.

As described previously, a portion of funds remaining from the previous year (known as the Transfer) is allocated to the Signatory Airlines to partially offset rates.

The rate-setting formulas for terminal rentals and landing fees are described in greater detail below.

4.5.1 Terminal Rental Rate

The terminal rental rate calculation combines terminal cost center-specific direct and indirect O&M Expenses, O&M Reserve requirement, total debt service and debt service coverage, amortization, and nonamortized capital expenditures; **less:** security reimbursement and unenclosed covered rental revenues. This net requirement is divided by the sum of airport rentable square feet to determine the average terminal rental rate. Currently, the Authority is assigning all of the Transfer to the terminal rental rate calculation. The Transfer reduces the average terminal rental rate to the Signatory Airline rental rate.

Table 4.6 presents the terminal rental rate for FY 2006 through FY 2015. As shown, the Signatory Airlines average terminal rental rate is projected to increase from $72.66 per square foot budgeted in FY 2007 to $91.50 per square foot in FY 2015. This increase is primarily due to increasing O&M Expenses.

4.5.2 Landing Fee

The Signatory Airline landing fee calculation combines Airfield cost center-specific direct and indirect O&M Expenses, O&M Reserve requirement, total debt service and debt service coverage, amortization, and nonamortized capital expenditures; **less:** Airfield non-airline revenues, parking position charges and non-signatory landing fees. This net requirement is divided by the Signatory Airline landed weight to determine the Signatory Airline landing fee rate. The non-signatory rate ranges from 100 percent to 125 percent of the Signatory Airline landing fee rate. It is assumed that all current Signatory Airlines will remain Signatory Airlines throughout the projection period.

Table 4.7 presents Signatory Airline landing fees for FY 2006 through FY 2015. As shown, the average signatory landing fee is projected to increase from $1.93 per thousand pounds landed weight budgeted in FY 2007 to $2.22 per thousand pounds landed weight in FY 2015. After adjusting for Transfer, the adjusted Signatory Landing Fee Rate is expected to increase from $1.61 per thousand pounds landed weight budgeted in FY 2007, to $1.99 per thousand pounds landed weight budgeted in FY 2015.

[1] $50,000 in 1988 dollars, inflated annually by the U.S. Implicit Price Deflator Index.

Table 4.6
Terminal Rental Rates

Fiscal Year Ended	Budget 2006	Budget 2007	Projected 2008	2009	2010	2011	2012	2013	2014	2015
O&M Expenses	$16,651,027	$17,219,728	$18,675,342	$20,123,015	$21,321,692	$22,594,020	$23,944,641	$25,378,494	$26,900,837	$28,517,268
O&M Reserve Requirement	61,953	603,738	242,602	241,279	199,779	212,055	225,103	238,976	253,724	269,405
Debt Service	7,755,359	13,894,472	14,054,043	14,276,513	14,498,415	14,495,176	14,491,226	14,496,424	14,498,712	14,500,233
Debt Service Coverage	1,938,840	3,473,618	3,513,511	3,569,128	3,624,604	3,623,794	3,622,807	3,624,106	3,624,678	3,625,058
Nonamortized Capital Expenditures	114,084	162,587	173,126	178,320	183,670	189,180	194,855	200,701	206,722	212,924
Amortization of Capital Expenditures	225,347	213,458	192,174	160,707	140,405	112,014	82,136	79,529	63,549	63,267
TOTAL REQUIREMENT	$26,746,609	$35,567,601	$36,850,799	$38,548,963	$39,968,566	$41,226,238	$42,560,768	$44,018,229	$45,548,222	$47,188,154
Less: Total Security Reimbursement	$1,438,291	$1,639,751	$1,746,335	$1,859,168	$1,979,304	$2,107,217	$2,243,412	$2,388,424	$2,542,825	$2,707,225
Less: Unenclosed Covered Rental	60,932	63,880	63,880	63,880	63,880	63,880	63,880	63,880	63,880	63,880
Less: PFC Revenues avail. for Debt Service & Coverage	4,445,353	11,677,662	12,232,874	12,302,169	12,210,190	12,246,198	12,209,986	12,139,853	12,164,734	12,118,876
NET REQUIREMENT	$20,802,033	$22,186,309	$22,807,710	$24,323,747	$25,715,192	$26,808,943	$28,043,490	$29,426,072	$30,776,782	$32,298,174
Terminal Rentable Space (Excluding Type 6)	238,474	238,474	255,600	271,035	271,035	271,035	271,035	271,035	271,035	271,035
Average Terminal Rental Rate	$87.23	$93.03	$89.23	$89.74	$94.88	$98.91	$103.47	$108.57	$113.55	$119.17
Signatory Airline Leased Terminal Space	104,249	109,296	119,719	127,230	127,230	127,230	127,230	127,230	127,230	127,230
Signatory Airline Share of Net Requirement	$9,093,624	$10,168,329	$10,682,800	$11,418,150	$12,071,328	$12,584,761	$13,164,287	$13,813,304	$14,447,359	$15,161,537
Less: Transfers	$2,653,384	$2,226,741	$3,059,139	$2,273,403	$2,258,595	$2,822,711	$2,835,390	$2,905,882	$3,510,458	$3,520,285
Signatory Airline Requirement	$6,440,240	$7,941,587	$7,623,661	$9,144,747	$9,812,733	$9,762,049	$10,328,896	$10,907,422	$10,936,902	$11,641,252
Signatory Airline Leased Terminal Space	104,249	109,296	119,719	127,230	127,230	127,230	127,230	127,230	127,230	127,230
Sig A/L Average Terminal Rental Rate	$61.78	$72.66	$63.68	$71.88	$77.13	$76.73	$81.18	$85.73	$85.96	$91.50
Nonsig A/L Average Terminal Rental Rate	$69.87	$78.35	$67.89	$75.95	$81.47	$81.06	$85.74	$90.53	$90.77	$96.60
Signatory A/L Terminal Rental Revenue	$6,440,240	$7,941,587	$7,623,661	$9,144,747	$9,812,733	$9,762,049	$10,328,896	$10,907,422	$10,936,902	$11,641,252
Nonsignatory A/L Terminal Rental Revenue	$1,934,592	$1,793,343	$1,553,898	$1,738,324	$1,864,763	$1,855,170	$1,962,465	$2,071,970	$2,077,550	$2,210,873

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Table 4.7
Landing Fee Rates

Fiscal Year Ended	Budget 2006	Budget 2007	Projected 2008	2009	2010	2011	2012	2013	2014	2015
O&M Expenses	$9,908,247	$10,578,548	$11,371,491	$12,097,636	$12,757,996	$13,456,005	$14,193,900	$14,974,055	$15,798,992	$16,671,387
O&M Reserve Requirement	108,384	67,895	132,157	121,024	110,060	116,335	122,982	130,026	137,489	145,399
Debt Service	653,715	2,151,044	2,201,223	2,201,794	2,201,082	2,202,493	2,201,762	2,202,126	2,201,686	2,200,895
Debt Service Coverage	163,429	537,761	550,306	550,448	550,270	550,623	550,440	550,531	550,422	550,224
Nonamortized Capital Expenditures	77,788	208,360	221,866	228,522	235,378	242,439	249,712	257,204	264,920	272,867
Amortization of Capital Expenditures	413,089	605,907	671,295	642,162	631,072	563,847	434,315	318,142	226,250	234,355
TOTAL REQUIREMENT	$11,324,652	$14,149,515	$15,148,337	$15,841,586	$16,485,857	$17,131,741	$17,753,111	$18,432,084	$19,179,758	$20,075,128
Less: Sig Aircraft Parking Pos Charge	$739,415	$821,392	$913,639	$970,918	$1,023,882	$1,076,711	$1,127,840	$1,183,624	$1,245,122	$1,321,703
Less: Other Aircraft Parking Pos Charge	165,880	90,526	90,526	90,526	90,526	90,526	90,526	90,526	90,526	90,526
Less: Airfield Nonairline Revenues	3,402,173	3,611,196	3,624,437	3,744,236	3,859,180	3,975,903	4,086,712	4,207,521	4,340,327	4,470,489
Less: Nonsignatory Landing Fees	1,456,723	1,401,097	1,606,477	1,707,191	1,800,321	1,893,210	1,983,112	2,081,199	2,189,332	2,323,987
Less: PFC Revenues avail. for Debt Service & Coverage	362,454	2,233,870	2,296,982	2,297,647	2,297,328	2,298,206	2,297,474	2,297,794	2,297,687	2,297,082
NET REQUIREMENT	$5,198,008	$5,991,434	$6,616,275	$7,031,068	$7,414,620	$7,797,185	$8,167,447	$8,571,419	$9,016,764	$9,571,341
Signatory Airline Landed Weight	3,373,100	3,107,441	3,619,756	3,709,674	3,800,587	3,888,647	3,993,107	4,087,036	4,167,341	4,309,521
Signatory Landing Fee Rate	$1.54	$1.93	$1.83	$1.90	$1.95	$2.01	$2.05	$2.10	$2.16	$2.22
Signatory Airline Revenues	$5,198,008	$5,991,434	$6,616,275	$7,031,068	$7,414,620	$7,797,185	$8,167,447	$8,571,419	$9,016,764	$9,571,341
Less: Transfer	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Adjusted Airfield Requirement	$5,198,008	$4,991,434	$5,616,275	$6,031,068	$6,414,620	$6,797,185	$7,167,447	$7,571,419	$8,016,764	$8,571,341
Adjusted Signatory Landing Fee Rate	$1.54	$1.61	$1.55	$1.63	$1.69	$1.75	$1.79	$1.85	$1.92	$1.99
Signatory Airline Revenues	$5,198,008	$4,991,434	$5,616,275	$6,031,068	$6,414,620	$6,797,185	$7,167,447	$7,571,419	$8,016,764	$8,571,341

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4.6 Airline Cost per Enplanement

Table 4.8 presents airline cost per enplanement between FY 2006 and FY 2015. Based on the estimates and calculations described in the previous sections, the airline cost per enplanement is projected to increase from $6.20 per enplanement budgeted in FY 2007 to $7.95 per enplanement in FY 2015, a compounded annual increase of 3.2 percent.

4.7 PFC Revenues

The Airport is currently authorized to collect a $4.50 PFC per enplaned passenger. The following table presents a projection of PFC collections for the forecast period based on the activity forecast prepared in Chapter 2 of this report and illustrates that the PFC potential collections based on the forecast are more than sufficient to cover the estimated total annual debt service for the Series 2003B-1 Bonds and Series 2003B-2 Bonds (starting in FY 2007 based on recent FAA approval) and a portion of the Series 2006 Bonds used for PFC-eligible projects:

Fiscal Year	Potential PFC Collections [1]	Series 2003B Debt Service [2]	Series 2006 Debt Service	PAYG Projects	Remaining PFC Balance [3]
2005 Ending balance					$10,996,994
2006	$11,605,347	2,483,545	1,362,701	2,325,000	$16,431,095
2007	$12,007,764	3,081,644	8,398,582	5,250,000	$11,708,633
2008	$12,332,591	2,988,023	8,635,863	0	$12,417,338
2009	$12,683,148	3,041,490	8,638,363	0	$13,420,633
2010	$13,050,991	2,968,852	8,637,163	0	$14,865,609
2011	$13,428,884	2,995,060	8,640,463	0	$16,658,970
2012	$13,822,858	2,968,256	8,637,713	0	$18,875,859
2013	$14,229,696	2,911,205	8,638,913	0	$21,555,437
2014	$14,657,038	2,931,425	8,638,513	0	$24,642,537
2015	$15,095,233	2,896,529	8,636,238	0	$28,205,003

1 Based on activity projections discussed in Chapter 2. PFC are assumed to be collected from 90 percent of enplanements.

2 Includes Series 2003 B-1 and starting in FY 2007, Series 2003B-2.

3 Available for future approved PFC projects.

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4.8 Application of Revenues

Combining Operating Revenues, O&M Expenses, O&M Reserve requirements, capital expenditures, and debt service estimates developed and presented earlier in this report, **Table 4.9** presents the cash flow for the Airport for FY 2006 through FY 2015. Specific points regarding the application of revenues are presented below:

- All Airport System Revenues, including investment earnings on Airport System Funds, are combined to develop total revenues available in each year.
- Net revenues equal total revenues less O&M Expenses.
- Net remaining revenues represent the funds remaining after payment of O&M Reserve requirements, debt service, and nonamortized capital expenditures.

Table 4.8
Cost per Enplanement

Fiscal Year Ended	Budget 2006	Budget 2007	Projected 2008	2009	2010	2011	2012	2013	2014	2015
Signatory Cost per Enplanement										
Signatory Airline Landing Fees	$5,198,008	$4,991,434	$5,616,275	$6,031,068	$6,414,620	$6,797,185	$7,167,447	$7,571,419	$8,016,764	$8,571,341
Aircraft Parking Positions Charge	739,415	821,392	913,639	970,918	1,023,882	1,076,711	1,127,840	1,183,624	1,245,122	1,321,703
Signatory Airline Terminal Rentals	6,440,240	7,941,587	7,623,661	9,144,747	9,812,733	9,762,049	10,328,896	10,907,422	10,936,902	11,641,252
Signatory Security Reimbursement	1,112,075	1,289,726	1,373,558	1,462,306	1,556,797	1,657,406	1,764,528	1,878,586	2,000,028	2,129,335
Signatory Terminal Equipment Charge	224,800	282,000	290,800	290,800	290,800	290,800	290,800	290,800	290,800	290,800
Unenclosed Covered Rentals	60,932	63,880	63,880	63,880	63,880	63,880	63,880	63,880	63,880	63,880
TOTAL SIGNATORY AIRLINE REVENUE	$13,775,470	$15,390,020	$15,881,814	$17,963,718	$19,162,712	$19,648,032	$20,743,391	$21,895,731	$22,553,496	$24,018,311
Signatory Enplanements	2,229,500	2,483,074	2,468,237	2,538,397	2,612,017	2,687,648	2,766,498	2,847,922	2,933,450	3,021,150
Signatory Airline Cost per Enplanement	$6.18	$6.20	$6.43	$7.08	$7.34	$7.31	$7.50	$7.69	$7.69	$7.95

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Table 4.9
Airport System Cash Flow

Fiscal Year Ended	Budget 2006	Budget 2007	Projected 2008	2009	2010	2011	2012	2013	2014	2015
Signatory Airline Landing Fees	$5,198,008	$4,991,434	$5,616,275	$6,031,068	$6,414,620	$6,797,185	$7,167,447	$7,571,419	$8,016,764	$8,571,341
Nonsignatory Airline Landing Fees	1,456,730	1,401,097	1,606,477	1,707,191	1,800,321	1,893,210	1,983,112	2,081,199	2,189,332	2,323,987
Aircraft Parking Positions Charge	739,415	821,392	913,639	970,918	1,023,882	1,076,711	1,127,840	1,183,624	1,245,122	1,321,703
Nonsignatory Aircraft Parking Positions Charge	165,880	90,526	90,526	90,526	90,526	90,526	90,526	90,526	90,526	90,526
Signatory Airline Terminal Rents	6,440,240	7,941,587	7,623,661	9,144,747	9,812,733	9,762,049	10,328,896	10,907,422	10,936,902	11,641,252
Nonsignatory Airline Terminal Rents	1,934,592	1,793,343	1,553,898	1,738,324	1,864,763	1,855,170	1,962,465	2,071,970	2,077,550	2,210,873
Signatory Security Reimbursement	1,112,075	1,289,726	1,373,558	1,462,306	1,556,797	1,657,406	1,764,528	1,878,586	2,000,028	2,129,335
Nonsignatory Security Reimbursement	407,769	350,025	372,777	396,862	422,507	449,811	478,884	509,838	542,797	577,890
Terminal Equipment Charge	224,800	282,000	290,800	290,800	290,800	290,800	290,800	290,800	290,800	290,800
Unenclosed Covered Rentals	60,932	63,880	63,880	63,880	63,880	63,880	63,880	63,880	63,880	63,880
Nonairline Revenues	42,272,329	42,758,849	43,632,020	45,368,015	48,354,789	50,210,900	52,148,137	55,640,569	57,830,766	60,107,908
Investment Earnings	800,000	1,900,000	1,938,000	1,976,760	2,016,295	2,056,621	2,097,754	2,139,709	2,182,503	2,226,153
Transfers	2,653,384	3,226,741	4,059,139	3,273,403	3,258,595	3,822,711	3,835,390	3,905,882	4,510,458	4,520,285
PFC Revenues Available for Debt Service & Coverage	4,807,807	14,350,282	14,529,857	14,599,816	14,507,518	14,544,404	14,507,461	14,437,647	14,462,421	14,415,958
FDOT Funds Available for Reimbursement	3,942,367	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	0	0	0
TOTAL REVENUES	$72,216,328	$83,760,883	$86,164,507	$89,614,615	$93,978,026	$97,071,385	$100,347,119	$102,773,072	$106,439,849	$110,491,891
Less: O&M Expenses	39,682,192	41,742,753	44,921,785	47,948,576	50,648,529	53,506,414	56,531,790	59,734,811	63,126,262	66,717,605
NET REVENUES	$32,534,136	$42,018,131	$41,242,722	$41,666,039	$43,329,497	$43,564,971	$43,815,329	$43,038,262	$43,313,587	$43,774,286
Series 2000B	$3,471,987	$191,583	$191,583	$561,583	$1,197,343	$1,198,530	$1,196,290	$0	$0	$0
Series 2003A	7,408,391	7,412,390	7,406,040	7,406,840	7,397,540	7,411,971	7,409,006	7,411,219	7,404,000	7,397,750
Series 2003B-1 (PFC)	2,483,545	2,730,644	2,636,621	2,690,892	2,617,852	2,644,060	2,616,854	2,560,607	2,580,425	2,545,529
Series 2003B-2 (PFC starting in FY 2007)	288,782	351,000	351,402	350,598	351,000	351,000	351,402	350,598	351,000	351,000
Series 2005	0	2,866,550	2,865,218	2,496,881	1,867,801	1,865,227	1,867,431	3,059,189	3,062,487	3,062,890
Series 2006 (PFC)	1,362,701	8,398,582	8,635,863	8,638,363	8,637,163	8,640,463	8,637,713	8,638,913	8,638,513	8,636,238
Series 2006 (Non PFC)	0	0	70,000	236,581	537,338	497,113	523,813	583,863	570,338	612,088
Short Term Financing Repayment (FDOT) [1]	4,023,894	2,771,271	2,864,745	2,806,250	2,718,750	2,631,250	2,543,750	0	0	0
Line of Credit	0	673,365	0	0	0	0	0	0	0	0
O&M Reserve Requirement	543,608	343,427	529,839	504,465	449,992	476,314	504,229	533,837	565,242	598,557
Nonamortized Capital Expenditures	751,300	751,300	800,000	824,000	848,720	874,182	900,407	927,419	955,242	983,899
NET REMAINING REVENUES	$12,199,929	$15,528,020	$14,891,413	$15,149,586	$16,706,000	$16,974,861	$17,264,435	$18,972,618	$19,186,341	$19,586,336
Coverage Calculation - Total Revenue Bond Debt Service:										
Total Revenues [2]	$68,273,961	$81,260,883	$83,664,507	$87,114,615	$91,478,026	$94,571,385	$97,847,119	$102,773,072	$106,439,849	$110,491,891
Less: O&M Expenses	39,682,192	41,742,753	44,921,785	47,948,576	50,648,529	53,506,414	56,531,790	59,734,811	63,126,262	66,717,605
Plus: Tenant Equipment Rolling Coverage	56,200	70,500	72,700	72,700	72,700	72,700	72,700	72,700	72,700	72,700
ADJUSTED NET REVENUES	$28,647,969	$39,588,631	$38,815,422	$39,238,739	$40,902,197	$41,137,671	$41,388,029	$43,110,962	$43,386,287	$43,846,986
TOTAL REVENUE BOND DEBT SERVICE	$15,015,406	$21,950,748	$22,156,726	$22,381,738	$22,606,035	$22,608,364	$22,602,508	$22,604,388	$22,606,762	$22,605,494
Coverage	1.91	1.80	1.75	1.75	1.81	1.82	1.83	1.91	1.92	1.94

[1] FDOT funded projects initially funded with short term debt; FDOT receipts will be used to reimburse JAA.
[2] Excludes FDOT Funds.

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- The Bond Resolution allows for the Transfer of Available PFC Revenues into the Operating Revenue Fund.
- Estimated debt service coverage calculations are also presented for the projection period. As required in the Bond Resolution, Adjusted Net Revenues are required to be at least 1.25 times the amount required to be paid for total capital charges in that year. As shown in the table, debt service coverage exceeds the 1.25 requirement in each year of the financial projection.

Table 4.10 presents the application of revenues projected for FY 2006 through FY 2015 and reflects the disposition of cash flow into the appropriate funds as described in the Bond Resolution.

Table 4.10
Flow of Funds

Fiscal Year Ended	Budget 2006	Budget 2007	Projected 2008	2009	2010	2011	2012	2013	2014	2015
O&M Fund:										
Beginning Balance	$6,395,871	$6,939,479	$7,282,906	$7,812,745	$8,317,210	$8,767,202	$9,243,516	$9,747,746	$10,281,582	$10,846,824
DEPOSIT: O&M Expenses	39,682,192	41,742,753	44,921,785	47,948,576	50,648,529	53,506,414	56,531,790	59,734,811	63,126,262	66,717,605
DEPOSIT: O&M Expense Reserve Requirement	543,608	343,427	529,839	504,465	449,992	476,314	504,229	533,837	565,242	598,557
EXPEND: O&M Expenses	39,682,192	41,742,753	44,921,785	47,948,576	50,648,529	53,506,414	56,531,790	59,734,811	63,126,262	66,717,605
Ending Balance (O&M Reserve)	$6,939,479	$7,282,906	$7,812,745	$8,317,210	$8,767,202	$9,243,516	$9,747,746	$10,281,582	$10,846,824	$11,445,381
Debt Service Fund (Includes Short Term Financing):										
Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
DEPOSIT: Tenant Equipment Capital Charges										
DEPOSIT: Debt Service	15,015,406	21,950,748	22,156,726	22,381,738	22,606,035	22,608,364	22,602,508	22,604,388	22,606,762	22,605,494
DEPOSIT: Short Term Financing	4,023,894	3,444,636	2,864,745	2,806,250	2,718,750	2,631,250	2,543,750	0	0	0
EXPEND: Total Capital Charges	19,039,299	25,395,384	25,021,470	25,187,988	25,324,785	25,239,614	25,146,258	22,604,388	22,606,762	22,605,494
Ending Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service Reserve Fund										
Beginning Balance	$10,395,437	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295
DEPOSIT: Debt Service Reserve (2006)	8,947,858	0	0	0	0	0	0	0	0	0
EXPEND: Replenish Debt Service Reserve	0	0	0	0	0	0	0	0	0	0
Ending Balance	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295	$19,343,295
Renewal & Replacement Fund										
Beginning Balance	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
DEPOSIT: R&R Expenditures	0	0	0	0	0	0	0	0	0	0
EXPEND: R&R Expenditures	0	0	0	0	0	0	0	0	0	0
Ending Balance	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Surplus Fund										
Signatory Airline Capital Account										
Beginning Balance	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459
DEPOSIT: From Airport Sys Cap Account	0	0	0	0	0	0	0	0	0	0
DEPOSIT:	0	0	0	0	0	0	0	0	0	0
EXPEND: Capital Expenditures	0	0	0	0	0	0	0	0	0	0
Ending Balance	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459	$2,039,459
Airport System Capital Account										
Beginning Balance	$33,556,817	$33,949,446	$35,320,948	$42,133,955	$49,539,723	$58,268,549	$67,034,755	$75,739,094	$85,561,102	$95,582,052
DEPOSIT: From Revenue Fund	12,951,229	16,279,320	15,691,413	15,973,586	17,554,720	17,849,043	18,164,842	19,900,037	20,141,583	20,570,235
EXPEND: Capital Exp to be Amortized (Non-2006 Project)	3,668,000	4,828,000	3,254,475	3,812,500	3,500,000	3,712,250	4,000,000	4,000,000	4,000,000	4,000,000
EXPEND: 2006 Project	4,291,672	4,586,718	891,373	0	0	0	0	0		
EXPEND: Nonamortized Capital Expenditures	751,300	751,300	800,000	824,000	848,720	874,182	900,407	927,419	955,242	983,899
EXPEND: Next Year's Sig A/L Transfer	3,226,741	4,059,139	3,273,403	3,258,595	3,822,711	3,835,390	3,905,882	4,510,458	4,520,285	4,544,506
TRANSFER: PFC Debt Service Coverage to PFC Account	620,886	682,661	659,155	672,723	654,463	661,015	654,213	640,152	645,106	636,382
Ending Balance	$33,949,446	$35,320,948	$42,133,955	$49,539,723	$58,268,549	$67,034,755	$75,739,094	$85,561,102	$95,582,052	$105,987,500
Annual Increase to Capital Account	$392,629	$1,371,502	$6,813,007	$7,405,768	$8,728,826	$8,766,206	$8,704,339	$9,822,008	$10,020,950	$10,405,448
Annual Increase BEFORE Capital Expenditures	$4,060,629	$6,199,502	$10,067,482	$11,218,268	$12,228,826	$12,478,456	$12,704,339	$13,822,008	$14,020,950	$14,405,448

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APPENDIX D

Summary of Certain Provisions of the Airline Agreements

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS

The following is a summary of certain provisions of the Airline Agreements to which reference is made for a complete statement of the provisions and contents thereof. The Authority has offered a five-year extension of the Airline Agreement to the Signatory Airlines, which also amends the Airline Agreement by changing the nature of certain space in the terminal from being leased on an exclusive basis to a preferential basis. All but two of the Signatory Airlines have verbally accepted. The proposed amendments are not reflected in this summary. The Airline Agreements signed by the Signatory Airlines are substantially similar except for provisions relating to different leased premises for each Signatory Airline.

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the terms below shall have the following respective meanings.

"Air Transportation Company" shall mean a company engaged in the business of scheduled or non-scheduled commercial transportation by air of persons, property and mail.

"Aircraft Parking Positions" shall mean those parts of the Ramp Area immediately adjacent to the Terminal that are used for the parking of aircraft and support vehicles, and the loading and unloading of passengers and cargo.

"Airfield" shall mean the Landing Area and Ramp Area.

"Airline Premises" shall mean the total amount of Exclusive Use, Joint Use and Preferential Use Premises of all Signatory Airlines.

"Airline Supported Areas" shall mean the Landing Area, Ramp Area and Terminal which shall constitute the Airfield and Terminal cost centers.

"Amortization Requirements" shall mean the recovery or repayment of capital costs or principal and interest, in substantially equal annual installments over a fixed term for a Capital Expenditure which is not debt financed. The amortization charge for such expenditure shall be computed using the then current Bond Buyer 40 Bond Revenue Bond Index rate as of October 1 of the Fiscal Year that such Capital Expenditure is made as the imputed interest rate, and the economic life for such capital item, determined in accordance with generally accepted accounting practices, as the term for such amortization charges.

"Authority" shall mean the Jacksonville Aviation Authority, formerly known as the Jacksonville Airport Authority.

"Capital Charge Coverage" shall mean for any Fiscal year, the amount equal to 25 percent of the Bond Service Requirement for all series of Bonds plus such other amount as may be established by any financing agreement with respect to Other Indebtedness or Junior Obligations.

"Capital Charges" shall mean (i) Debt Service, (ii) Other Debt Service, (iii) Amortization Requirements and (iv) the cost of any other single capital item made to improve, maintain, or develop the Airport System which is not a Capital Expenditure.

"Capital Expenditure" shall mean an expenditure made to acquire, purchase or construct a single capital project for the purpose(s) of improving, maintaining or developing the Airport System. For the purpose of the Airline Agreements, a capital item shall be that which cost exceeds $50,000 and economic life exceeds three years; provided, however, the $50,000 amount shall be adjusted annually in accordance with changes in the U.S. Import

Price Deflator Index. Said adjustments shall use the index value applicable to the first October 1 date following Substantial Completion as the base index, with adjustments related to said index to be effective each October 1 thereafter.

"Capital Program" shall mean the improvements to the Terminal and other facilities at the Airport approved by the Signatory Airlines pursuant to the Airline Agreements.

"Debt Service" shall mean the required amounts to be deposited within the Debt Service Fund created by the Bond Resolution, and such other fund which may be established for payment of Junior Obligations, during any period for the payment of principal of, interest on, and other fees and amounts associated with Bonds or Junior obligations.

"Exclusive Use Premises" shall mean those Terminal areas assigned exclusively to a Signatory Airline pursuant to a Airline Agreement.

"Joint Use Premises" shall mean those Terminal areas which may be assigned to two or more Scheduled Air Carriers pursuant to an Airline Agreement.

"Landing Area" shall mean those portions of the Airport provided for the landing, taking off and taxiing of aircraft, including without limitation, approach and turning zones, navigation or other easements, runways, taxiways, runway and taxiway lights, and other appurtenances in connection therewith.

"Majority-in-Interest" ("MII") for the Airfield shall mean such group of Signatory Airlines representing greater than 50 percent in number and greater than 50 percent of Maximum Gross Landed Weight of all Signatory Airlines at the Airport for the most recent six month period for which statistics are available. MII for the Terminal shall mean such group of Signatory Airlines representing greater than 50 percent in number and having paid greater than 50 percent of the total Signatory Airline Terminal rentals for the most recent six month period for which information is available.

"Maximum Gross Landed Weight" shall mean the maximum gross certificated landing weight in one thousand pound units, as stated in each Signatory Airline's flight operations manual, at which each aircraft operated at the Airport by a Signatory Airline is certified by the FAA.

"Net Requirement" shall mean for the Terminal and Airfield cost centers, the O&M Reserve Expenses, plus Capital Charges, Capital Charge Coverage, O&M Reserve Requirement and replenishment of the Debt Service Reserve Fund created under the Bond Resolution, less Terminal reimbursements, unenclosed space rentals and Airfield revenues.

"Operation and Maintenance Expenses" or ***"O&M Expenses"*** shall mean for any period all expenses accrued by the Authority in accordance with generally accepted accounting practices for airports of similar characteristics for the operation, maintenance, administration and ordinary current repairs of the Airport System in order to maintain and operate the Airport System in a reasonable and prudent manner, all as set forth in the Bond Resolution.

"Operation and Maintenance Reserve Requirement" or ***"O&M Reserve Requirement"*** shall mean the Bond Resolution requirement that a reserve be created and maintained sufficient to pay all outstanding and unpaid bills for Operation and Maintenance Expenses plus the amount necessary to pay the next succeeding two months' of budgeted Operation and Maintenance Expenses.

"Other Debt Service" shall mean any principal, interest, and premium, either paid or accrued, on Other Indebtedness of the Authority.

"Other Indebtedness" shall mean any debt incurred by Authority for Airport System purposes which is outstanding and not authenticated and delivered under and pursuant to the Bond Resolution.

"Preferential Use Premises" shall mean those portions of the Ramp Area assigned to a Signatory Airline pursuant to a Airline Agreement to which such Signatory Airline shall have higher, unrestricted and continuous priority over all other users, subject to certain provisions of the Airline Agreement.

"Ramp Area" shall mean the aircraft parking and maneuvering areas adjacent to the Terminal, and shall include within its boundaries all Aircraft Parking Positions.

"Regional/Commuter Operating Apron" shall mean those parts of the Ramp Area immediately adjacent to the Regional/Commuter Operating Area that are used for the parking of aircraft and support vehicles, and the loading and unloading of passengers and cargo.

"Regional/Commuter Operating Area" shall mean that part of the Terminal designated by the Authority for use by regional/commuter Air Transportation Companies, as defined by the U.S. Department of Transportation.

"Revenue Landing" shall mean any aircraft landing by a Signatory Airline for which it receives revenue.

"Scheduled Air Carrier" shall mean any Air Transportation Company performing or desiring to perform, pursuant to published schedules, non-seasonal commercial air transportation services over specified routes to and from the Airport and holding the necessary authority from the appropriate Federal or state agencies to provide such transportation.

"Special Purpose Facility" shall mean any capital improvement, equipment, or facility hereafter acquired, constructed or leased by Authority from funds other than Revenues, or obligations payable from Revenues.

"Substantial Completion" shall mean the date on which Authority's architects and engineers certify the Terminal Improvement Program to be available for beneficial occupancy.

"Terminal" shall mean the airline terminal facilities at the Airport after completion of the Terminal Improvement Program.

"Terminal Improvement Program" shall mean that portion of the Capital Program for terminal facilities expansion, parking expansion, and certain roadway and airfield improvements.

"U.S. Implicit Price Deflator Index" shall mean the then most recently issued year-to-year U.S. GNP Implicit Price Deflator Index, issued by the United States Department of Commerce, or, if such index shall be discontinued, a successor index as designated by the U.S. government.

COMMENCEMENT DATE; TERM

The Airline Agreements became effective on June 16, 1988, which was the date on which the Authority and Scheduled Air Carriers constituting at least 75 percent in number of all Scheduled Air Carriers at the Airport and accounting for at least 55 percent of total aircraft landed weight of all Scheduled Air Carriers at the Airport during the most recent 12 month period had executed Airline Agreements. The Airline Agreements shall terminate at midnight on September 30, 2007, unless sooner canceled under the terms of the Airline Agreement.

PREMISES

Each Signatory Airline shall be entitled to the Exclusive Use Premises, Preferential Use Premises and Joint Use Premises, including Terminal equipment, as shall be set forth in the exhibits attached to the Airline Agreement of such Signatory Airline.

GRANT OF RIGHTS; OBLIGATIONS OF AUTHORITY AND SIGNATORY AIRLINES

Each Signatory Airline is granted the right to operate its air transportation system at the Airport and all activities reasonably necessary to such operation. Each Signatory Airline and the Authority have certain specified obligations with respect to the maintenance of the Airport.

RENTALS, FEES AND CHARGES

Each Signatory Airline pays the Authority rentals for use of Airline Premises, and fees and charges for the other rights, licenses and privileges granted under the Airline Agreements. Rentals, fees and charges of all Signatory Airlines shall be in the aggregate equal to the Net Requirement attributable to the Airfield and that percentage of the Terminal derived by dividing the aggregate number of square feet of rentable space in the Terminal demised to Signatory Airlines as Exclusive Use Premises or Joint Use Premises by the total aggregate number of square feet of rentable space in the Terminal; provided, however, that no Signatory Airline shall be obligated to pay terminal rentals properly charged against any other Signatory Airline and not paid by such other Signatory Airline.

Landing Fees. The Signatory Landing Fee Rate is determined by dividing the Signatory Airline Requirement, which is equal to ninety percent (90%) of the Net Requirement for the Airfield, by the total estimated Signatory Airline Landed Weight. The Net Requirement for the Airfield is equal to: (i) Operation and Maintenance Expenses, plus (ii) Capital Charges, plus (iii) Capital Charge Coverage, plus (iv) amounts necessary to establish or maintain the Operation and Maintenance Reserve Requirement, plus (v) any required deposit to the Reserve Fund, minus (vi) revenues of the Airfield Cost Center, exclusive of Aircraft Parking Position Charges and Signatory Landing Fees. Each Signatory Airline is required to pay the Authority monthly for Revenue Landings for the preceding month, with the landing fees to be determined as the product of the Signatory Landing Fee Rate and the Signatory Airline's total landed weight for that month.

Aircraft Parking Position Fees. Fees for Preferential Use Premises on the Ramp Area shall be equal to ten percent (10%) of the Net Requirement for the Airfield, divided by the total number of linear feet contained within all Aircraft Parking Positions (including the Commuter Apron). The Commuter Aircraft Parking Position Rate shall be equal to the product of the Aircraft Parking Position Rate multiplied by the total number of linear feet contained in said Commuter Apron divided by the estimated total available seats of all users of said Apron.

Terminal Rentals. An Average Signatory Airline Terminal Rental Rate is calculated by dividing the Signatory Airline Requirement by the total number of square feet of Signatory Airline Space in the Terminal. The Signatory Airline Requirement is equal to the Net Requirement for the Terminal multiplied by the percent of total rentable Terminal space leased to Signatory Airlines, minus any Transfers required to be made by the Authority. The Net Requirement for the Terminal is equal to: (i) Operation and Maintenance Expenses, plus (ii) Capital Charges, plus (iii) Capital Charge Coverage, plus (iv) amounts necessary to establish or maintain the Operation and Maintenance Reserve Requirement, plus (v) any required deposit to the Reserve Fund, minus (vi) credit for Terminal Reimbursements (amounts for passenger screening, electric, and water reimbursements), minus (vii) rentals charged to Signatory Airlines for unenclosed apron space.

The Airline Agreements establish differential weighted values for different types of Exclusive Use and Joint Use Premises. Rental rates for specific types of premises are calculated by applying the weighted value of such premises to the Average Signatory Airline Terminal Rental Rate. With regard to Joint Use Premises, twenty percent (20%) of the rental rate for such premises is paid equally by all Scheduled Air Carriers having joint use of such premises and eighty percent (80%) of the rental rate for such premises is prorated among such Scheduled Air Carriers on the basis of the percentage of total enplaned passengers for such month.

Equipment Charges. In addition to the Terminal rentals, each Signatory Airline shall pay Terminal Equipment Charges on existing Terminal equipment, and charges equal to Operation and Maintenance Expenses, if any, Capital Charges, and Capital Charge Coverage, allocable to such new loading bridges, baggage make-up conveyors and devices, and Hertz bridge units leased by such Signatory Airline, provided, however, that such Capital Charge Coverage will be included in the calculation of such loading bridge and/or baggage make-up conveyor charges only in the first year, unless required to meet the rate covenant under the Bond Resolution.

Transfers. The Airline Agreements require the Authority to make Transfers for any fiscal year of a portion of any excess of (i) Net Operating Revenues plus the required Transfer for the prior Fiscal Year over (ii) payments necessary to establish and maintain the Operation and Maintenance Reserve Requirement, Capital Charges, Capital Charge Coverage attributable to Terminal equipment and any required deposits to the Reserve Fund for such Fiscal Year, which Transfers will reduce the rentals, fees and charges otherwise payable by the Signatory Airlines for such Fiscal Year. The portion of such amount which shall be credited as Transfers shall be in accordance with the following schedule:

Fiscal Years Ending	Amount to be Credited as Transfers
9/30/1996 - 9/30/2001	50%
9/30/2002 – 9/30/2006	40%

Other Fees and Charges. In addition to the rentals, fees and charges as described above, the Authority shall charge for the use of the commuter operating area and the Regional/Commuter Operating Apron; and shall impose certain charges for the costs of providing security personnel for passenger screening. Finally, the Authority has reserved the right to impose reasonable and nondiscriminatory fees for concessions and certain other services provided by a Signatory Airline for others, for services or facilities provided by the Authority, including but not limited to Federal Inspection Services ("FIS") fees, and a pro rata share of any charges for the provision of services or facilities which the Authority is required to provide by any other governmental entity having jurisdiction over the Airport.

PAYMENTS

Approximately 90 days prior to the end of each Fiscal Year, the Authority shall notify the Signatory Airlines of proposed rentals, fees and charges for the ensuing Fiscal Year. The Authority has agreed to meet with Signatory Airlines within 45 days of such notification to discuss such rentals, fees and charges. Following such meeting and prior to the end of the current Fiscal Year, the Authority shall notify the Signatory Airlines of rentals, fees and charges for the ensuing Fiscal Year. On the first day of such Fiscal Year, the Authority shall transfer from the Surplus Fund to the Operating Revenue Fund an amount equal to the amount of Transfers estimated to be required for such Fiscal Year.

Rates for rentals, fees and charges may be changed at any time that unaudited monthly Airport System data indicates that total rentals, fees and charges payable pursuant to then current rate schedules are estimated by the Authority to vary by more than 10 percent from the total rentals, fees and charges that would be payable based on the use of the monthly financial data then available for said Fiscal Year. Rates for rentals, fees and charges may also be changed whenever required by the terms and conditions of the Bond Resolution, provided that each Signatory Airline's total rentals, fees and charges shall be allocated in accordance with the Airline Agreements.

Monthly rentals for Exclusive Use Premises, Preferential Use Premises and Terminal equipment charges shall be due in advance, without demand or invoice, on the first day of each month. Monthly payments for Joint Use Premises, landing fees, commuter operating area, Regional/Commuter Operating Apron, passenger screening reimbursements and all other charges shall be payable within 30 days of the date of the Authority's invoice therefor. Not later than five days after the end of each month, each Signatory Airline is obligated to provide the Authority with information relating to activities in the preceding month which shall form the basis for the Authority's invoices.

Within 120 days of the end of a Fiscal Year or as soon as audited financial data therefor is available, all rentals, fees and charges for such Fiscal year shall be recalculated. In the event of overpayment by a Signatory Airline, the Authority shall promptly return to such Signatory Airline the amount of such overpayment. In the event of an underpayment, the Authority shall invoice the Signatory Airline for the amount of such underpayment and said invoke shall be due within 20 days of the mailing date of such invoice.

Unless a Signatory Airline shall have provided regularly scheduled passenger flights to and from the Airport during the 18 months prior to the Effective Date without the occurrence of any act or omission which would have been a default under the Airline Agreement, such Signatory Airline shall provide to the Authority a contract bond, irrevocable letter of credit or other similar security in an amount equal to an estimate of three months' rentals, fees and charges for such Signatory Airline to guarantee the faithful performance by such Signatory Airline of its obligations under its Airline Agreement. Such security shall be maintained until such Signatory Airline shall have performed its obligations under its Airline Agreement for 18 months without default.

PASSENGER FACILITY CHARGE

In the event that passenger facility charges are adjudicated by a court of competent jurisdiction to be legal or federal legislation removing the prohibition against such charges is enacted, the Authority has reserved the right to assess and collect such charges, subject to such methods of collection as may be contemplated or expressly provided by such court action or legislation or as may otherwise be agreed to between the Authority and the Signatory Airlines. The proceeds of any passenger facility charge may be utilized for the same purposes as federal grants-in-aid under the Federal Airport Improvement Program ("AIP"), applied to the improvement of the Airport System or retirement of debt of the Airport System, or applied as otherwise may be agreed between the Authority and the Signatory Airlines. No passenger facility charge proceeds shall be used for that portion of projects for which AIP grants are available and no Amortization Requirements for facility costs funded from the proceeds of a passenger facility charge shall be included in the determination of Signatory Airlines' rentals, fees and charges.

AUTHORITY COVENANTS

The Authority has covenanted to the Signatory Airlines that (i) for the purposes of assigning and allocating costs, it shall utilize generally accepted accounting practices utilized by airports and include only those charges properly attributable to the Airport System, (ii) it shall operate the Airport in a manner as to produce revenues from concessionaires, tenants and other users of a nature and amount which would be produced by a reasonably prudent operator of an airport of substantially similar size, use and activity, with due regard for the interests of the public, and (iii) it shall use all Revenues exclusively for the construction, operation, maintenance, development, financing and management of the Airport System.

SIGNATORY AIRLINE CAPITAL ACCOUNT

The Authority has agreed to create an account to be known as the Signatory Airline Capital Account and to credit a maximum of $250,000 into such account as of the last day of each Fiscal Year, provided that such credit need not be made (i) if and to the extent that Operating Revenues and Transfers for such Fiscal Year shall not exceed the amount necessary to make all deposits required under the Bond Resolution for such Fiscal Year and the Transfers required for the first day of the next ensuing Fiscal Year, or (ii) if there is a balance of $2,000,000 in such an account as of such day. The maximum amount of each year's credit and the maximum permitted balance on credit shall be annually adjusted on the basis of the United States Implicit Price Deflator Index.

Signatory Airlines constituting a Majority-in-Interest shall direct the use of funds on credit to the Signatory Airline Capital Account to pay the costs of capital improvements in the Airline Supported Areas.

AIRPORT SYSTEM CAPITAL ACCOUNT

The Authority has agreed to create an account to be known as the Airport System Capital Account and to pay into such account all funds remaining in the Surplus Fund at the end of each Fiscal Year in excess of: (i) those funds to be transferred to the Operating Revenue Fund as Transfers on the first day of the next succeeding Fiscal Year, (ii) payments required to replenish the Renewal and Replacement Fund, and (iii) payments to be made to the Signatory Airline Capital Account. Funds in such account may be used for any lawful purpose relating to the Airport System.

Signatory Airlines constituting a Majority-in-Interest may request the Authority to use funds in the Airport System Capital Account to pay the costs of capital improvements in Airline Supported Areas. In the event that the Authority agrees to pay for such costs in Airline Supported Areas, Amortization Requirements for such expenditures shall be includable in the determination of rentals, fees and charges of Signatory Airlines.

CAPITAL IMPROVEMENTS

The following Capital Expenditures shall be permitted by the Authority and shall not be subject to Majority-in-Interest approval or disapproval: (i) Capital Program projects, (ii) except during certain periods of rental abatement, Capital Expenditures having a net cost (actual cost less the proceeds of insurance or state or federal grants) of less than $250,000, provided that the cumulative net costs of such expenditures do not exceed $750,000 in any Fiscal Year (each of such amounts to be adjusted annually to reflect inflation), (iii) projects required by the FAA, the DOT or similar governmental authority (other than the Authority) having jurisdiction over the Airport System, any Signatory Airline's operations or the issuance of federal or state grants to the Authority, (iv) projects to repair casualty damage which must be rebuilt or replaced in order for the Authority to meet obligations established pursuant to the Airline Agreements, the Bond Resolution or agreements with other lessees at the Airport, (v) Special Purpose Facilities, (vi) improvements or additions, including all costs therefor, necessary to settle claims, satisfy judgments or comply with judicial orders against the Authority by reason of its ownership, operation, maintenance or use of the Airport System, (vii) expenditures of an emergency nature which, if not made, would result in the closing of the Airport (viii) expansion of the Airport facilities for the increased requirements of any Signatory Airline, if such Signatory Airline shall agree in writing to pay increased rentals, fees and charges sufficient to cover the payment of Capital Charges to finance any Exclusive Use Premises, Preferential Use Premises and Joint Use Premises portions of such expansion, (ix) except during certain periods of rental abatement, financially self-supporting Capital Expenditures so long as the Authority shall agree to make Transfers in amounts sufficient to keep such expenditures from increasing the rentals, fees and charges payable under the Airline Agreements and (x) except during certain periods of rental abatement, improvements to the Airport System in or chargeable to Excluded Cost Centers so long as the Authority shall agree to pay debt service from its own funds available for such purposes in the event that such expenditures shall be debt financed and non-self-supporting.

All other Capital Expenditures may be made only upon notice given to all Signatory Airlines and only if a Majority-in-Interest shall not issue a written disapproval with regard thereto.

The Authority may issue Bonds, Junior Obligations or Other Indebtedness to finance any Capital Expenditures permitted pursuant to the Airline Agreements, other than Capital Expenditures for Special Purpose Facilities. All costs allocable to the Airfield or the Terminal associated with Capital Expenditures permitted pursuant to the Airline Agreements, including but not limited to Operation and Maintenance Expenses, Capital Charges and Capital Charge Coverage Requirement (except for Special Purpose Facilities and projects which are permitted on the basis of their being financially self-sufficient) shall be included in the determination of rentals, fees and charges for Signatory Airlines in accordance with the Airline Agreements.

DAMAGE OR DESTRUCTION

If any portion of the Airline Premises are damaged by fire or other casualty and such damage does not render such premises to be untenantable as reasonably determined by the Authority, such premises shall be repaired to usable condition by the Authority with due diligence. No abatement of rentals shall accrue as long as such premises remain tenantable.

If any portion of the Airline Premises are damaged in a manner so as to render such premises to be untenantable as reasonably determined by the Authority, but such premises are capable of repair as reasonably determined by the Authority, such premises shall be repaired to usable condition by the Authority with due diligence. Rentals for such premises shall be abated for such period during which such premises are untenantable.

If any portion of the Airline Premises are so extensively damaged as to render them incapable of being repaired as reasonably determined by the Authority, the Authority shall notify the Signatory Airline tenant of such premises whether the Authority will reconstruct or replace such premises. Rentals for such premises shall abate until such premises are replaced or reconstructed. In the event that the Authority shall not choose to reconstruct such premises, the Authority and the Signatory Airline tenant shall meet and consult on ways and means to permanently provide such Signatory Airline with replacement premises.

The Authority shall provide a Signatory Airline with alternative facilities while repairs, reconstruction or replacement is being completed, at a rental rate not in excess of that which is provided for in the Airline Agreements for comparable space.

In the event that damage to any portion of the Airline Premises is due to the negligence or willful act or omission of a Signatory Airline, there shall be no abatement or rentals during any period of repairs, reconstruction or replacement.

The Authority's responsibilities for repairs, reconstruction or replacement shall be limited to restoring premises to the condition of such premises immediately before the casualty and shall be limited to the extent of the proceeds of insurance so long as the Authority shall maintain levels of insurance as are required by the Bond Resolution. The Authority shall be under no obligation to restore or replace any equipment, furnishings, property, real improvements, signs or other items owned by a Signatory Airline unless the damage to such property shall result solely from the negligence or willful act of the Authority or its employees acting within the scope of their employment.

During any period of rental abatement, if the funds of the Authority available for the purpose of paying Debt Service are insufficient therefor, the Signatory Airlines have agreed to forego rental abatement to the extent of such insufficiency. The Authority has agreed that in the event of any such foregoing of rental abatements, it will amend the Airline Agreements to provide for increased Transfers in subsequent Fiscal Years from first-available Net Operating Revenues, after payment of Capital Charges and Capital Charge Coverage, to reimburse all Signatory Airlines for unabated rentals. Until such reimbursement is completed, the Authority has agreed not to make any Capital Expenditures described in subsections (ii) and (ix) of the first paragraph of the section herein entitled "Capital Improvements."

INDEMNIFICATION; INSURANCE

Each Signatory Airline shall indemnify the Authority for costs and liabilities (i) arising out of, resulting from, or incidental to its Airline Agreement or in connection with such Signatory Airline's use and any other tort claims in its use and occupancy of the Airline Premises or use of the Airport, unless such costs or liabilities arise as a result of the Authority's negligence; or (ii) arising from or based upon the violation of any federal, state or municipal law, statute, resolution or regulation by such Signatory Airline.

Each Signatory Airline must maintain in force occurrence form, comprehensive airport premises liability and aviation insurance to protect against personal injury and property damage liability in the aggregate amount of not less than $100,000,000 per occurrence, combined single limit. In addition, each Signatory Airline must maintain in force (i) liability insurance applicable to the ownership, maintenance, use or operation of motor vehicles at the Airport and (ii) liability insurance coverage for non-passengers, in amounts not less than $25,000,000 per occurrence.

CANCELLATION BY AUTHORITY

The following events shall be events of default by a Signatory Airline:

A. Any of the following events, after the giving of 30 days' advance written notice by the Authority:

(i) The appointment of a trustee, custodian or a receiver for all or a substantial portion of such Signatory Airline's assets;

(ii) The divestiture of such Signatory Airline's estate in its Airline Agreement by operation of law, by dissolution or by liquidation;

(iii) The insolvency of such Signatory Airline;

(iv) The voluntary discontinuance for a period of at least 30 consecutive days by such Signatory Airline of its operations at the Airport;

(v) The conduct of any business or performance of any acts on the Airport not specifically authorized by the Airport Agreement after such Signatory Airline shall be in possession for 30 days of a written notice of the Authority requiring cessation of such business or acts; and

(vi) The failure to cure a default in the performance of any material term, covenant or condition of the Airline Agreement within 30 days of receipt of written notice of the Authority to do so.

B. Any of the following events, without the passage of time or the giving of notice:

(i) The failure of such Signatory Airline to pay any part of its rentals, fees and charges continuing for 10 days after Authority's written notice of payments past due;

(ii) The failure of such signatory Airline to provide and keep in effect the contract security described in the fifth paragraph of the section herein entitled "Payments"; and

(iii) The failure of such Signatory Airline to provide and keep in effect the insurance coverage required by the Airline Agreement.

Upon an event of default under an Airline Agreement, the Authority shall have the following rights:

A. The Authority may cancel the Airline Agreement by written notice;

B. The Authority may re-enter the demised premises of such Signatory Airline and remove such Signatory Airline's persons and property therefrom;

C. The Authority may relet the demised premises of such Signatory Airline and any improvements thereon; and

D. The Authority may exercise any other remedy provided by law or in equity.

In the event that the Authority shall relet any demised premiums, rentals, fees and charges therefrom shall be applied (i) to the payment of any indebtedness other than rentals, fees and charges due under the Airline Agreement, (ii) to the payment of any cost of such reletting and then, (iii) to the payment of rentals, fees and charges under the Airline Agreement.

Notwithstanding the foregoing, upon the taking by or against a Signatory Airline of any proceeding under Federal bankruptcy laws, if such Signatory Airline shall have defaulted in the performance of any provision of its Airline Agreement within the prior six months, the Authority shall have the right to cancel such agreement.

CANCELLATION BY AIRLINE

The following events shall be events of default by the Authority:

A. The failure to keep, perform or observe any material term, covenant or condition of the Airline Agreement which continues for 30 days after receipt of written notice from a Signatory Airline;

B. The closing of the Airport by the Authority to flights in general or to the flights of any Signatory Airline for reasons other than for circumstances beyond the control of the Authority and the failure to reopen the Airport to such flights within 60 days;

C. The permanent closing of the Airport as an air carrier airport by act of any federal, state or local government agency having competent jurisdiction, or if a Signatory Airline is unable to use the Airport for at least

60 consecutive days due to any law or any order, rule or regulation of any governmental authority having jurisdiction over the operations of the Airport, or any court of competent jurisdiction issues an injunction preventing the Authority and a Signatory Airline from using the Airport for airport purposes and such injunction remains in effect for 60 consecutive days; and

D. The United States Government or any authorized agency of same assumes the operation, control or use of the Airport in such a manner as to significantly restrict a Signatory Airline from conducting its operations, if such restriction be continued for 60 days or more.

Upon any event of default by the Authority, a Signatory Airline can cancel its Airline Agreement and surrender its demised premises thereunder by giving 30 days advance written notice to the Authority.

ASSIGNMENT AND SUBLETTING

A Signatory Airline may not assign, sell or transfer (except through merger or consolidation) its Airline Agreement or any portion of its demised premises without the prior written consent of the Authority. A Signatory Airline may not sublease its demised premises without the prior written consent of the Authority, which consent may be withheld if the Authority has substantially similar space available and unleased or if the Authority can make such space available for lease within a reasonable time.

AVAILABILITY OF ADEQUATE FACILITIES

Under the Airline Agreements, the Authority and the Signatory Airlines acknowledge the objective of the Authority to offer access to all airlines desiring to serve the Airport and to provide adequate gate positions and space in the Terminal therefor. Recognizing that physical and financial limitations may preclude the timely expansion of the Airport's facilities, the Authority states its intention to obtain an optimum balance in utilization of facilities, if necessary, through sharing of such facilities.

Each Signatory Airline has agreed to cooperate with the Authority by accommodating the needs of a requesting airline, on a temporary basis, by permitting such airline to use its gate positions and terminal facilities for the loading and unloading of passengers at times which do not conflict with the planned operations of the Signatory Airline or its sublessees, licensees or permittees. A Signatory Airline's obligation to share facilities shall be subject to a requesting airline executing an agreement under which it agrees to pay to the Signatory Airline a pro rata share of such Signatory Airline's costs under its Airline Agreement plus a reasonable administrative charge.

SUBORDINATION TO BOND RESOLUTION

The Airline Agreements and all rights granted to Signatory Airlines thereunder are expressly subordinate and subject to the lien and provisions of the pledges, transfer, hypothecation and assignment made by the Authority in the Bond Resolution.

In the event that the Authority amends the Bond Resolution in a manner that would materially alter the terms and conditions of the Airline Agreements and a Signatory Airline does not agree to such an amendment, the Signatory Airline shall have the right to cancel the Airline Agreement of such Signatory Airline.

With respect to property to be leased to Signatory Airlines acquired with the proceeds of the Series 1988 Bonds, the Authority and the Signatory Airlines have agreed (i) the Signatory Airlines have no option to purchase such property and (ii) the Signatory Airlines have irrevocably elected not to claim depreciation or investment tax credit with respect to any such property.

APPENDIX E

Form of Bond Counsel Opinion

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APPENDIX E

FORM OF BOND COUNSEL OPINION

October __, 2006

Jacksonville Aviation Authority
Jacksonville, Florida

Re: $129,190,000 Jacksonville Aviation Authority Revenue Bonds, Series 2006

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Jacksonville Aviation Authority, formerly known as the Jacksonville Airport Authority (the "Issuer") and other proofs submitted relative to the authorization, issuance and sale of and the security for the Issuer's Revenue Bonds, Series 2006 (the "Series 2006 Bonds"), dated their date of delivery.

The Series 2006 Bonds are issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 2004-464, Laws of Florida, as amended (the "Act"), and a resolution duly adopted by the Jacksonville Port Authority on July 30, 1987, as amended and supplemented by resolutions adopted by the Jacksonville Port Authority on June 16, 1988, May 25, 1993, May 26, 1998 and January 25, 2000, and by the Issuer on April 21, 2003, May 19, 2003, October 20, 2003, July 18, 2005 and September 18, 2006 (collectively, the "Bond Legislation"). The Issuer has assumed the Jacksonville Port Authority's obligations under the Bond Legislation pursuant to the Act. All terms used herein in capitalized form and not otherwise defined herein shall have the respective meanings assigned to such terms in the Bond Legislation.

The proceeds of the Series 2006 Bonds, together with other available funds of the Issuer, will be used to (i) finance or refinance all or a portion of the acquisition, construction and installation of certain capital improvements at the Jacksonville International Airport, (ii) pay the premium for a municipal bond insurance policy to secure the payment of the Series 2006 Bonds, (iii) fund a portion of the Reserve Requirement and (iv) pay the costs of issuance of the Series 2006 Bonds.

The principal of, premium, if any, and interest on the Series 2006 Bonds are payable solely from and secured by a prior lien upon and a pledge of the Parity Security and the Additional Security, all in the manner and to the extent provided in the Bond Legislation. The Series 2006 Bonds are being issued as Parity Bonds under the Bond Legislation and are payable from the Parity Security on a parity with the Issuer's outstanding Airport Revenue Bonds, Series 2000B (the "Series 2000B Bonds"), Revenue Refunding Bonds, Series 2003A (the “Series 2003A Bonds”), Revenue Bonds, Series 2003B (the “Series 2003B Bonds”), and Revenue Refunding Bonds, Series 2005 (the “Series 2005 Bonds”) in the manner provided in the Bond Legislation. The Bond Legislation permits the issuance of additional Parity Bonds payable from the Parity Security on a parity with the Series 2000B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2005 Bonds and the Series 2006 Bonds upon certain terms and conditions specified therein.

The Series 2006 Bonds and the interest thereon do not constitute a general indebtedness of the Issuer, the City of Jacksonville, Florida (the “City”), Duval County, Florida (the “County”) or the State of Florida (the “State”), or of any political subdivision thereof, or a pledge of the faith and credit of the Issuer, the City, the County, or the State, or of any political subdivision thereof, but are payable solely from the Parity Security and the Additional Security in the manner provided in the Bond Legislation. Neither the taxing power of the Issuer, the City, the County or the State, nor of any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2006 Bonds.

In rendering the opinions set forth below, we have examined a certified copy of the Bond Legislation and we have relied upon the representations and covenants of the Issuer contained in the Bond Legislation. We also have examined certified copies of the proceedings of the Issuer and other proofs submitted to us relative to the issuance and sale by the Issuer of the Series 2006 Bonds. In addition to the foregoing, we have examined and relied upon such other agreements, documents and opinions, including certificates and representations of public officials, and officers and representatives of various other parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions set forth below. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such agreements, documents, certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing public body corporate and politic of the State of Florida with the power to adopt the Bond Legislation, perform the agreements on its part contained therein and issue the Series 2006 Bonds.

2. The Bond Legislation has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer in accordance with its terms.

3. The Series 2006 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer enforceable in accordance with their terms.

4. Interest on the Series 2006 Bonds (including any original issue discount properly allocable to the owners thereof) (a) is excluded from gross income of the owners thereof for federal income tax purposes, except for interest on any Series 2006 Bond during

any period while it is held by a "substantial user" of the facilities financed by the Series 2006 Bonds or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) is treated as an item of tax preference in computing the alternative minimum tax applicable to all taxpayers.

The opinions set forth in paragraph 4(a) above are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2006 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2006 Bonds to be so included in gross income retroactive to the date of issuance of such Series 2006 Bonds. The Issuer has covenanted to comply with all such requirements.

We express no opinion regarding other federal tax consequences arising with respect to the Series 2006 Bonds.

5. The Series 2006 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined by Chapter 220, Florida Statutes, as amended.

6. The Series 2006 Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Bond Legislation is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

The rights of the owners of the Series 2006 Bonds and the enforceability of the Series 2006 Bonds and the Bond Legislation may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully Submitted,

FOLEY & LARDNER LLP

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APPENDIX F

Specimen Bond Insurance Policy

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

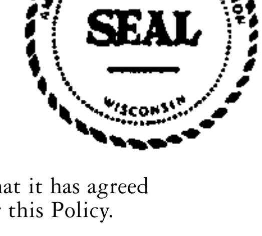
As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader

President



Anne G. Gill

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President

SEAL

Secretary

Authorized Representative

Form No.: 2B-0004 (7/97)

APPENDIX G

Form of Continuing Disclosure Certificate

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APPENDIX G

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Jacksonville Aviation Authority (the "Issuer"), in connection with the issuance of $129,190,000 in aggregate principal amount of its Revenue Bonds, Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds were issued pursuant to a resolution adopted by the Issuer on June 30, 1987, as amended and supplemented, particularly as amended and supplemented by a resolution adopted by the Issuer on September 18, 2006 (the "Resolution"). The Issuer agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer in order to assist the Participating Underwriter (as hereinafter defined) in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2006 Bonds (including persons holding Series 2006 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2006 Bonds for federal income tax purposes.

"Cover Sheet" means the Municipal Secondary Market Disclosure Information Cover Sheet in the form attached as Exhibit C hereto.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission, and a method of obtaining hereafter the most current listing of approved National Repositories, are set forth in Exhibit B.

"Participating Underwriter" shall mean the original underwriters of the Series 2006 Bonds required to comply with the Rule in connection with offering of the Series 2006 Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the date which shall be 180 days after the end of the Issuer's Fiscal Year (presently September 30), commencing with the report for the Fiscal Year ending September 30, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the Repositories an Annual Report (other than the audited financial statements described in Section 3(a)) by the date required in Section 3(a), the Issuer shall send a notice to (i) each National Repository or the Municipal Securities Rule Making Board and (ii) the State Repository in substantially the form attached as Exhibit A.

(c) Each Annual Report shall be accompanied by a copy of the Cover Sheet completed by the Issuer.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement relating to the Series 2006 Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the following portions of the Official Statement relating to the Series 2006 Bonds:

(i) The description of the physical facilities of the Airport described under the captions "Jacksonville International Airport" and "Craig Airport, Herlong Airport and Cecil Field" under the heading "THE AIRPORT SYSTEM";

(ii) hoe operating data of the Issuer contained in "Table 2.2—Major/National Air Carrier Base," "Table 2.3—Historical Enplanements," "Table 2.4—Historical Enplaned Passengers by Airline" and "Table 2.5—Primary O&D Passenger Markets" in "THE REPORT OF THE AIRPORT CONSULTANT" attached to the Official Statement as Appendix C; and

(iii) The financial and operating information of the Issuer contained under the caption "THE AIRPORT SYSTEM – Management's Discussion of Historical Operating Results"; and

(iv) The financial information and footnotes of the Issuer (other than information for nine-month periods) contained in the table entitled "Summary of Statements of Revenues, Expenses and Changes in Net Assets" under the caption "Historical Operating Results" under the heading "THE AIRPORT SYSTEM."

The information provided under Section 4(b) may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2006 Bonds, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Modifications to rights of Bondholders.

(iv) Bond calls.

(v) Defeasances.

(vi) Rating changes.

(vii) Adverse tax opinions or events affecting the tax-exempt status of the Series 2006 Bonds.

(viii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(ix) Unscheduled draws on credit enhancements reflecting financial difficulties.

(x) Substitution of credit or liquidity providers or their failure to perform.

(xi) Release, substitution or sale of property securing repayment of the Series 2006 Bonds.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence, and a Cover Sheet, completed by the Issuer and indicating the Listed Event(s) to which such Cover Sheet applies, with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) the State Repository. Notwithstanding the foregoing, notice of Listed Events described in Section 5(a)(iv) and Section 5(a)(v) need not be given under this Section 5 any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2006 Bonds pursuant to the Resolution.

Section 6. CUSIP Numbers. Whenever providing information to the National Repositories, through a Dissemination Agent or otherwise, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Listed Events, and voluntary reports filed pursuant to Section 11, the Issuer shall indicate the CUSIP numbers for the Series 2006 Bonds as to which the provided information relates.

Section 7. Filing Through a Central Post Office. Any filing made or notice provided by the Dissemination Agent in accordance with this Disclosure Certificate to any Central Post Office approved by the United States Securities and Exchange Commission (the "SEC") by electronic or other means shall satisfy the requirements of this Disclosure Certificate with respect to filings required to be made to each and every Repository and the Dissemination Agent shall not be required to make separate filings with any of the Repositories.

Any required filing with a Repository as set forth in this Section 7 may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at www.disclosureusa.org unless the SEC has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004.

Section 8. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2006 Bonds. If such termination occurs prior to the final maturity of the Series 2006 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 9. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4 or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2006 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2006 Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2006 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c) and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series 2006 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section 13 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2006 Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2006 Bonds, and shall create no rights in any other person or entity.

Dated as of October __, 2006.

JACKSONVILLE AVIATION AUTHORITY

By:______________________________________
John D. Clark, III, Executive Director and Chief Executive Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Jacksonville Aviation Authority
Name of Bond Issue:	Revenue Bonds, Series 2006, dated October __, 2006
Date of Issuance:	October __, 2006

NOTICE IS HEREBY GIVEN that the Issuer has not provided an annual report with respect to the above-referenced Series 2006 Bonds as required by Section 3 and Section 4 of the Continuing Disclosure Certificate dated as of October __, 2006, executed and delivered by the Issuer. [The Issuer anticipates that the annual report will be filed by ______________________________.]

Dated:

[ISSUER/DISSEMINATION AGENT]

By: ____
Name:
Title:

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission.

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: : (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
http://www.ftid.com
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered to the NRMSIRs pursuant to this Certificate. An updated list may be obtained at http://www.sec.gov/info/municipal/nrmsir.htm.

EXHIBIT C

COVER SHEET

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JACKSONVILLE AVIATION AUTHORITY • REVENUE BONDS, SERIES 2006 (AMT)

JACKSONVILLE

AVIATION AUTHORITY

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